Documentation

The Annual General Meeting

2020

Thursday 16 April
1:30 p.m.

Hotel Okura Amsterdam
Ferdinand Bolstraat 333
1072 LH Amsterdam
The Netherlands

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AIRBUS

Agenda

1 Opening and general introductory statements

2 Presentation by the Chairman and the Chief Executive Officer, including the report by the Board of Directors in respect of the:

1. Corporate governance statement
2. Report on the business and financial results of 2019
3. Policy on dividend

3 Discussion of all Agenda items

4 Vote on the resolutions in respect of the:

1. Adoption of the audited accounts for the financial year 2019
2. Approval of the result allocation and distribution
3. Release from liability of the Non-Executive Members of the Board of Directors
4. Release from liability of the Executive Member of the Board of Directors
5. Renewal of the appointment of Ernst & Young Accountants LLP as auditor for the financial year 2020
6. Adoption of the remuneration policy of the Board of Directors
7. Approval of the implementation of the remuneration policy for the financial year 2019
8. Appointment of Mr Mark Dunkerley as Non-Executive Member of the Board of Directors for a term of three years, in replacement of Mr Denis Ranque whose mandate expires
9. Appointment of Mr Stephan Gemkow as Non-Executive Member of the Board of Directors for a term of three years, in replacement of Mr Hermann-Josef Lamberti whose mandate expires
10. Renewal of the appointment of Mr Ralph D. Crosby, Jr. as Non-Executive Member of the Board of Directors for a term of three years
11. Renewal of the appointment of Lord Drayson (Paul) as Non-Executive Member of the Board of Directors for a term of three years
12. Delegation to the Board of Directors of powers to issue shares, to grant rights to subscribe for shares and to limit or exclude preferential subscription rights of existing shareholders for the purpose of Employee Share Ownership Plans and share-related Long-Term Incentive Plans
13. Delegation to the Board of Directors of powers to issue shares, to grant rights to subscribe for shares and to limit or exclude preferential subscription rights of existing shareholders for the purpose of funding the Company and its group companies
14. Renewal of the authorisation for the Board of Directors to repurchase up to 10% of the Company's issued share capital
15. Cancellation of shares repurchased by the Company

5 Closing of the Meeting

Chairman's message

Dear shareholders, Dear stakeholders,

2019 was an historic year for Airbus, as we celebrated our 50th anniversary. I am proud to say that since 1969 we have been innovative pioneers who have helped transform the aerospace and defence industry.

It was also a defining year when a new generation of management took the helm. Your Board diligently followed a comprehensive process designed to identify and recruit the best candidates, including the new Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

Recruited from outside and within, this new generation has the required expertise to continue driving aerospace innovation and address the challenges and opportunities of 2020 and beyond. The 12-strong Executive Committee is focusing not only on the Company's industrial and financial performance but also on customer trust, employee engagement and sustainability.

Operationally, the new management took over at a testing time. From a geopolitical perspective, Airbus has had to navigate global trade tensions and potentially disruptive events like Brexit.

At an industrial level, the new team has made a smooth start, addressing the issues related to the ramp-up of A320neo Family aircraft production, particularly for the larger and more complex A321. Despite this, Airbus delivered a record number of commercial aircraft while also having a successful year in terms of orders.

Defence and Space took significant steps towards achieving the A400M transporter's full technical capability and rebaselined the programme even though a new charge was recorded for revised export assumptions. Looking to the future, it made further progress on Europe's next generation Future Combat Air System and successfully met key milestones in Ariane 6's development. Helicopters saw good growth in services, although the civil and parapublic market remained soft, and managed a healthy overall financial performance.

Your Board continued to visit industrial sites, staying close to the products and businesses. During the year we met management and employees at the A220 final assembly line in Mirabel, near Montreal.

The Board committees once again had a busy year. I would like to thank the Remuneration, Nomination and Governance Committee, especially the Chair, Amparo Moraleda, for preparing the management transition for the wider Board. Additionally, Catherine Guillouard made a strong start as the new Chair of the Audit Committee, mastering business and external challenges.

The compliance-related settlements reached with the French, UK and US authorities in January 2020 turned the page on unacceptable business practices from the past. The commitment from the Ethics and Compliance Committee, together with the Board, to provide full support to the investigations, ensure strong cooperation with the authorities and supervise the implementation of an effective compliance programme, paved the way to these agreements. More broadly, conducting business in a responsible and sustainable manner is now at the heart of the Company's priorities. The 2019 accounts included a charge related to the penalties that the Company agreed to pay under the terms of the agreements with the authorities.

In line with the policy of staggered appointments, 2020 will see two Directors step down and two join after the AGM. I would like to thank Hermann-Josef Lamberti, the former long-standing leader of our Audit Committee, who leaves after more than 12 years. I have also announced my own departure after seven years. The Board has selected René Obermann to replace me as Chairman, to be confirmed at the Board meeting after the AGM. René is a respected former European technology CEO, with vital insights for Airbus' strategy over the coming years. He already knows Airbus well, having been a Director since 2018.

After a rigorous selection process, we will propose the election of Stephan Gemkow and Mark Dunkerley to become new Members of the Board at the 2020 AGM. Each brings widespread experience of the commercial airline and aviation industry, including finance related roles. The mandates of Ralph D. Crosby, Jr. and Lord Drayson (Paul) are up for renewal.

Reflecting our ongoing commitment towards sustained dividend growth, the Board proposes a dividend of € 1.80 per share for 2019 (2018: € 1.65) despite the charges recorded in the year.

In summary, 2019 was the year of a successful management transition to prepare your Company for the future, as well as a celebration of an extraordinary 50 years. I would like to thank our employees who have made these accomplishments both possible and successful, and all our stakeholders for their faith in the Board and management. For me, it has been a great honour to serve Airbus, with real passion and pleasure, and I extend my best wishes to my successor.

Yours sincerely,

Denis Ranque
Chairman of the Board

Text and Presentation

proposed by the Board of Directors

1

First resolution

ADOPTION OF THE AUDITED ACCOUNTS FOR THE FINANCIAL YEAR 2019

RESOLVED THAT the audited accounts for the accounting period from 1 January 2019 to 31 December 2019, as submitted to the Annual General Meeting by the Board of Directors, be and hereby are adopted.

Presentation of the first resolution

We recommend that this Annual General Meeting ("AGM") approves the audited accounts for 2019.

For more information on 2019 financial performances, see Section "5.1 Consolidated Financial Statements ("IFRS")" of the report of the Board of Directors and the audited Financial Statements 2019.

2

Second resolution

APPROVAL OF THE RESULT ALLOCATION AND DISTRIBUTION

RESOLVED THAT the net loss of €3,665 million, as shown in the income statement included in the audited accounts for the financial year 2019, shall be charged against the retained earnings and that a payment of a gross amount of €1.80 per share shall be made to the shareholders out of retained earnings.

Presentation of the second resolution

We recommend that this AGM resolves that the net loss of €3,665 million, as shown in the income statement included in the audited accounts for the financial year 2019, shall be charged against the retained earnings and that a payment of a gross amount of €1.80 per share shall be made to the shareholders out of retained earnings.

Please note that the net loss is mainly due to the €3,598 million penalties recognised in the accounts for the financial year 2019 in relation to the agreements reached with the French Parquet National Financier, the U.K. Serious Fraud Office, the U.S. Department of Justice and the U.S. Department of State.

Pursuant to a decision by the Board of Directors, the dividend payment shall be made on Wednesday 22 April 2020.

As from Monday 20 April 2020, the Company's shares will be traded ex-dividend on the Frankfurt, Paris and Spanish Stock Exchanges. The dividend payment will be made to holders of the Company's shares on Tuesday 21 April 2020 (record date).

For more information on dividend policy, see Section "3.4 Dividend policy" of the report of the Board of Directors.

For more information on the Company's results, see Section "5 Financial Performance" of the report of the Board of Directors.

3

Third resolution

RELEASE FROM LIABILITY OF THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

RESOLVED THAT the Non-Executive Members of the Board of Directors be and hereby are granted a release from liability for the performance of their duties during and with respect to the financial year 2019, to the extent that their activity has been reflected in the audited annual accounts for the financial year 2019 or in the report of the Board of Directors or was otherwise properly disclosed to the General Meeting.

4

Fourth resolution

RELEASE FROM LIABILITY OF THE EXECUTIVE MEMBER OF THE BOARD OF DIRECTORS

RESOLVED THAT the Executive Member of the Board of Directors be and hereby is granted a release from liability for the performance of his duties during and with respect to the financial year 2019, to the extent that his activity has been reflected in the audited annual accounts for the financial year 2019 or in the report of the Board of Directors or was otherwise properly disclosed to the General Meeting.

Presentation of the third and fourth resolutions

We recommend that this AGM releases the current Members of the Board of Directors, and the former Members of the Board of Directors whose mandate expired in 2019, from liability for the performance of their duties during and with respect to the financial year 2019, to the extent that their activity has been reflected in the audited annual accounts for the financial year 2019 or in the report of the Board of Directors or was otherwise properly disclosed to the General Meeting.

5

Fifth resolution

RENEWAL OF THE APPOINTMENT OF ERNST & YOUNG ACCOUNTANTS LLP AS AUDITOR FOR THE FINANCIAL YEAR 2020

RESOLVED THAT the Company's auditor for the accounting period being the financial year 2020 shall be Ernst & Young Accountants LLP, The Netherlands, whose registered office is at Boompjes 258, 3011 XZ Rotterdam in the Netherlands.

Presentation of the fifth resolution

In 2019, the Audit Committee monitored and reviewed external auditors independence, objectivity, qualification, proven performance and also the effectiveness of their auditing process. The Audit Committee presented to the Board of Directors its conclusions as a result of the evaluation, previously described, and made recommendations to the Board of Directors to reappoint EY as Airbus external auditors for the financial year 2020. Therefore, we recommend that the Company's auditor for the financial year 2020 should be Ernst & Young Accountants LLP, The Netherlands, whose registered office is at Boompjes 258, 3011 XZ Rotterdam in the Netherlands.

6

Sixth resolution

ADOPTION OF THE REMUNERATION POLICY OF THE BOARD OF DIRECTORS

RESOLVED THAT the remuneration policy of the Board of Directors, as described in the report of the Board of Directors, including the proposed amendments, be and hereby is accepted and adopted.

Presentation of the sixth resolution

In order to comply with the requirements of the new Dutch regulations implementing the Revised European Shareholder Rights Directive, starting in 2020, the remuneration policy of the Board of Directors shall be submitted for approval by the shareholders at least every four years.

of the Resolutions

In addition and as it was already the case, amendments to the policy require the approval of the shareholders. Consequently, we recommend that this AGM approves, with effect as of 1 January 2020, the remuneration policy of the Board of Directors, as described in the Company's 2019 report of the Board of Directors (Section "4.4.2 Remuneration Policy"), including the proposed amendments (Section "4.4.3 Proposed Amendments included in the Remuneration Policy").

The structure and substance of the remuneration policy of the Board of Directors submitted for approval is materially identical to those of the policy currently applicable and approved by the AGM. To comply with the requirements of new Dutch regulations, the remuneration policy has been further detailed and refined in certain aspects. In addition, this year the remuneration policy submitted to you contains a limited number of amendments, as described below.

Proposal to include a responsibility & sustainability component in the CEO's Variable Remuneration

The current collective part of the Variable Remuneration scheme of the CEO is based only on financial key value drivers. In line with market practices and as announced in the Company's 2018 report of the Board of Directors, in order to reinforce the alignment between the Company's strategy, its values and its remuneration structure, the Board proposes the introduction of a responsibility & sustainability (R&S) component in the Common Collective Component of the CEO's Variable Remuneration. The R&S component will replace the existing RoCE criterion and will represent 20% of the Common Collective Component. Consequently, it is proposed that the new partition of the components be as follows from 1 January 2020: EBIT (40%), FCF (40%) and R&S (20%). Among other matters, criteria giving effect to the R&S component could be related to health & safety, climate and/or people in line with the Company's Priorities. These principles will also apply to the other Members of the Executive Committee, who do not serve on the Board of Directors, and to a large extent to all Executives employed by Airbus.

Proposal to amend the CEO's pension policy

In line with market practices, the Board also proposes to amend the CEO's pension policy and to move from a defined benefit commitment to contributions based pension plans. From 1 January 2020, in addition to local applicable mandatory collective and state pension plans, the annual accrued pension rights of the CEO will be built through a contribution of 20% of the annual pensionable remuneration, subject to applicable local practices (if any). This change will also apply to the majority of the members of the Executive Committee and will apply to all future members of the Executive Committee.

For further information on the remuneration policy, please refer to Section "4.4.2 Remuneration Policy" of the report of the Board of Directors.

7

Seventh resolution

APPROVAL OF THE IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE FINANCIAL YEAR 2019

RESOLVED THAT, as an advisory vote, the implementation of the remuneration policy during the financial year 2019, as disclosed in the report of the Board of Directors, be and hereby is approved.

Presentation of the seventh resolution

In order to comply with the requirements of the new Dutch regulations implementing the Revised European Shareholder Rights Directive, starting in 2020, the Company shall propose an annual advisory vote at the AGM on the implementation of the remuneration policy to all Board Members over the previous financial year based on the disclosures contained in the report of the Board of Directors.

We recommend that this AGM approves the implementation of the remuneration policy during the financial year 2019, as disclosed in the report of the Board of Directors. Please see Section "4.4.4 Implementation of the Remuneration Policy: CEO" and Section "4.4.5 Implementation of the Remuneration Policy: Non-Executive Directors" of the report of the Board of Directors.

8

Eighth resolution

APPOINTMENT OF MR MARK DUNKERLEY AS NON-EXECUTIVE MEMBER OF THE BOARD OF DIRECTORS FOR A TERM OF THREE YEARS IN REPLACEMENT OF MR DENIS RANQUE WHOSE MANDATE EXPIRES

RESOLVED THAT Mr Mark Dunkerley be appointed as Non-Executive Member of the Board of Directors for a term of three years, ending at the close of the Annual General Meeting which shall be held in the year 2023, in replacement of Mr Denis Ranque whose mandate expires as of the close of this Annual General Meeting.

9

Ninth resolution

APPOINTMENT OF MR STEPHAN GEMKOW AS NON-EXECUTIVE MEMBER OF THE BOARD OF DIRECTORS FOR A TERM OF THREE YEARS IN REPLACEMENT OF MR HERMANN-JOSEF LAMBERTI WHOSE MANDATE EXPIRES

RESOLVED THAT Mr Stephan Gemkow be appointed as Non-Executive Member of the Board of Directors for a term of three years, ending at the close of the Annual General Meeting which shall be held in the year 2023, in replacement of Mr Hermann-Josef Lamberti whose mandate expires as of the close of this Annual General Meeting.

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Tenth resolution

RENEWAL OF THE APPOINTMENT OF MR RALPH D. CROSBY, JR. AS NON-EXECUTIVE MEMBER OF THE BOARD OF DIRECTORS FOR A TERM OF THREE YEARS

RESOLVED THAT the appointment of Mr Ralph D. Crosby, Jr. be renewed as Non-Executive Member of the Board of Directors for a term of three years, ending at the close of the Annual General Meeting which shall be held in the year 2023.

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Eleventh resolution

RENEWAL OF THE APPOINTMENT OF LORD DRAYSON (PAUL) AS NON-EXECUTIVE MEMBER OF THE BOARD OF DIRECTORS FOR A TERM OF THREE YEARS

RESOLVED THAT the appointment of Lord Drayson (Paul) be renewed as Non-Executive Member of the Board of Directors for a term of three years, ending at the close of the Annual General Meeting which shall be held in the year 2023.

Presentation of the eighth to eleventh resolutions

As announced in the previous years, Board mandates are to be renewed every year by blocks of four, for a term of three years in order to ensure a smooth transition of the Board composition now and in the future and to be in line with best practices. This is to avoid large block replacements of Directors at one single AGM, with the corresponding loss of experience and integration challenges.

The Board recommends that this AGM appoints, as Non-Executive Member of the Board, **Mr Mark Dunkerley**, for a term of three years, ending at the close of the AGM which shall be held in the year 2023, in replacement of Mr Denis Ranque whose mandate expires as of the close of this AGM. Since 2019, Mr Dunkerley serves as Non-Executive Director of Spirit Airlines Inc., a NASDAQ listed US airline, and, since 2018, of Volotea Airlines, a privately-owned low-cost airline operating in Europe. Between 1989 and 1999, he held various senior positions at British Airways Plc. in a corporate strategy capacity as well as in regional roles in Europe and the USA encompassing notably the management of sales, marketing, customer services, operations, finance, industrial relations, human resources and alliances. Thereafter, Mr Dunkerley successively served as President and COO of Worldwide Flight Services, a leading multinational ground handling business, as Executive Vice President at the San Francisco-based aviation consultancy firm, Roberts Roach & Associates and as COO at Sabena Airlines Group. In 2002, he joined Hawaiian Airlines, first as President and COO and from 2005 as President and CEO where he led the transformation of the company from bankruptcy into one of the world's most successful airlines from which he retired in 2018. The Company considers that with his comprehensive expertise in airlines' industry developments, Asian markets, finance and governance, Mr Dunkerley has the right competencies and expertise to fulfil this position in line with the expectations of the Board of Directors.

The Board further recommends that this AGM appoints, as Non-Executive Member of the Board, **Mr Stephan Gemkow**, for a term of three years, ending at the close of the AGM which shall be held in the year 2023, in replacement of Mr Hermann-Josef Lamberti whose mandate expires as of the close of this AGM. Since 2018, Mr Gemkow serves as non-executive member in the Board of Directors of Amadeus IT Group, a major IT provider for the global travel and tourism industry listed on the Spanish stock exchange. Mr Gemkow is also a Non-Executive Director of Flughafen Zürich AG, a SIX Swiss Exchange listed company owning and operating the Zurich Airport and of JetBlue Airways Corporation, a NASDAQ listed major American low-cost airline. Mr Gemkow also serves as non-executive member of the Board of Directors of C.D. Waelzholz GmbH & Co. KG. With his extensive knowledge of the airline industry and comprehensive expertise in finance, gained over a 22-year career at Deutsche Lufthansa where he held various management positions, including as Sales Manager, Head of Investor Relations, Head of Corporate Finance, Chief Financial Officer and Human Resources for the Cargo division as well as six years as Chief Financial Officer and member of the Management Board of Deutsche Lufthansa AG, Mr Gemkow has the right competencies and personal skills to fulfil his position in line with the Board's expectations. As CEO and Chairman of the Board of Directors of Franz Haniel & Cie. during seven years, which he drove through important restructuring and investment phases in a complex stakeholder management context, he developed a broad Chairman and Board experience and demonstrated strong strategic and entrepreneurial capabilities. Mr Gemkow furthermore served as Chairman on the Supervisory Boards of TAKKT AG and Celesio AG (now known as McKesson Europe AG), and as member of the Supervisory Board of Evonik Industries AG.

In addition the Board recommends that this AGM renews the appointment of **Mr Ralph D. Crosby, Jr.** as an independent Non-Executive Member of the Board of Directors for a term of three years, ending at the close of the AGM which shall be held in the year 2023. Mr Crosby, Jr. presently serves as an independent director of American Electric Power headquartered in Columbus, Ohio, where he chairs the Human Resources Committee and of Excelitas Holdings, LP headquartered in Boston. From 2002 to 2012, Ralph D. Crosby, Jr. was a member of the Company's Executive Committee and served as Chairman and CEO of EADS North America from 2002 to 2009. Prior to joining the Company, Mr Crosby, Jr. was an Executive with Northrop Grumman Corporation, where he had served as a Member of the Corporate Policy Council with positions including President of the Integrated Systems Sector, Corporate Vice President and General Manager of the company's Commercial Aircraft Division and Corporate Vice President and General Manager of the B-2 Division. With his strong industrial background including in leading large and complex programmes and his sound executive leadership experience, Mr Crosby, Jr. provides valuable operational insights to the Board of Directors and its Audit Committee. In addition, based on his profound knowledge of the defence and US markets he brings great strategic vision to Airbus regarding its defence activities and the USA.

Finally, the Board recommends that this AGM renews the appointment of **Lord Drayson (Paul)** as an independent Non-Executive Member of the Board of Directors for a term of three years, ending at the close of the AGM which shall be held in the year 2023. Lord Drayson (Paul) is an entrepreneur. He currently serves as Chairman and CEO of Drayson Technologies Ltd, an Internet of Things platform company that he co-founded in 2014. He also serves as CEO of Sensyne Health plc which he co-founded and took public. Between 1993 and 2003 he was Chairman and CEO of PowderJect Pharmaceuticals Plc, a company which he co-founded and eventually sold to a US firm. Until 1991, he was Managing Director of The Lambourn Food Company Limited (Trebor Group). In addition, since 2001, Lord Drayson (Paul) serves as Chairman of the U.K. BioIndustry Association. Member of the House of Lords (incl. of its Science and Technology Committee since 2004), he was appointed Parliamentary under Secretary of State for Defence Procurement in 2005, became Minister of State for Defence Equipment & Support in 2006 and Minister of State for Science & Innovation in 2008. With his technological background and strong experience in founding and leading successful businesses, Lord Drayson (Paul) brings the right skills for our innovation focus and digital journey. His UK expertise is highly valuable in the Brexit context given the importance of Airbus' activities in the UK and his vast experience enable him to serve a crucial role on the Remuneration, Nomination and Governance Committee as well as on the Ethics & Compliance Committee.

The competencies of each one of these Board Members together with the high attendance rate at the Board and the Committees meetings (see Section 4.1.1 of the report of the Board of Directors) show a great involvement and dedication of our Directors to Airbus' activities. The Board of Directors is therefore convinced that all Members being proposed for (re-)appointment will demonstrate commitment to their roles and perform their duties diligently and effectively. They are each chosen for their broad and relevant experience and international outlook as outlined in the charts next pages.

With these renewals and appointments, the Company maintains the current proportion of 25% of female directors on the Board and will strive to improve the increase of this percentage in the future.

As previously announced, René Obermann has been pre-selected by the Board of Directors as future Chairman in replacement of Denis Ranque whose mandate as Non-Executive Member and consequently as Chairman of the Board shall expire at the close of this AGM. Mr Obermann's appointment as Chairman will be submitted to the Board Members at the occasion of a meeting of the Board of Directors to be held immediately after this AGM.

Finally, the Company has adequate policies that require each Director to avoid any actual or apparent conflict of interest. Those policies require each Director to recuse him or herself from participating in any matter where he or she would have a personal conflict of interest, so that issue would be dealt with respecting the internal functioning of the Board of Directors. Please refer to the Board of Directors' Internal Rules (Annex D – Article 8. Conflicts of interest) available on the Company's website **www.airbus.com** (Company > Corporate Governance > Governance Framework and Documents) and the related Dutch Corporate Governance Code (Principle 2.7 Preventing conflicts of interest) with which the Company complies.

Further information on the above-mentioned candidates is published on the Company's website at **www.airbus.com** (Company > Corporate Governance > Board and Board Committees) and is also available at the Company's offices.

Information on Board Members proposed for (re-)appointment at AGM 2020

APPOINTMENT

Mark DUNKERLEY

56, M, British
New Director in 2020
Independent

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CURRENT PUBLIC COMPANY BOARD

Member of the Board of Spirit Airlines Inc.

PROFILE

Since 2019, Mr Dunkerley serves as Non-Executive Director of Spirit Airlines Inc., a NASDAQ listed US airline, and, since 2018, of Volotea Airlines, a privately-owned low-cost airline operating in Europe. Given his long and varied career in the commercial airline and aviation industry, including as President and Chief Executive Officer of Hawaiian Airlines which he brought from bankruptcy into one of the world's most successful airlines, Mr Dunkerley gained a comprehensive expertise in airlines' industry developments, Asian markets, finance and governance.

APPOINTMENT

Stephan GEMKOW

60, M, German
New Director in 2020
Independent

CURRENT PUBLIC COMPANY BOARD

Member of the Board of Amadeus IT Group, Flughafen Zürich AG and JetBlue Airways Corporation

PROFILE

Since 2018, Mr Gemkow serves as non-executive member in the Board of Directors of Amadeus IT Group, a major IT provider for the global travel and tourism industry listed on the Spanish stock exchange. Mr Gemkow is also a Non-Executive Director of Flughafen Zürich AG, a SIX Swiss Exchange listed company owning and operating the Zurich Airport, and of JetBlue Airways Corporation, a NASDAQ listed major American low cost airline. Mr Gemkow also serves as non-executive member of the Board of Directors of C.D. Waelzholz GmbH & Co. KG. With a 22-year career at Deutsche Lufthansa where he held various management positions, including six years as Chief Financial Officer and member of the Management Board, Mr Gemkow gained an extensive knowledge of the airline industry and comprehensive expertise in finance. As Chief Executive Officer and Chairman of the Board of Directors of Franz Haniel & Cie. during 7 years, he developed a broad Chairman and Board experience and demonstrated strong strategic and entrepreneurial capabilities.

RE-APPOINTMENT

Ralph D. CROSBY, Jr.

72, M, American
New Director in 2013
Independent

CURRENT PUBLIC COMPANY BOARD

Member of the Board of Directors of American Electric Power Corp.

PROFILE

Mr Crosby, Jr. has had thirty years of executive experience in the international aerospace and defence industry, including general management of major defence and commercial businesses for EADS N.V. and Northrop Grumman Corporation. He has served as an independent director of corporate boards in the United States, the United Kingdom, and Europe over 20 years. He presently serves as an Independent Director of American Electric Power, where he chairs the Human Resources Committee.

RE-APPOINTMENT

Lord DRAYSON (Paul)

59, M, British
New Director in 2017
Independent

CURRENT PUBLIC COMPANY BOARD

Founder and CEO of Sensyne Health plc

PROFILE

Lord Drayson (Paul) is an engineer by background. From 1987 to 2014 he founded and led the business of several companies in different sectors such as the healthy snack food sector (The Lambourn Food Company Limited), the medical devices and vaccines sector (PowderJect Pharmaceuticals Plc), the motorsport technology sector (Drayson Racing Technologies LLP), the Internet of Things sector (Drayson Technologies Group) and the clinical artificial intelligence sector (Sensyne Health plc). Lord Drayson (Paul) has also been a member of the House of Lords since 2004 and was appointed Minister of State for Defence Equipment & Support in 2006 and Minister of State for Science & Innovation in 2008.

Appointment *Re-appointment*

Global Business | Engineering & Technology | Manufacturing & Production | Aerospace Industry | Finance & Audit | Geopolitical Economics | Defence Industry | Information & Data Management | ¥ Asia

Airbus SE Board of Directors subject to AGM 2020 approval

	Board member Age*, Gender, Nationality	Status	Since	Term expires	Primary occupation & Other mandates	Director expertise	Attendance to 2019 Board meetings
	**René OBERMANN**** 56, M, German	Independent	*2018*	2021	Managing Director of Warburg Pincus Deutschland GmbH	Global Business, Engineering & Technology, Finance & Audit, Geopolitical Economics, Information & Data Management	10/11
	**Guillaume FAURY** 51, M, French	Executive	*2019*	2022	Chief Executive Officer of Airbus SE	Global Business, Engineering & Technology, Manufacturing & Production, Aerospace Industry, Defence Industry	8/8 *(from AGM 2019)*
	**Victor CHU** 62, M, Chinese / British	Independent	*2018*	2021	Chairman and CEO of First Eastern Investment Group	Global Business, Aerospace Industry, Finance & Audit, Geopolitical Economics, Asia	11/11
	**Jean-Pierre CLAMADIEU** 61, M, French	Independent	*2018*	2021	Chairman of the Board of Engie and member of the Board of AXA SA	Global Business, Engineering & Technology, Manufacturing & Production, Finance & Audit, Geopolitical Economics	10/11
	**Ralph D. CROSBY, Jr.***** 72, M, American	Independent	*2013, to be re-elected in 2020*	2023	Member of the Board of Directors of American Electric Power Corp.	Global Business, Engineering & Technology, Manufacturing & Production, Aerospace Industry, Defence Industry	11/11
	**Lord DRAYSON (Paul)***** 59, M, British	Independent	*2017, to be re-elected in 2020*	2023	Founder and CEO of Sensyne Health plc and Co-Founder and Chairman of Drayson Technologies Group	Global Business, Engineering & Technology, Finance & Audit, Geopolitical Economics, Defence Industry	10/11
	**Mark DUNKERLEY***** 56, M, British	Independent	*2020*	*2023*	Member of the Board of Spirit Airlines Inc.	Global Business, Engineering & Technology, Aerospace Industry, Finance & Audit, Asia	Not applicable
	**Stephan GEMKOW***** 60, M, German	Independent	*2020*	*2023*	Member of the Board of Amadeus IT Group, Flughafen Zürich AG and JetBlue Airways Corporation	Global Business, Engineering & Technology, Aerospace Industry, Finance & Audit, Information & Data Management	Not applicable
	**Catherine GUILLOUARD** 55, F, French	Independent	*2016, previous re-election in 2019*	2022	Chairwoman and CEO of RATP Group and member of the Board of Systra	Global Business, Engineering & Technology, Aerospace Industry, Finance & Audit, Geopolitical Economics	11/11
	**Amparo MORALEDA** 55, F, Spanish	Independent	*2015, previous re-election in 2018*	2021	Member of the Board of Directors of Solvay SA, CaixaBank SA and Vodafone PLC	Global Business, Engineering & Technology, Finance & Audit, Information & Data Management	11/11
	**Claudia NEMAT** 51, F, German	Independent	*2016, previous re-election in 2019*	2022	Member of the Board of Management of Deutsche Telekom AG	Global Business, Engineering & Technology, Finance & Audit, Geopolitical Economics, Information & Data Management	8/11
	**Carlos TAVARES** 61, M, Portuguese	Independent	*2016, previous re-election in 2019*	2022	Chairman of the Managing Board of Peugeot SA and member of the Board of Directors of Total SA	Global Business, Engineering & Technology, Manufacturing & Production, Asia	9/11
	Board and Committee meetings in 2019						11
	Average attendance rate in 2019						91%

Executive *Independent*

* *As of 12 February 2020.*

** *To be appointed as Chairman of the Board of Directors of Airbus SE, subject to formal approval of post-AGM 2020 Board of Directors.*

*** *To be (re-)elected in 2020.*

The professional address of all Members of the Board of Directors for any matter relating to Airbus SE is Mendelweg 30, 2333 CS Leiden, The Netherlands.

Global Business | Engineering & Technology | Manufacturing & Production | Aerospace Industry | Finance & Audit | Geopolitical Economics | Defence Industry | Information & Data Management | Asia

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Twelfth resolution

DELEGATION TO THE BOARD OF DIRECTORS OF POWERS TO ISSUE SHARES, TO GRANT RIGHTS TO SUBSCRIBE FOR SHARES AND TO LIMIT OR EXCLUDE PREFERENTIAL SUBSCRIPTION RIGHTS OF EXISTING SHAREHOLDERS FOR THE PURPOSE OF EMPLOYEE SHARE OWNERSHIP PLANS AND SHARE-RELATED LONG-TERM INCENTIVE PLANS

RESOLVED THAT in accordance with the Company's Articles of Association, the Board of Directors be and hereby is designated, subject to revocation by the General Meeting, to have powers to issue shares and to grant rights to subscribe for shares in the Company's share capital for the purpose of Employee Share Ownership Plans and share-related Long-Term Incentive Plans (such as Performance Share plans), provided that such powers shall be limited to an aggregate of 0.14% of the Company's authorised share capital from time to time and to limit or exclude preferential subscription rights, in both cases for a period expiring at the Annual General Meeting to be held in 2021. Such powers include the granting of rights to subscribe for shares which can be exercised at such time as may be specified in or pursuant to such plans and the issue of shares to be paid up from the Company's reserves. However, such powers shall not extend to issuing shares or granting rights to subscribe for shares if (i) there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) it concerns an aggregate issue price in excess of €500 million per share issuance.

Presentation of the twelfth resolution

We recommend that this AGM delegates to the Board of Directors the authorisation to issue shares and to grant rights to subscribe for shares of the Company up to an aggregate of 0.14% of the authorised share capital, *i.e.* 4 million shares equivalent to 0.51% of the Company's issued share capital as at the date of convening the AGM, and to limit or exclude preferential subscription rights, for a period expiring at the AGM to be held in 2021, including for the purpose of Employee Share Ownership Plans ("ESOP") and share-related Long-Term Incentive Plans such as Performance Share plans ("LTIP"), since the previous authorisation expires at the end of this AGM. The Company anticipates implementing a LTIP in 2020 and an ESOP in 2021, subject to approval by the Board of Directors.

13

Thirteenth resolution

DELEGATION TO THE BOARD OF DIRECTORS OF POWERS TO ISSUE SHARES, TO GRANT RIGHTS TO SUBSCRIBE FOR SHARES AND TO LIMIT OR EXCLUDE PREFERENTIAL SUBSCRIPTION RIGHTS OF EXISTING SHAREHOLDERS FOR THE PURPOSE OF FUNDING THE COMPANY AND ITS GROUP COMPANIES

RESOLVED THAT in accordance with the Company's Articles of Association, the Board of Directors be and hereby is designated, subject to revocation by the General Meeting, to have powers to issue shares and to grant rights to subscribe for shares in the Company's share capital for the purpose of funding the Company and its Group companies, provided that such powers shall be limited to an aggregate of 0.3% of the Company's authorised share capital from time to time and to limit or exclude preferential subscription rights, in both cases for a period expiring at the Annual General Meeting to be held in 2021.

Such powers include the issue of financial instruments, including but not limited to convertible bonds, which instruments may grant the holders thereof rights to acquire shares in the capital of the Company, exercisable at such time as may be determined by the financial instrument, and the issue of shares to be paid up from the Company's reserves. However, such powers shall not extend to issuing shares or granting rights to subscribe for shares if (i) there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) it concerns an aggregate issue price in excess of €500 million per share issuance.

Presentation of the thirteenth resolution

In addition to the authorisation provided for in the abovementioned twelfth resolution, we recommend that this AGM delegates the authorisation to the Board of Directors to issue shares and to grant rights to subscribe for shares of the Company up to an aggregate of 0.3% of the authorised share capital, *i.e.* 9 million shares equivalent to 1.15% of the Company's issued share capital as at the date of convening the AGM for the purpose of funding the Company and its group companies, and to limit or exclude preferential subscription rights, for a period expiring at the AGM to be held in 2021. This is in order to benefit from possible financial market opportunities and to provide flexibility to issue financial instruments, including but not limited to convertible bonds, which instruments may grant the holders thereof rights to acquire shares in the capital of the Company. This may involve one or more issues, each within the €500 million threshold per share issuance stipulated by the Company's Articles of Association.

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Fourteenth resolution

RENEWAL OF THE AUTHORISATION FOR THE BOARD OF DIRECTORS TO REPURCHASE UP TO 10% OF THE COMPANY'S ISSUED SHARE CAPITAL

RESOLVED THAT the Board of Directors be and hereby is authorised, for a new period of 18 months from the date of this Annual General Meeting, to repurchase shares (or depository receipts for shares) of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company will not hold more than 10% of the Company's issued share capital, and at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out. This authorisation supersedes and replaces the authorisation given by the Annual General Meeting of 10 April 2019 in its thirteenth resolution.

Presentation of the fourteenth resolution

We recommend that this AGM approves the renewal of the authorisation to the Board of Directors to repurchase up to 10% of the Company's issued share capital, for a new 18-month period by any means, including derivative products, on any stock exchange or otherwise. This authorisation will supersede and replace the authorisation pursuant to the thirteenth resolution granted by the AGM on 10 April 2019.

The share repurchase programmes to be implemented by the Company, if any, will be determined on a case-by-case basis by the Board of Directors.

It is important to note that the Board of Directors will only decide whether or not to proceed with any share buyback and determine its timetable, amount, method and pricing based on the market conditions at such time, and on other capital allocation considerations. The Board of Directors would be free to decide if and how the acquisition of shares takes place, within the framework of applicable law, and shall ensure that general principles of equal treatment of shareholders shall be complied with. The Board of Directors will also decide whether the shares acquired shall be cancelled or used for any other purpose.

For further information on the Company's share buyback programmes including their purposes, characteristics and status, please refer to the Company's website at **www.airbus.com** (Investors > Share Price & Information).

15

Fifteenth resolution

CANCELLATION OF SHARES REPURCHASED BY THE COMPANY

RESOLVED THAT any or all of the shares held or repurchased by the Company be cancelled (whether or not in tranches) and both the Board of Directors and the Chief Executive Officer be and hereby are authorised, with powers of substitution, to implement this resolution (including the authorisation to establish the exact number of the relevant shares to be cancelled) in accordance with Dutch law.

Presentation of the fifteenth resolution

We recommend that this AGM approves the cancellation (whether or not in tranches) of any or all the shares held or repurchased by the Company and that both the Board of Directors and the Chief Executive Officer be authorised with powers of substitution, to implement the cancellation (including the authorisation to establish the exact number of the relevant shares to be cancelled) in accordance with Dutch law.

Report of the Board of Directors

(Issued as of 12 February 2020)

Dear Shareholders,

This is the Report of the Board of Directors (the "**Board Report**") on the activities of Airbus SE (the "**Company**" and together with its subsidiaries "**Airbus**") during the 2019 financial year, prepared in accordance with Dutch law.

For further information regarding Airbus' business, finances, risk factors and corporate governance, please refer to the Company's website: **www.airbus.com**.

1. General Overview

With consolidated revenues of € 70.5 billion in 2019, Airbus is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners. Airbus is also a European leader, providing tanker, combat, transport and mission aircraft, as well as one of the world's leading space companies. In helicopters, Airbus provides the most efficient civil and military rotorcraft solutions worldwide. In 2019, it generated approximately 86% of its total revenues in the civil sector and 14% in the defence sector. As of 31 December 2019, Airbus' active headcount was 134,931 employees.

2. Summary 2019

At the start of the year, the Company set itself the following "Priorities" for 2019, which were shared with all employees:

Shape the Future Now

- Enforce respect of Airbus **Ethics and Compliance standards and principles**.
- Pursue digital transformation and lead **breakthroughs across design, manufacturing & services:** Execute **DDMS** (Digital Design, Manufacturing and Services) roadmap.
- Continue to improve the **eco efficiency of Airbus products & services** with incremental developments and **prepare next generation** through innovative and greener technologies.
- **Reduce our industrial environmental footprint.**
- Continue to **optimise our international footprint and regional set-up,** to better serve the business and support industrial efficiency.
- Develop **new skills** that prepare job evolution **and adopt ways of working** that favour collaboration and empowerment.
- Simplify and enhance maturity of the **Airbus Business Management System**.

Customer
- Improve **customer satisfaction** before, at and after delivery, entrusting a global account management role to the Airbus sales teams to ensure timely and accurate customer communication.
- Deliver enhanced **support and increase service offering**.
- **Achieve** sales targets.

People
- **Live up to our values!**
- Make **health & safety** everyone's priority.
- Enable a **Speak Up and Listen culture**.
- Proactively manage and improve **diversity**.

Finance
- Deliver quarterly **EBIT and free cash flow** targets.
- Achieve **RC** (recurring-costs) and **NRC** (non recurring-costs) targets per programme.

Operations
- **Improve operational efficiency and implement end-to-end industrial performance solutions**.
- **Plan and deliver reliably on committed targets at each step of the operational process**.
- Ensure **product safety and quality** through proactive measures and strict adherence to standards and processes
- Meet **critical development milestones**.

2019 was another year of progress, despite some significant operational and macroeconomic challenges. Additionally, the Company met its main key operational targets and took important decisions to further enhance its business portfolio:

- commercial aircraft deliveries in 2019 reached a new Company and industry record of 863 aircraft to 99 customers, representing the 17th yearly production increase in a row. Deliveries were more than 8% higher than the previous record of 800 set in 2018. Net orders reached 768 commercial aircraft, compared to 747 in 2018, underlining customer endorsements in all market segments and taking Airbus' overall cumulative net orders over the 20,000 mark;
- in October Airbus delivered the 1,000th A320neo Family aircraft to Indian airline IndiGo, the world's biggest customer for the A320neo Family. Almost at the same time, IndiGo placed a firm order for 300 A320neo Family aircraft. This marks one of Airbus' largest aircraft orders ever with a single airline operator;
- Emirates Airline signed a purchase agreement for 50 A350-900s – Airbus' newest generation widebody aircraft. The aircraft features the latest aerodynamic design, a carbon fibre fuselage and wings, plus new fuel-efficient engines. Together, these latest technologies result in 25% lower operating costs, as well as 25% reduction in fuel burn and CO_2 emissions compared with previous-generation competing aircraft – demonstrating Airbus' commitment to minimise its environmental impact while remaining at the cutting edge of air travel;
- the Air France–KLM Group firmed up an order for 60 Airbus A220-300 aircraft to modernise its single-aisle fleet. The A220 is the only aircraft purpose-built for the 100-150 seat market. It brings together state-of-the-art aerodynamics, advanced materials and latest-generation geared turbofan engines to offer at least 20% lower fuel burn per seat compared to previous generation aircraft;
- Airbus successfully launched the A321XLR to complement its best-selling A321neo Family. The A321XLR thus becomes the next evolutionary step which responds to market needs for even more range, and creates more value for the airlines by bringing 30% lower fuel burn per seat than previous-generation competitor aircraft. With this added range, airlines will be able to operate a lower-cost single-aisle aircraft on longer and less heavily travelled routes;
- the BelugaXL received its Type Certification from the European Aviation Safety Agency (EASA) paving the way for entry-into-service in early 2020. The aircraft is an integral part of Airbus' industrial system and a key enabler for production ramp-up requirements beyond 2019. The BelugaXL provides 30% extra transport capacity being seven metres longer and one metre wider than its BelugaST predecessor. The aircraft received this stamp of approval following an intensive flight test campaign that saw the BelugaXL complete more than 200 flight tests, clocking over 700 flight hours;
- Airbus Helicopters unveiled a new version of its best-selling H145 light twin-engine helicopter at Heli-Expo 2019 in Atlanta. This latest upgrade brings a new, innovative five-bladed rotor to the multi-mission H145, increasing the useful load of the helicopter by 150 kg while delivering new levels of comfort, simplicity and connectivity. The H145's new five-bladed rotor brings a significant increase in overall performance;
- Airbus Helicopters delivered its 1,000th Super Puma helicopter: a twin-engine multi-role H215 assembled in Marignane, France, and handed over to the German Federal Police (Bundespolizei). This delivery completes the German Federal Police's order for four H215s and increases the German Federal Police's Super Puma fleet to 23, including 19 AS332 L1s, making the police force one of the largest operators of Super Pumas in the world today;
- Airbus Helicopters also delivered the first NH90 Sea Lion naval multi-role helicopter to the Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support (BAAINBw). The fly-by-wire flight controls of the NH90 Sea Lion reduce the crew's workload thanks to its high precision and ease of use, which particularly come to the fore in over-water hovering, even in poor weather conditions;
- the French Minister of the Armed Forces, Florence Parly, announced that the launch of the Joint Light Helicopter (*Hélicoptère Interarmées Léger*; HIL) programme has been brought forward to 2021. The HIL programme, for which the Airbus Helicopters' H160 was selected in 2017, was initially scheduled for launch in 2022 by the current military budget law. Launching the programme earlier will enable delivery of the first H160Ms to the French Armed Forces to be advanced to 2026;
- the prototype of Airbus Helicopters' VSR700 unmanned aerial system performed its first flight at a drone test centre near Aix-en-Provence in the south of France. The VSR700 performed several take-offs and landings on Friday 8 November with the longest flight lasting around 10 minutes. In accordance with the airworthiness authority that provided the flight clearance, the VSR700 was tethered with 30-metre cables to fully secure the flight test zone;
- the A400M new generation airlifter successfully achieved its first helicopter air-to-air refuelling contacts with an H225M. Over the course of four flights, operated in day conditions, the A400M performed 51 dry contacts marking a decisive milestone towards its full capability as a tanker. The tests, involving no fuel and performed between 1,000 ft and 10,000 ft at flight speeds as low as 105 knots, confirmed the positive results of previous proximity flights conducted at the beginning of 2019;
- the A400M also completed the certification flight test for the simultaneous dispatch of 80 (40+40) equipped paratroopers from both side doors on a single pass. The flight test campaign, performed in the Ger Azet drop zone in southern France during daylight, also successfully completed the certification flight test to support the deployment of 58 paratroopers from one side door, the A400M's maximum dispatch capacity from a single door;
- Dassault Aviation and Airbus SE delivered a joint industrial proposal to the governments of France and Germany for the first Demonstrator Phase of the Future Combat Air System ("**FCAS**"). This next major milestone achievement in the programme was showcased by the reveal of the New Generation Fighter and Remote Carriers models to a world public on the opening day of the 2019 Paris Air Show. This Demonstrator Phase will cover the period between 2019 and mid-2021, and will serve as a starting point for demonstrators and technology development for a New Generation Fighter ("**NGF**"), Remote Carriers ("**RC**") and an Air Combat Cloud (ACC) to fly by 2026;
- a new CIMON for the International Space Station (ISS): CIMON-2 (Crew Interactive MObile companioN) lifted off on its journey into space. Like its predecessor, CIMON-2 will be deployed in the Columbus European research module. CIMON is a free-flying, spherical technology demonstrator for human-machine interaction and features Artificial Intelligence ("**AI**"). Its AI capabilities and the stability of its complex software applications have also been significantly improved. When travelling to the Moon or Mars, the crew would then be able to rely on an AI-based assistance service, even without a permanent data link to Earth;
- Solar Orbiter, the European Space Agency's (ESA) flagship mission to study the Sun, completed all tests ahead of its scheduled launch in 2020. The Solar Orbiter will study the Sun in detail, as well as its effects on the solar system. The spacecraft carries a suite of complementary instruments that will measure the particles, fields and waves of the plasma through which it travels, and at the same time make observations of the Sun's surface and outer atmosphere, the photosphere and corona. Solar Orbiter builds on hugely successful Airbus-built missions,

such as SOHO and Ulysses, that have provided remarkable insights into the workings of the Sun. Like those missions, it is a collaboration between ESA and NASA;

- Airbus signed a contract with Inmarsat to design, manufacture and build the first in their next generation of geostationary Ka-band satellites, Inmarsat GX7, 8 & 9. The three satellites are the first to be based on Airbus' new OneSat product line, which is fully reconfigurable in orbit. Airbus' highly innovative OneSat is based on a standard, modular and design-to-manufacture approach, and can be delivered more quickly than existing telecommunications satellites. The "ready-made" OneSat satellite relies on Airbus' heritage from its highly reliable Eurostar telecommunications satellites plus its experience in mega-constellation manufacturing;
- Airbus officially opened the E-Aircraft Systems House test facility at Airbus's Taufkirchen/Ottobrunn site. The test centre will provide a space to research technologies for alternative propulsion systems and energy sources – such as electric motors for unmanned aerial vehicles, hybrid propulsion systems and hydrogen for combustion or synthetic fuel use. The building, which allows complete systems to be integrated and tested, is the first test centre of its kind worldwide;
- celebrating 50 years of Airbus, the Foundation created the "Humanitarian Challenge" where employees raised over € 70,000 for IFRC and ACF over 3 months. Through its youth programmes, "Flying Challenge" and "Little Engineer" 8,137 young people were inspired through the world of aerospace and the Discovery Space digital platform has achieved 255,000 content views since launching in 2018. In a complex humanitarian operation, the Foundation coordinated the use of an A330Neo test aircraft to transport 38 firemen and 12T of equipment to Bolivia to support firefighting efforts in the Amazonian rainforest. Airbus Helicopters fitted with specialist equipment also dropped 500T of water on affected areas. The A330Neo then travelled onwards to the Bahamas delivering 32T of goods for the IFRC to help disaster relief efforts after the devastation caused by hurricane Dorian.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued Share Capital

As of 31 December 2019, the Company's issued share capital amounted to € 783,173,115 divided into 783,173,115 shares of a nominal value of €1 each. The issued share capital of the Company as of such date represents 26.11% of the authorised share capital of €3 billion comprising three billion shares. The holder of one issued share has one vote and is entitled to profit in proportion to his/her participation in the issued share capital [(1)].

Modification of Share Capital or Rights Attached to Shares

The shareholders' meeting has the power to authorise the issuance of shares. The shareholders' meeting may also authorise the Board of Directors, for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances.

Holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for: (i) shares issued for consideration other than cash, (ii) shares issued to employees of Airbus and (iii) shares issued pursuant to a previously granted right to subscribe for those shares. For the contractual position as to pre-emption rights, see "— 3.2: Relationship with Principal Shareholders".

The shareholders' meeting also has the power to limit or to exclude pre-emption rights in connection with new issuances of shares, and may authorise the Board of Directors, for a period of no more than five years, to limit or to exclude pre-emption rights. All resolutions in this context must be approved by a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting.

However, the Articles of Association of the Company ("**Articles of Association**") provide that the shareholders' meeting is not authorised to pass any shareholders' resolution to issue shares or to grant rights to subscribe for shares if the aggregate issue price is in excess of €500 million, per share issuance, and no preferential subscription rights exist in respect thereof (by virtue of Dutch law, or because they have been excluded by the competent corporate body). The same limitation applies if the shareholders' meeting wishes to designate the Board of Directors to have the authority to resolve on such share issuance or granting of rights. These limitations in the Articles of Association can only be changed by the shareholders' meeting with a 75% voting majority.

Pursuant to the shareholders' resolutions adopted at the Annual General Meeting ("**AGM**") held on 10 April 2019, the powers to issue shares and to grant rights to subscribe for shares and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors for the purpose of:

1. Employee Share Ownership Plans and share-related long-term incentive plans, provided that such powers shall be limited to 0.14% of the Company's authorised share capital; and
2. funding the Company and any of its subsidiaries, provided that such powers shall be limited to 0.3% of the Company's authorised share capital.

Such powers have been granted for a period expiring at the AGM to be held in 2020, and shall not extend to issuing shares or granting rights to subscribe for shares if: (i) there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) it concerns an aggregate issue price in excess of €500 million per share issuance.

(1) Except for the shares held by the Company itself and subject to certain other exceptions under Dutch law.

At the AGM held on 10 April 2019, the Board of Directors was authorised for a period of 18 months from the date of such AGM to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company would not hold more than 10% of the Company's issued share capital and at a price per share not less than the nominal value and not more than the higher of the price of the independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

The shareholders' meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association. The cancellation of shares requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at the meeting; the reduction of nominal value by means of an amendment to the Articles of Association requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting (unless the amendment to the Articles of Association also concerns an amendment which under the Articles of Association requires a 75% voting majority).

At the AGM held on 10 April 2019, the Board of Directors and the Chief Executive Officer ("**CEO**") were authorised, with powers of substitution, to implement a cancellation of shares held or repurchased by the Company, including the authorisation to establish the exact number of the relevant shares thus repurchased to be cancelled.

Securities Granting Access to the Company's Capital

The convertible bonds (See "Notes to the IFRS Consolidated Financial Statements — Note 36.3: Financing Liabilities") were redeemed by the Company on 30 December 2019, whereby certain bond holders exercised their conversion right connected to the convertible bonds and consequently received newly issued shares in the Company in December 2019. There are no further securities that give access, immediately or over time, to the share capital of the Company.

The table below shows the total dilution that occurred following the exercise by certain bond holders of their conversion right under the convertible bonds as of 31 December 2019:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights
Total number of the Company's shares issued prior to exercise of convertible bonds	778,152,173	99.359%	777,452,713	99.358%
Total number of the Company's shares which were issued following exercise of the convertible bonds	5,020,942	0.641%	5,020,942	0.642%
Total share capital of the Company as of 31 December 2019	783,173,115	100%	782,310,505	100%

Changes in the Issued Share Capital in 2019

In the course of 2019, a total number of 6,805,234 new shares were issued, of which 1,784,292 were issued in the framework of the 2019 Employee Share Ownership Plan ("**ESOP**") and, as set forth above, 5,020,942 were issued in connection with the exercise by certain bond holders of their conversion right.

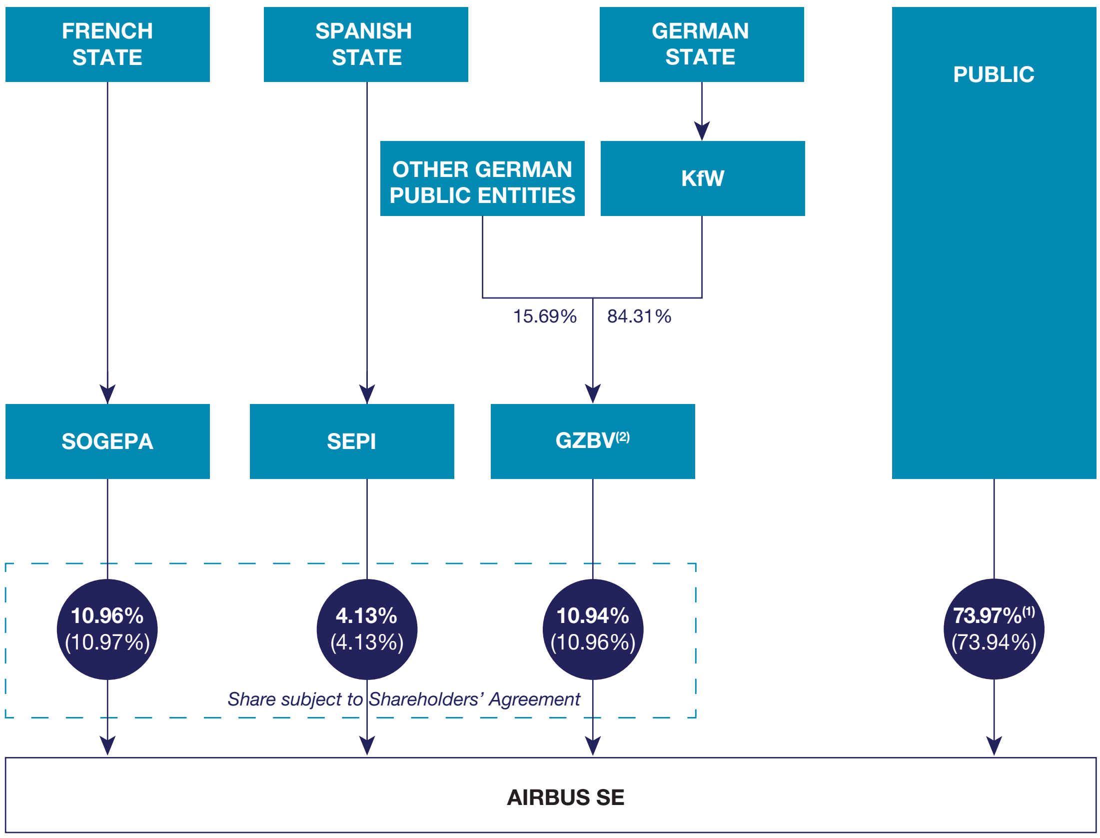
Repurchases and Cancellations of Shares in 2019

During 2019 (i) the Company repurchased 266,000 shares and (ii) none of the treasury shares were cancelled. As of 31 December 2019, the Company held 862,610 treasury shares.

Shareholding Structure at the End of 2019

As of 31 December 2019, the French State held 10.96% of the outstanding Company shares through Société de Gestion de Participations Aéronautiques ("**Sogepa**"), the German State held 10.94% through Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG ("**GZBV**"), and the Spanish State held 4.13% through Sociedad Estatal de Participaciones Industriales ("**SEPI**"). The public (including Airbus' employees) and the Company held, respectively, 73.86% and 0.11% of the Company's share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2019 (% of capital and of voting rights (in parentheses)).



(1) Including shares held by the Company itself (0.11%).
(2) KfW & other German public entities.

Shareholders may have disclosure obligations under Dutch law. These apply to any person or entity that acquires, holds or disposes of an interest in the Company's voting rights and/or capital. Disclosure is required when the percentage of (actual or deemed) voting rights, capital interest or gross short position reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% (whether because of an acquisition or disposal of shares or other instruments, or because of a change in the total voting rights or capital issued). Disclosures must be made to the Netherlands Authority for the Financial Markets ("**AFM**") immediately. Additional disclosure and/or publication obligations apply under European regulations for net short positions in respect of the Company.

In 2019, no entities have notified the AFM of a substantial interest in the Company. For further details, please refer to the website of the AFM at: **www.afm.nl**

Right to Attend Shareholders' Meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, speak and vote according to the Articles of Association. However, under (and subject to the terms of) the Articles of Association, these rights may be suspended under certain circumstances. A shareholder, or another person who has the right to attend a shareholders' meeting, can be represented by more than one proxy holder, provided that only one proxy holder can exercise the rights attached to each share.

The persons who have the right to attend and vote at shareholders' meetings are those who are on record in a register designated for that purpose by the Board of Directors on the 28th day prior to the day of the shareholders' meeting (the "**Registration Date**"), irrespective of who may be entitled to the shares at the time of that meeting.

As a prerequisite to attending the shareholders' meeting and to casting votes, the Company, or alternatively an entity or person so designated by the Company, should be notified in writing by each holder of one or more shares and those who derive the aforementioned rights from these shares, not earlier than the Registration Date, of the intention to attend the meeting in accordance with the relevant convening notice.

Shareholders holding their Company shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the relevant convening notice. For this purpose, a shareholder will also be able to request that its shares be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on stock exchanges.

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear France or to any other person designated for this purpose, as specified in the relevant convening notice.

Pursuant to its Articles of Association, the Company may provide for electronic means of attendance, speaking and voting at the shareholders' meetings in such circumstances, and subject to such conditions as determined by the Board of Directors.

Notification Requirements and Mandatory Disposal Threshold Restricting Ownership to 15%

Under the Articles of Association, each shareholder must notify the Company when it (or another party in respect of its interest in the Company) must make a notification to the AFM of a substantial interest or short position with respect to the Company, when its interest (alone or with concert parties) reaches or crosses the Mandatory Disposal Threshold (as defined below) or, subject to certain conditions and exemptions, when changes occur in the composition, nature and/or size of any interest held by it or by its concert parties in excess of the Mandatory Disposal Threshold (as defined below). Failure to comply with these obligations may, subject to a prior notification by the Company, result in the suspension of voting and attendance rights until the shareholder has complied with its obligations.

The Articles of Association prohibit any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others (the "**Mandatory Disposal Threshold**"). An interest ("**Interest**") includes not only shares and voting rights, but also other instruments that cause shares or voting rights to be deemed to be at someone's disposal pursuant to the Dutch Financial Supervision Act, and must be notified to the Dutch regulator, the AFM, if certain thresholds are reached or crossed. Any shareholder having an interest of more than the Mandatory Disposal Threshold must reduce its interest below the Mandatory Disposal Threshold, for instance by disposing of its Excess Shares, within two weeks after such notification by the Company. Upon receipt of such notification, the voting, attendance and dividend rights attached to the Excess Shares shall be suspended. The same applies to concerts of shareholders and other persons who together hold an interest exceeding the Mandatory Disposal Threshold. Should such shareholder or concert not comply with not exceeding the 15% Mandatory Disposal Threshold by the end of such two-week period, the voting, attendance and dividend rights attached to all shares held by such shareholder or concert shall be suspended, and their Excess Shares would be transferred to a Dutch law foundation ("*Stichting*"), which can, and eventually must, dispose of them. The suspension of shareholder rights described above shall be lifted once a shareholder or concert complies with its obligations under the Articles of Association.

The Dutch law foundation would issue depositary receipts to the relevant shareholder in return for the Excess Shares transferred to the foundation, which would entitle the relevant shareholder to the economic rights, but not the voting rights, attached to such Company shares. The foundation's Articles of Association and the terms of administration governing the relationship between the foundation and the depositary receipt holders provide, *inter alia*, that:

- the Board Members of the foundation must be independent from the Company, any grandfathered persons and their affiliates (see "— 3.1: Exemptions from Mandatory Disposal Threshold") and any holder of depositary receipts and their affiliates (there is an agreement under which the Company will, *inter alia*, cover the foundation's expenses and indemnify the Board Members against liability);
- the Board Members are appointed (except for the initial Board Members who were appointed at incorporation) and dismissed by the Management Board of the foundation (the Company may however appoint one Board Member in a situation where there are no foundation Board Members);
- the foundation has no discretion as to the exercise of voting rights attached to any of the Company's shares held by it and will in a mechanical manner vote to reflect the outcome of the votes cast (or not cast) by the other shareholders, and the foundation will distribute any dividends or other distributions it receives from the Company to the holders of depositary receipts; and
- no transfer of a depositary receipt can be made without the prior written approval of the foundation's Board.

For any shareholder or concert, the term "**Excess Shares**", as used above, refers to such number of shares comprised in the interest of such shareholder or concert exceeding the Mandatory Disposal Threshold which is the lesser of: (i) the shares held by such shareholder or concert which represent a percentage of the Company's issued share capital that is equal to the percentage with which the foregoing interest exceeds the Mandatory Disposal Threshold; and (ii) all shares held by such person or concert.

This restriction is included in the Articles of Association to reflect the Company's further normalised governance going forward, aiming at a substantial increase of the free float and to safeguard the interests of the Company and its stakeholders (including all its shareholders), by limiting the possibilities of influence above the level of the Mandatory Disposal Threshold or takeovers other than a public takeover offer resulting in a minimum acceptance of 80% of the share capital referred to below.

Exemptions from Mandatory Disposal Threshold

The restrictions pursuant to the Mandatory Disposal Threshold under the Articles of Association do not apply to a person who has made a public offer with at least an 80% acceptance (including any Company shares already held by such person). These restrictions also have certain grandfathering exemptions for the benefit of shareholders and concerts holding interests exceeding the Mandatory Disposal Threshold on 2 April 2013 (the "**Exemption Date**"), which is the date of first implementation of the Mandatory Disposal Threshold.

Different grandfathering regimes apply to such shareholders and concerts, depending on the interests and the nature thereof held by each such shareholder or concert on the Exemption Date.

The Company has confirmed that: (i) the specific exemption in Article 16.1.b of the Articles of Association applies to Sogepa, as it held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date; and (ii) the specific exemption in

Article 16.1.c of the Articles of Association applies to the concert among Sogepa, GZBV and SEPI, as they held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date.

Mandatory Public Offer under Dutch law

In accordance with Dutch law, shareholders are required to make a public offer for all issued and outstanding shares in the Company's share capital if they – individually or acting in concert (as such terms are defined under Dutch law summarised below), directly or indirectly – have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions that are provided under Dutch law, the requirement to make a public offer does not apply to persons, who at the time the takeover provisions under Dutch law came into force, already held – individually or acting in concert – 30% or more of the voting rights in the Company. In the case of such a concert, a new member of the concert can be exempted if it satisfies certain conditions.

Amendments to the Articles of Association

According to the Articles of Association, resolutions to amend the Articles of Association require a two-thirds majority of the votes validly cast at a general meeting of shareholders, unless they concern amendments to a limited number of provisions thereof, in which case a 75% voting majority will be required. The proposal containing the literal text of a proposed amendment must be available for inspection by shareholders at the Company's headquarters, from the day the meeting is convened until after the end of the meeting.

3.2 Relationship with Principal Shareholders

In 2013, GZBV, a subsidiary of Kreditanstalt für Wiederaufbau ("**KfW**"), a public law institution serving domestic and international policy objectives of the Government of the Federal Republic of Germany, Sogepa and SEPI, entered into a shareholders' agreement (the "**Shareholders' Agreement**"). The Shareholders' Agreement, further details of which are set out in more detail below, does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. The Company has also entered into state security agreements with each of the French State and German State, which are also described in more detail below.

3.2.1 Corporate Governance Arrangements

Corporate governance arrangements of the Company were substantially changed in 2013, resulting in changes in the composition of the Board of Directors and its internal rules, as well as amendments to the Articles of Association of the Company. These changes were intended to further normalise and simplify the Company's corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Changes to the Company's corporate governance arrangements in the Articles of Association, included: (i) disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds and (ii) ownership restrictions prohibiting any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others (see "— 3.1: Exemptions from Mandatory Disposal Threshold").

3.2.2 Shareholder Arrangements

Grandfathering Agreement

The French State, Sogepa, the German State, KfW and GZBV (all parties together the "**Parties**" and each, individually, as a "**Party**") entered into an agreement with respect to certain grandfathering rights under the Articles of Association. Below is a summary of such agreement.

Individual Grandfathering Rights

A Party that is individually grandfathered pursuant to Article 16.1.b of the Articles of Association (such Party holding "**Individual Grandfathering Rights**") shall remain individually grandfathered in accordance with the Articles of Association if the concert with respect to the Company (the "**Concert**") is subsequently terminated (for instance by terminating the Shareholders' Agreement) or if it exits the Concert.

Loss of Individual Grandfathering Rights

A Party holding Individual Grandfathering Rights as well as any of its affiliates who are grandfathered pursuant to Article 16.1.b in conjunction with Article 16.3 of the Articles of Association (such affiliates holding "**Derived Grandfathering Rights**", and the Individual Grandfathering Rights and the Derived Grandfathering Rights, together, the "**Grandfathering Rights**") shall all no longer be entitled to exercise their Grandfathering Rights in the event:

- the Concert is terminated as a result of it or any of its affiliates having actually or constructively terminated such Concert; or
- it or its relevant affiliate(s) exit(s) the Concert,

and such termination or exit is not for good cause and is not based on material and ongoing violations of the Concert arrangements, including, without limitation, of the Shareholders' Agreement, by the other principal Member of the Concert.

In the event that in the future the voting rights in the Company of the other principal Member of the Concert, together with those of its affiliates, would for an uninterrupted period of three months represent less than 3% of the outstanding aggregate voting rights of the Company, the Grandfathering Rights of the Party, including its affiliates which were no longer entitled to use their Grandfathering Rights, shall from then on revive and Sogepa and GZBV shall jointly notify the Company to that effect.

Notification to the Company

The Company will not be required to take any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-Concert Grandfathering Agreement unless and until it receives: (i) a joint written instruction from Sogepa and GZBV with respect to the taking of any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-Concert Grandfathering Agreement, or (ii) a copy of a binding advice rendered by three independent, impartial and neutral Expert Adjudicators in order to settle any dispute between the

Parties arising out of or in connection with the post-Concert Grandfathering Agreement.

The Company will not incur any liability to any of the Parties by taking such actions following receipt of any such joint instruction or binding advice and the Company will not be required to interpret the post-Concert Grandfathering Agreement or any such joint instruction or binding advice. Notwithstanding the description under "Various provisions – Jurisdiction" below, the courts of the Netherlands will have exclusive jurisdiction to resolve any dispute, controversy or claim affecting the rights or obligations of the Company under the post-Concert Grandfathering Agreement.

Various Provisions

Termination. The post-Concert Grandfathering Agreement terminates only if either the French State and its affiliates or the German State and its affiliates no longer hold shares in the Company.

Governing law. Laws of the Netherlands.

Jurisdiction. The courts of the Netherlands shall have exclusive jurisdiction. This is binding advice for any dispute, controversy or claim arising out of or in connection with the post-Concert Grandfathering Agreement, in accordance with the procedure set forth in the post-Concert Grandfathering Agreement; provided, however, that application to the courts is permitted to resolve any such dispute controversy or claim.

Governance of the Company

Below is a further description of the Shareholders' Agreement, based solely on a written summary of the main provisions of the Shareholders' Agreement that has been provided to the Company by Sogepa, GZBV and SEPI (all parties together the "**Shareholders**").

Appointment of the Directors: The Shareholders shall vote in favour of any draft resolution relating to the appointment of Directors submitted to the shareholders' meeting of the Company in accordance with the terms and conditions of the German State Security Agreement and the French State Security Agreement (as described below). If, for whatever reason, any person to be appointed as a Director pursuant to the German State Security Agreement or the French State Security Agreement is not nominated, the Shareholders shall use their best endeavours so that such person is appointed as a Director. Sogepa and GZBV shall support the appointment of one Spanish national that SEPI may present to them as Member of the Board of Directors of the Company, provided such person qualifies as an independent Director pursuant to the conditions set forth in the rules governing the internal affairs of the Board of Directors (the "**Board Rules**"), and shall vote as Shareholders in any Shareholders' meeting in favour of such appointment and against the appointment of any other person for such position. If, for whatever reason, the French State Security Agreement and/or the German State Security Agreement has/have been terminated, KfW or Sogepa, as the case might be, shall propose two persons, and the Shareholders shall exercise their best endeavours so that these persons are appointed as Directors. Directors can be dismissed by the General Meeting at all times.

Modification of the Articles of Association: Sogepa and GZBV shall consult each other on any draft resolution intending to modify the Board Rules and/or the Articles of Association. Unless Sogepa and GZBV agree to vote in favour together of such draft resolution, the Shareholders shall vote against such draft resolution. If Sogepa and GZBV reach a mutual agreement on such draft resolution, the Shareholders shall vote in favour of such draft resolution.

Reserved Matters: With respect to the matters requiring the approval of a Qualified Majority at the Board level ("**Reserved Matters**"), all the Directors shall be free to express their own views. If the implementation of a Reserved Matter would require a decision of the Shareholders' meeting of the Company, Sogepa and GZBV shall consult each other with a view to reaching a common position. Should Sogepa and GZBV fail to reach a common position, Sogepa and GZBV shall remain free to exercise on a discretionary basis their votes.

Prior consultation: Sogepa and GZBV shall consult each other on any draft resolution submitted to the Shareholders' meeting other than related to Reserved Matters and the Board Rules.

Balance of Interests

The Shareholders agree to pursue their common objective to seek a balance between themselves and their respective interests in the Company as follows:

- to hold as closely as reasonably possible to 12% of the voting rights for Sogepa, together with any voting rights attributable to Sogepa and/or to the French State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties;
- to hold as closely as reasonably possible to 12% of the voting rights for GZBV, together with any voting rights attributable to GZBV and/or to the German State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties; and
- to hold as closely as reasonably possible to 4% of the voting rights for SEPI, together with any voting rights attributable to SEPI and/or to the Spanish State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties.

Mandatory Takeover Threshold

The total aggregate voting rights of the Shareholders shall always represent less than 30% of the voting rights of the Company, or less than any other threshold the crossing of which would trigger for any Shareholder a mandatory takeover obligation (the "**MTO Threshold**"). In the event that the total aggregate voting rights of the Shareholders exceed the MTO Threshold, the Shareholders shall take all appropriate actions as soon as reasonably practicable, but in any event within 30 days, to fall below the MTO Threshold.

Transfer of Securities

Permitted transfer. Transfer of securities by any Shareholder to one of its affiliates.

Pre-emption right. Pro rata pre-emption rights of the Shareholders in the event any Shareholder intends to transfer any of its securities to a third party directly or on the market.

Call option right. Call option right for the benefit of the Shareholders in the event that the share capital or the voting rights of any Shareholders cease to be majority owned directly or indirectly by the French State, the German State or the Spanish State as applicable.

Tag-along right. Tag-along right for the benefit of SEPI in the event that Sogepa, the French State or any of their affiliates and any French public entity and GZBV, the German State or any of their affiliates and any public entity propose together to transfer all of their entire voting rights interests.

Various Provisions

Termination. The Shareholders' Agreement may cease to apply in respect of one or more Shareholders and/or their affiliates, subject to the occurrence of certain changes in its or their shareholding interest in the Company, or in its or their shareholders.

Governing law. Laws of the Netherlands.

Jurisdiction. Arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce, with the seat of arbitration in The Hague (the Netherlands).

3.2.3 Undertakings with Respect to Certain Interests of Certain Stakeholders

The Company has made certain undertakings and entered into certain agreements in connection with certain interests of its former core shareholders and the German State.

State Security Agreements and Related Undertakings

The Company and the French State have entered into an amendment to the existing convention between the French State and the Company relating to the ballistic missiles business of the Company (as so amended, the "**French State Security Agreement**"). Under the French State Security Agreement, certain sensitive French military assets will be held by a Company subsidiary (the "**French Defence Holding Company**"). At the Consummation, the Company contributed certain sensitive French military assets to the French Defence Holding Company. The French State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the Board of Directors of the French Defence Holding Company (the "**French Defence Outside Directors**"), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board. Two of the French Defence Outside Directors are required to also be Members of the Board. French Defence Outside Directors may neither (i) be employees, managers or corporate officers of a company belonging to the Company (although they may be Members of the Board) nor (ii) have material ongoing professional relationships with Airbus.

The Company and the German State have entered into an agreement relating to the protection of essential interests to the German State's security (the "**German State Security Agreement**"). Under the German State Security Agreement, certain sensitive German military assets are held by a Company subsidiary (the "**German Defence Holding Company**"). The German State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the supervisory board of the German Defence Holding Company (the "**German Defence Outside Directors**"), at least two of whom must qualify as Independent Directors under the Board Rules if they are Members of the Board. Two of the German Defence Outside Directors are required to also be Members of the Board. The qualifications to serve as a German Defence Outside Director are comparable to those to serve as a French Defence Outside Director, with the additional requirement that a German Defence Outside Director may not be a civil servant. The Company has agreed to negotiate with the Spanish State in order to reach a special security agreement relating to the protection of the essential security interests of the Spanish State.

Dassault Aviation

The Company entered into an agreement with the French State pursuant to which the Company:
- grants the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and
- commits to consult with the French State prior to making any decision at any shareholders' meeting of Dassault Aviation.

The Company holds approximately 9.89% of Dassault Aviation's share capital and 6.12% of its voting rights. In case of exchange in full of the bonds issued by the Company which are due in 2021, the Company will no longer hold any Dassault Aviation shares or voting rights.

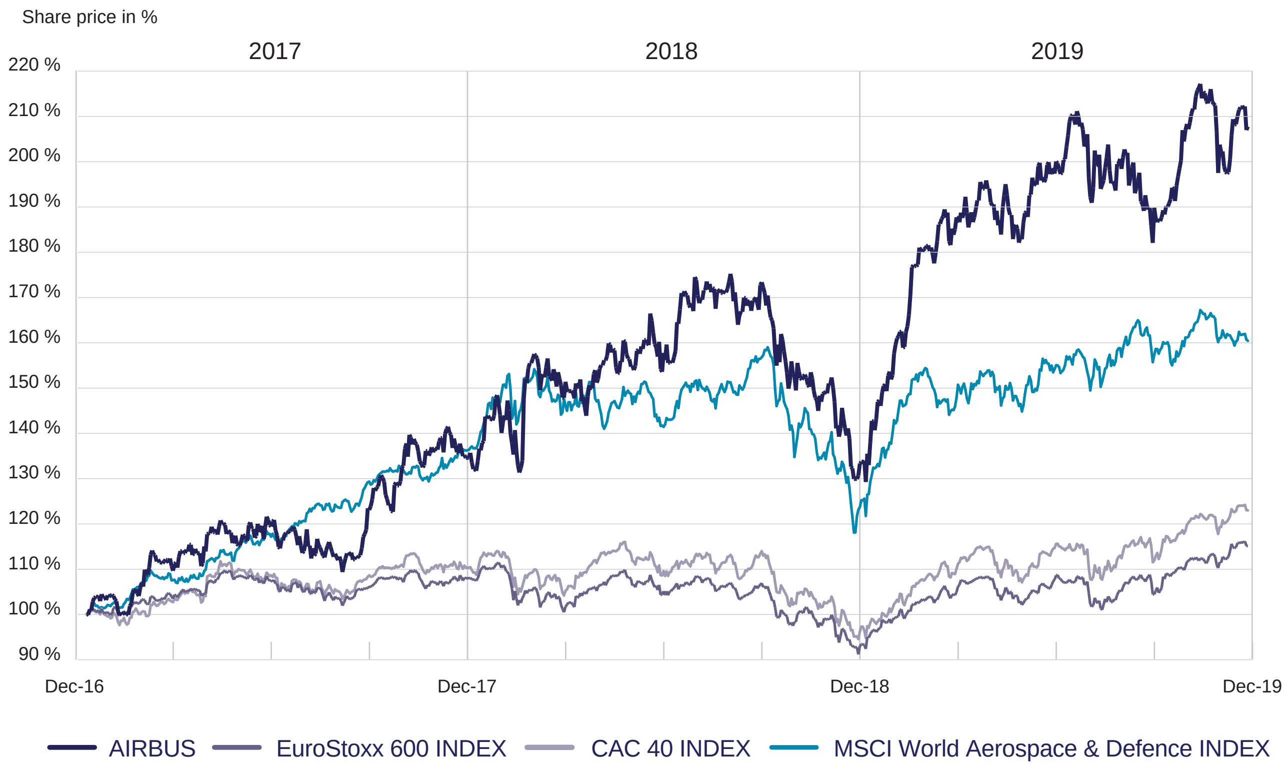
Stock Exchange Listings

The Company has undertaken to the parties to the Shareholders' Agreement that for the duration of the Shareholders' Agreement the Company's shares will remain listed exclusively in France, Germany and Spain.

Specific Rights of the French State

Pursuant to an agreement entered into between the Company and the French State (the "**Ballistic Missiles Agreement**"), the Company has granted to the French State: (a) a veto right and subsequently a call option on the shares of the company performing the ballistic missiles activity exercisable under certain circumstances, including if (i) a third party acquires, directly or indirectly, either alone or in concert, more than 15% or any multiple thereof of the share capital or voting rights of the Company or (ii) the sale of the shares of such companies carrying out such activity is considered and (b) a right to oppose the transfer of any such shares. The Company, the French State and the company performing the ballistic missiles activity are parties to a similar convention regarding the assets comprising the French nuclear airborne systems under which the French State has similar rights.

3.3 Share Price Performance 2019



In 2019, Airbus' share price increased throughout the year to close at € 130.48, up +55%.

After opening at € 83.86 in January, Airbus' shares climbed by approximately 50% to € 124.80 during the first half of the year. In early 2019, the share price increased as Airbus reached its delivery target and disclosed solid FY18 results reflecting strong operational performance and programme execution in all businesses. Airbus shares continued to increase on better-than-expected underlying Q1 earnings and guidance reiteration as well as positive commercial momentum during the 2019 Paris Air Show with the successful launch of the A321XLR.

The positive trend initially continued in the second half of 2019 driven by strong HY results ahead of market consensus especially on Airbus Commercial reflecting strong deliveries, good execution and A320neo and A350 margins improvement. After the summer, shares were weighed down by some profit-taking and news flow around the WTO report in September. Shares later recovered supported by lower than expected U.S. tariffs. Despite a revised guidance during the 9m earnings disclosure, shares continued to increase in November as investors gained confidence on the underlying profitability in the next years. Shares reached an all-time high of € 136.40 on 15 November. Airbus' shares traded slightly down in December following market concerns around operational challenges continuing into next year.

With an annual increase of +55%, Airbus shares strongly outperformed the Eurostoxx 600 (+23%) and the CAC40 (+26%), as well as most European aerospace peers.

3.4 Dividend Policy

In December 2013, Airbus formalised a dividend policy demonstrating a strong commitment to shareholder returns. This policy targets sustainable growth in the dividend within a pay-out ratio of 30%-40%.

The Board of Directors will propose to the Annual General Meeting the payment to shareholders on 22 April 2020 of a dividend of € 1.80 per share (FY 2018: €1.65). This dividend reflects the positive evolution of the 2019 underlying financial performance and our 2019 cash generation. It highlights our confidence in our future financial performance as well as ongoing commitment towards sustained dividend growth and increasing shareholder returns. The record date should be 21 April 2020. This proposed dividend represents year-on-year dividend per share increase of 9%.

4. Corporate Governance

4.1 Management and Control

4.1.1 Composition, Powers and Rules

Under the Articles of Association, the Board of Directors consists of at most 12 Directors, who each retire at the close of the AGM held three years following their appointment. Under the Board Rules, at least a majority of the Members of the Board of Directors (*i.e.*, 7/12) must be European Union ("**EU**"; any reference in the Board Rules to the EU includes the United Kingdom ("**UK**") and its constituent countries, notwithstanding a withdrawal of the UK from the EU) nationals (including the Chairman of the Board of Directors) and a majority of such majority (*i.e.*, 4/7) must be both EU nationals and residents. No Director may be an active civil servant. The Board of Directors has one Executive Director and 11 non-Executive Directors. While the Board of Directors appoints the CEO, the CEO is required to be an Executive Director and must be an EU national and resident; therefore it is anticipated that the Board of Directors will appoint as CEO the person appointed by the shareholders as an Executive Director. At least nine of the non-Executive Directors must be "Independent Directors" (including the Chairman of the Board of Directors).

Under the Board Rules, an "Independent Director" is a non-Executive Director who is independent within the meaning of the Dutch Corporate Governance Code (the "**Dutch Code**") and meets additional independence standards. Specifically, where the Dutch Code would determine non-independence, in part, by reference to a Director's relationships with shareholders who own at least 10% of the Company, the Board Rules determine such Director's non-independence, in relevant part, by reference to such Director's relationships with shareholders who own at least 5% of the Company. According to the criteria of the Dutch Code and the Board Rules, all non-Executive Directors (including the Chairman) presently qualify as an "Independent Director".

The Remuneration, Nomination and Governance Committee (the "**RNGC**") of the Board of Directors is charged with recommending to the Board of Directors the names of candidates to succeed active Board Members after consultation with the Chairman of the Board of Directors and the CEO.

The Board of Directors, deciding by simple majority vote, proposes individuals to the shareholders' meeting of the Company for appointment as Directors by the shareholders' meeting. No shareholder or group of shareholders, or any other entity, has the right to propose, nominate or appoint any Directors other than the rights available to all shareholders under general Dutch corporate law.

In addition to the membership and composition rules described above, the RNGC, in recommending candidates for the Board of Directors, and the Board of Directors in its resolutions proposed to the shareholders' meeting regarding the renewal or appointment of Directors, are both required to apply the following principles:

– the preference for the best candidate for the position;
– the preference for gender diversity between equal profiles;
– the maintenance of appropriate skills mix and geographical experience;
– the maintenance, in respect of the number of Members of the Board of Directors, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of France, Germany, Spain and the United Kingdom, where these main industrial centres are located); and
– at least a majority of the Members of the Board of Directors (*i.e.*, 7/12) shall be EU nationals (including the Chairman), and a majority of such majority (*i.e.*, 4/7) shall be both EU nationals and residents (including the UK and its constituent countries, notwithstanding a withdrawal of the UK from the EU).

In accordance with these principles, the Board of Directors shall continue to seek greater diversity with respect to gender, age, geography, education, profession and background.

In 2019, one new Member, Mr. Faury, joined the Board of Directors as new CEO replacing Mr. Enders. With his extensive operational knowledge, his global outlook and strong personal values, Mr. Faury has the right competencies, mind-set and personal skills to fulfil this position in line with the Board's expectations and the evolution of the Company's business.

At the end of 2019, the average age of the Members of the Board of Directors was 59. The proportion of female representatives is today at 25% compared to 0% seven years ago. The Board composition shows a balanced mix of experience with, for example, five Members having aerospace industry skills, seven having geopolitical or economics skills, five having information or data management skills and five having manufacturing and production skills. More details about the diversity of the Members of the Board of Directors are available in the table shown on page 21 (*Airbus SE Board of Directors until AGM 2020*).

The Board of Directors is required to take into account, in the resolutions proposed in respect of the nomination of Directors presented to the shareholders' meeting, the undertakings of the Company to the French State, pursuant to the amendment to the French State Security Agreement, and to the German State, pursuant to the German State Security Agreement, in each case as described more fully above. In practice, this means that at all times the Board of Directors needs to have: (i) two Directors who should also be French Defence Outside Directors (as defined above) of the French Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the French State and (ii) two Directors who should also be German Defence Outside Directors (as defined above) of the German Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the German State.

The RNGC endeavours to avoid a complete replacement of outgoing Directors by new candidates and draws up an appointment and reappointment schedule for the Directors after consultation with the Chairman and the CEO. In drawing up such a schedule, the RNGC considers the continuity of company-specific knowledge and experience within the Board of Directors, also taking into account that a Director should at the time of his/her appointment or re-appointment not be older than 75 years and ensuring that at least one third of Directors' positions are either renewed or replaced every year for a term of three years. This is to avoid large block replacements of Directors at one single AGM, with the corresponding loss of experience and integration challenges, provided that exceptions to these rules may be agreed by the Board if specific circumstances provide an appropriate justification for such exceptions.

Voting and Rules

Most Board of Directors' decisions can be made by a simple majority of the votes cast by Directors (a "**Simple Majority**"), but certain decisions must be made by a two-thirds majority (*i.e.*, eight favourable votes) of votes cast by the Directors regardless of whether they are present or represented in respect of the decision (a "**Qualified Majority**"). In addition, amendments to certain provisions of the Board Rules require the unanimous approval of the Board of Directors, with no more than one Director not being present or represented (including provisions relating to nationality and residence requirements with respect to Members of the Board of Directors and the Executive Committee). However, no individual Director or class of Directors has a veto right with respect to any Board of Directors' decisions.

Powers of the Members of the Board of Directors

The Board Rules specify that in addition to the Board of Directors' responsibilities under applicable law and the Articles of Association, the Board of Directors is responsible for certain enumerated categories of decisions. Under the Articles of Association, the Board of Directors is responsible for the management of the Company. Under the Board Rules, the Board of Directors delegates the execution of the strategy as approved by the Board of Directors and the day-to-day management of the Company to the CEO, who, supported by the Executive Committee and its executive leadership team, makes decisions with respect to the management of the Company. However, the CEO should not enter into transactions that form part of the key responsibilities of the Board of Directors, unless these transactions have been approved by the Board of Directors.

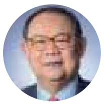
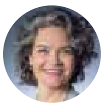
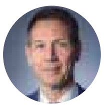
Matters that require Board of Directors' approval include among others, the following items (by Simple Majority unless otherwise noted):

- approving any change in the nature and scope of the business of the Company and Airbus;
- debating and approving the overall strategy and the strategic plan of Airbus;
- approving the operational business plan of Airbus (the "**Business Plan**") and the yearly budget of Airbus (the "Yearly Budget"), including the plans for investment, research and development ("**R&D**"), employment, finance and, as far as applicable, major programmes;
- nominating, suspending or revoking the Chairman of the Board of Directors and the CEO (Qualified Majority);
- approving of all of the Members of the Executive Committee as proposed by the CEO and their service contracts and other contractual matters in relation to the Executive Committee and deciding upon the appointment and removal of the Secretary to the Board on the basis of the recommendation of the RNGC;
- approving the relocation of the headquarters of the principal companies of Airbus and of the operational headquarters of the Company (Qualified Majority);
- approving decisions in connection with the location of new industrial sites material to Airbus as a whole or the change of the location of existing activities that are material to Airbus;
- approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of €300 million;
- approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of €800 million (Qualified Majority);
- approving decisions to enter into and terminate strategic alliances at the level of the Company or at the level of one of its principal subsidiaries (Qualified Majority);
- approving matters of shareholder policy, major actions or major announcements to the capital markets; and
- approving decisions in respect of other measures and business of fundamental significance for Airbus or which involves an abnormal level of risk.

The Board of Directors must have a certain number of Directors present or represented at a meeting to take action. This quorum requirement depends on the action to be taken. For the Board of Directors to make a decision on a Simple Majority matter, a majority of the Directors must be present or represented. For the Board of Directors to make a decision on a Qualified Majority matter, at least ten of the Directors must be present or represented. If the Board of Directors cannot act on a Qualified Majority Matter because this quorum is not satisfied, the quorum would decrease to eight of the Directors at a new duly called meeting.

In addition, the Board Rules detail the rights and duties of the Members of the Board of Directors and set out the core principles which each Member of the Board of Directors shall comply with and shall be bound by, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of his/her duties and avoiding any and all conflicts of interest.

Airbus SE Board of Directors until AGM 2020

Board member Age*, Gender, Nationality	Status	Since	Term expires	Primary occupation & Other mandates	Director expertise	Board attendance	Committee attendance Audit	RNGC	ECC
 **Denis RANQUE** 68, M, French	Independent	*2013, previous re-election in 2017*	2020	Chairman of the Board of Directors of Airbus SE		11/11			6/6
 **Guillaume FAURY** 51, M, French	Executive	*2019*	2022	Chief Executive Officer of Airbus SE		8/8 *(from AGM 2019)*			
 **Victor CHU** 62, M, Chinese / British	Independent	*2018*	2021	Chairman and CEO of First Eastern Investment Group		11/11	5/7		
 **Jean-Pierre CLAMADIEU** 61, M, French	Independent	*2018*	2021	Chairman of the Board of Engie and member of the Board of AXA SA		10/11		6/7	3/4 *(from AGM 2019)*
 **Ralph D. CROSBY, Jr.**** 72, M, American	Independent	*2013, previous re-election in 2017*	2020	Member of the Board of Directors of American Electric Power Corp.		11/11	6/7		
 **Lord DRAYSON (Paul)**** 59, M, British	Independent	*2017*	2020	Founder and CEO of Sensyne Health plc and Co-Founder and Chairman of Drayson Technologies Group		10/11		6/7	5/6
 **Catherine GUILLOUARD** 55, F, French	Independent	*2016, previous re-election in 2019*	2022	Chairwoman and CEO of RATP Group and member of the Board of Systra		11/11	7/7		5/6
 **Hermann-Josef LAMBERTI** 64, M, German	Independent	*2007, previous re-election in 2017*	2020	Member of the Supervisory Board of ING Group N.V.		8/11	6/7		4/6
 **Amparo MORALEDA** 55, F, Spanish	Independent	*2015, previous re-election in 2018*	2021	Member of the Board of Directors of Solvay SA, CaixaBank SA and Vodafone PLC		11/11		7/7	6/6
 **Claudia NEMAT** 51, F, German	Independent	*2016, previous re-election in 2019*	2022	Member of the Board of Management of Deutsche Telekom AG		8/11		5/7	
 **René OBERMANN** 56, M, German	Independent	*2018*	2021	Managing Director of Warburg Pincus Deutschland GmbH		10/11	6/7		3/3 *(from 30 July 2019)*
 **Carlos TAVARES** 61, M, Portuguese	Independent	*2016, previous re-election in 2019*	2022	Chairman of the Managing Board of Peugeot SA and member of the Board of Directors of Total SA		9/11			
Board and Committee meetings in 2019						11	7	7	6
Average attendance rate in 2019						91%	86%	89%	87%

* *As of 12 February 2020.* *Chair*

** *To be re-elected in 2020.*

The professional address of all Members of the Board of Directors for any matter relating to Airbus SE is Mendelweg 30, 2333 CS Leiden, The Netherlands.

Global Business | Engineering & Technology | Manufacturing & Production | Aerospace Industry | Finance & Audit | Geopolitical Economics | Defence Industry | Information & Data Management | Asia

Changes in the composition of the Board in the course of 2019

Until AGM 2019			From AGM 2019*		
Name	**Age**	**Status**	**Name**	**Age**	**Status**
Mr. Thomas ENDERS	60	Executive	**Mr. Guillaume FAURY**	51	Executive

* *Further information on the Board members can be found in the above table "Airbus SE Board of Directors until AGM 2020".*

Changes in the Board Committee composition in the course of 2019

	Until 2019 AGM*		From 2019 AGM		From July Board	
Committee	**Name**	**Status**	**Name**	**Status**	**Name**	**Status**
Audit	**Mr. Hermann-Josef LAMBERTI**		**Ms. Catherine GUILLOUARD**			
	Ms. Catherine GUILLOUARD**	Member	**Mr. Hermann-Josef LAMBERTI**	Member		
Ethics and Compliance			**Mr. Jean-Pierre CLAMADIEU**	Member	**Mr. René OBERMANN**	Member

* *Further information on the Committee members can be found in the above tables "Airbus SE Board of Directors until AGM 2020" and "Changes in the Board Committee composition in the course of 2019".*

** *Ms. Guillouard replaced Mr. Lamberti as Chair of the Audit Committee in 2019.*

Chair

Within the Company, each Member of the Board of Directors must have the required mix of experience, qualifications, skills and industrial knowledge necessary to assist the Company in formulating and achieving its overall strategy, together with the specific expertise required to fulfil the duties assigned to him or her as Member of one of the Board of Directors' committees. The Board of Directors also believes that a diverse composition among its Members with respect to gender, experience, national origin, etc. is valuable for the quality and efficiency of its work.

4.1.2 Operation of the Board of Directors in 2019

Board of Directors Meetings

The Board of Directors met 11 times during 2019 and was regularly informed of developments through business reports from the CEO, including progress on the strategic and operational activities. The average attendance rate at these meetings was 91%.

Throughout 2019, the Board of Directors reviewed and discussed the technical and commercial progress of significant new and running programmes. For the Commercial Aircraft, this comprised *inter alia* the ramp-up in production of the A320 Family aircraft (and the A220) and the transition to the more efficient neo version, the ramp-up of the A350 aircraft and the mitigation measures taken in relation to the engine issues hampering the production at Airbus and the operations with the customers. It also concerned the launch of the new A321 XLR aircraft and the decision to cease A380 manufacturing in 2021 with the delivery of the last aircraft. For Defence and Space, it concerned notably the progress on the A400M programme military capabilities and on the retrofit and delivery plan in line with the agreement reached with OCCAR and the states, the development of the Eurodrone and of the Future Combat Air System. In addition, this covered the OneWeb satellite constellation programme and the evolution of the overall space competitive landscape. For the Helicopter business, the Board focused its review on the overall market situation, the development of the services activities and the preparation of the H160 programme for serial production.

The Board dedicated two full sessions in 2019 to the review of the Divisions and product strategies, as well as of the overall strategy of Airbus. During the off-site Board meeting held in September in Montreal (Canada), the Board continued to visit industrial sites, staying close to the products and businesses. It met management and employees at the A220 final assembly line at Mirabel, near Montreal.

In 2019, the Board of Directors continued to support the Company's digital journey and to enhance Airbus' ability to identify and capitalise on innovative technologies and business models. But it also asked management to remain vigilant about data and product safety and to shield the Company and products from any cyber-attack.

Moreover, the Board of Directors reviewed Airbus' financial results and forecasts and maintained an emphasis on both Enterprise Risk Management ("**ERM**") and internal control. A particular focus was also made on product safety and Airbus' responsibility, sustainability and environmental initiatives. The Board discussed in particular Airbus' ambition and future agenda with respect to the Company's position in society.

A substantial share of the Board activities was dedicated to compliance matters. The Board continued to closely monitor the Serious Fraud Office / Parquet National Financier / US Department of Justice / US Department of State investigations in relation to which settlements were reached with the French, UK and US authorities in January 2020. The commitment from the Board and its Ethics and Compliance Committee to provide full support to the investigations and the implementation of globally recognised compliance standards paved the way to these agreements. In addition, the "Independent Compliance Review Panel", which is composed of renowned international experts, carried on its advising role to the Board with respect to its compliance activities in order to build an Ethics & Compliance programme and organisation meeting internationally recognised standards.

The Board also reviewed and discussed other topics of significant importance to Airbus such as the measures taken to mitigate a no-deal Brexit situation, the application of tariffs on commercial aircraft being imported to the US by the USTR and crisis management / data security matters.

The year has been marked by major changes in Airbus' top Management, including the Company's CEO and a number of Executive Committee Members, including the nomination of Julie Kitcher as Executive Vice-President Communications & Corporate Affairs, second female member of the Executive Committee. The Board has been involved in the selection process. It also played a key role in the succession planning of both the Chairman and Board members in preparation for the 2020 changes.

In 2019, in addition to the formal general meeting, the Chairman with the Airbus' team, sought regular engagements with major shareholders in order to understand their views on governance, remuneration and performance against the strategy for the Company.

Board Evaluation 2019

As a matter of principle, the Board of Directors implements a continuous evaluation process based on a three-year cycle. As part of this process, every three years, a formal evaluation of the functioning of the Board of Directors and its Committees is conducted with the assistance of a third-party expert. In the year succeeding such an outside evaluation, the Board of Directors performs a self-evaluation and focuses on the implementation of the improvement action plan resulting from the third party assessment. In the intervening second year, the General Counsel, being also the Secretary of the Board, issues a questionnaire and consults with Board Members to establish an internal evaluation which is then discussed with Board Members.

The year 2019 was the third year of the three-year cycle started in 2017. In November 2019, the Board of Directors therefore carried out an internal evaluation based on a questionnaire issued by the General Counsel and circulated to each Board Member.

The questionnaire primarily covered governance and Board topics, Board and Committees functioning, Board composition and selection process, dynamic between Board and Management and amongst Board members, Board decision-making process, Committees contributions, involvement of the Remuneration, Nomination and Governance Committee and Board Secretary support.

In its 2019 internal evaluation, the Board confirmed overall satisfaction with the progress made in the implementation of the "Improvement Action Plan" recommended by Heidrick & Struggles as its third-party expert, following the formal evaluation conducted in 2017.

2019 was a pivotal year with an almost entirely new management team in place making a remarkably encouraging start in interactions with the Board as per the results of the internal evaluation. In this transitioning context, the Company's governance, dynamic and performance is viewed as very satisfactory, with excellent quality of debate and relationships between the Management, the Chairman and the Board members and efficient decision-making process given the complexity of the topics.

The Board Members notably valued good Board meetings preparation, suitable time allocation to agenda items as well as satisfactory contributions of the Board Committees, elements which greatly contribute to Board's efficiency. In addition, the Board highlighted its collegial, cooperative and effective functioning as a team.

Following the last Board evaluation, frequency of participation of top management to Board meetings has significantly increased. The Board expects this trend to further improve.

The Board has spent additional time on strategy and succession planning, as well as on other important matters for which discussions would need to be further enhanced such as defence strategy and business challenges, innovation, competition, employee engagement, digitalisation and industrialisation, environment & sustainability, programme management, risk and crisis management.

The Directors underlined that the Board should as well spend further dedicated time on cybersecurity and IT, impact of geopolitical developments and product safety. In addition, executive succession planning is expected to be more extensively discussed by the Remuneration, Nomination, Governance Committee and Board.

Finally, the Board Members expressed their overall satisfaction with regards to the Board composition, selection and nomination process and highlighted the necessity to continue with the process of the staggered Board principle in order to further develop the diversity of expertise and gender within the Board.

4.1.3 Board Committees

The Audit Committee

Pursuant to the Board Rules, the Audit Committee, which is required to meet at least four times a year, makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim accounts (Q1, H1, Q3), as well as the appointment of external auditors and the determination of their remuneration. Moreover, the Audit Committee has responsibility for verifying and making recommendations to the effect that the internal and external audit activities are correctly directed, that internal controls are duly exercised and that these matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the financial statements, and it monitors the adequacy of Airbus' internal controls, accounting policies and financial reporting. It also oversees the operation of Airbus' Enterprise Risk Management ("**ERM**") system and keeps a strong link to the Ethics & Compliance Committee. For further details in this regard, see "— 4.5: Enterprise Risk Management System". Please refer to Annex E of the Board Rules for a complete list of responsibilities of the Audit Committee.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the Audit Committee. The CFO and the Head Accounting Record to Report are requested to attend meetings to present management proposals and to answer questions. Furthermore, the Head of Corporate Audit & Forensic and the Chief Ethics & Compliance Officer are requested to report to the Audit Committee on a regular basis.

In 2019, this Committee met seven times with an average attendance rate of 86%. It fully performed all of the duties and discussed all of the items described above. In particular, it performed reviews of internal controls, corporate audit (including major findings and audit plan for 2019) and accounts (*i.e.* 2018 full year accounts, 2019 Q1, H1 and Q3 accounts, 2019 forecasts). Regular ERM and Legal & Compliance updates were presented to the Audit Committee and discussed in meetings (including in relation to the compliance investigations).

The Ethics and Compliance Committee

To reinforce oversight of Ethics and Compliance matters at the Board of Directors level, a dedicated Ethics and Compliance Committee ("**E&C Committee**" or "**ECC**") was established in 2017 and the Board Rules have been amended accordingly. Pursuant to the Board Rules, the main mission of the E&C Committee is to assist the Board in monitoring Airbus' culture and commitment to ethical business and integrity. This committee is empowered to oversee Airbus' Ethics and Compliance programme, organisation and framework in order to make sure that Airbus Ethics and Compliance governance is effective (including all associated internal policies, procedures and controls). This includes the areas of money laundering and terrorist financing, fraud, bribery and corruption, trade sanctions and export control, data privacy, procurement and supply chain compliance and anti-competitive practices.

The E&C Committee makes recommendations to the Board of Directors and its Committees on all Ethics and Compliance-related matters and is responsible for providing to the Audit Committee any necessary disclosures on issues or alleged ethical and compliance breaches that are financial and accounting-related. The E&C Committee maintains a reporting line with the Chief Ethics and Compliance Officer, who is requested to provide periodic reports on its activities.

The Chairman of the Audit Committee and the Chairman of the RNGC are members of the E&C Committee. Unless otherwise decided by the E&C Committee, the CEO is invited to attend the meetings. From time to time, independent external experts and the Independent Compliance Review Panel are also invited to attend E&C Committee meetings.

The E&C Committee is required to meet at least four times a year. In 2019, the E&C Committee met in total six times with an average attendance rate of 87%. All of the above described items were discussed during the meetings and the E&C Committee fully performed all the above described duties.

The Remuneration, Nomination and Governance Committee

Pursuant to the Board Rules, besides its role described in section 4.1.1 above, the RNGC consults with the CEO with respect to proposals for the appointment of the members of the Executive Committee, and makes recommendations to the Board of Directors regarding the appointment of the Secretary to the Board of Directors. The RNGC also makes recommendations to the Board of Directors regarding succession planning (at Board, Executive Committee and Senior Management levels), remuneration strategies and long-term remuneration plans. Furthermore, the Committee decides on the service contracts and other contractual matters in relation to the Members of the Board of Directors and the Executive Committee. The rules and responsibilities of the RNGC have been set out in the Board Rules.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the RNGC. The Chief Human Resources Officer ("**CHRO**") is requested to attend meetings to present management proposals and to answer questions.

In addition, the RNGC reviews the Company's top talent, discusses measures to improve engagement and to promote diversity, reviews the remuneration of the Executive Committee Members, the Long-Term Incentive Plans ("**LTIP**"), and the variable pay for the previous year.

Finally, the RNGC performs regular evaluations of the Company's corporate governance and makes proposals for changes to the Board Rules or the Articles of Association.

Pursuant to the Board Rules (as amended in December 2019), the Chair of the RNGC automatically fulfils the function of "Lead Independent Director". In this role he / she is responsible for (i) replacing the Chairman in his / her absence at meetings of the Board, (ii) organising the annual appraisal of the Chairman's performance by the Board and (iii) acting as an intermediary for and between the other Directors when necessary (*e.g.* acting as a spokesperson for the other Directors towards the Chairman, acting as a liaison for the Directors regarding the functioning of the Chairman and the Board).

The guiding principle governing management appointments within Airbus is that the best candidate should be appointed to the position ("best person for the job"), while at the same time seeking to achieve a balanced composition with respect to gender, experience, national origin, etc. The implementation of these principles should, however, not create any restrictions on the diversity within the Company's executive management team.

The RNGC is required to meet at least four times a year. In 2019, it met seven times with an attendance rate of 89%; it discussed all of the above described items during the meetings and it fully performed all of the above described duties.

4.1.4 Executive Committee Nomination and Composition

The CEO proposes all the Members of the Executive Committee of the Company (the "**Executive Committee**") for approval by the Board of Directors, after consultation with (i) the Chairman of the RNGC and (ii) the Chairman of the Board of Directors, applying the following principles:

- the preference for the best candidate for the position;
- the maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of France, Germany, Spain and the United Kingdom, where these main industrial centres are located); and
- at least two-thirds of the Members of the Executive Committee, including the CEO and the CFO, being EU nationals and residents.

Role of CEO and Executive Committee

The CEO is responsible for executing the strategy, as approved by the Board of Directors, and for managing the day-to-day operations of Airbus' business with the support of the Executive Committee ("**EC**") and its executive leadership team through Executive Leadership Meetings ("**ELM**") to which the EC members participate. The CEO shall be accountable for the proper execution of the day-to-day operations of Airbus' business.

ELMs are held on a regular basis and aim at advising the CEO on his day-to-day role and ensuring that EC members report back on business progress, updates and concerns, addressing Airbus-wide topics including corporate matters, approving all vacancies and promotions above certain levels.

The EC further supports the CEO in performing these tasks. Under the leadership of the CEO, the EC is responsible for business strategy as well as organisational matters and management of the business, monitoring key projects/ products and major investments, overseeing performance targets, whether it be financial, individual, programmes or support functions, outlining policies to motivate, recruit and retain employees. It is also accountable for regulatory and statutory obligations along with policy matters, communications and market disclosures. It is also the forum where the information or requests for approval destined to the Board are discussed and approved. The EC members shall jointly contribute to the overall interests of the Company, in addition to each member's individual operational or functional responsibility within Airbus.

The EC comprises the heads of the Divisions and key functions of the Company.

The CEO is the only Executive Director within the Board of Directors and represents the Company on the Board. But, depending on the topic, he usually asks the responsible EC member to join him at Board meetings to present the financials (CFO), programme/product topics (Division heads), HR matters (CHRO) or any other topic where a specialist is needed. This approach allows the Board Members to get to know the EC members and equips them to make judgements when it comes to decisions about key positions.

4.2 Conflict of Interest

The Company has a conflict of interest policy, which sets out that any potential or actual conflict of interest between the Company and any Member of the Board of Directors shall be disclosed and, where possible, avoided (please refer to the "Board Rules (Annex D – Article 8: Conflicts of interest)"). This policy is available on the Company's website: **www.airbus.com** (Company / Corporate Governance / Governance Framework and Documents), as is the related best principle 2.7 of the Dutch Code (as such term is defined in section 4.3 "Dutch Corporate Governance Code" below), which the Company complied with during 2019. Pursuant to the Articles of Association and the Board Rules, a conflicted Member of the Board of Directors should abstain from participating in the deliberation and decision-making process relating to the matters concerned. The Board of Directors must approve any decision to enter a transaction where a Director has conflicts of interest that are material to the Company or the individual Director.

In 2019, no transactions were reported. There were, however, related-party transactions: for an overview, please refer to "Notes to the IFRS Consolidated Financial Statements – Note 9: Related Party Transactions".

4.3 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code (the "**Dutch Code**"), which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While the Company, in its continuous efforts to adhere to the highest standards, applies nearly all of the current recommendations of the Dutch Code, it must, in accordance with the "comply or explain" principle, provide the explanations below.

On 8 December 2016, the Dutch Code was revised; its updated recommendations apply to financial years starting on or after 1 January 2017. Airbus welcomed the updates to the Dutch Code and continues supporting the emphasis of the revised Dutch Code on topics such as long-term value creation and the importance of culture.

For the full text of the Dutch Code, please refer to: **www.commissiecorporategovernance.nl**.

For the financial year 2019, and in respect of compliance with the Dutch Code, the Company states the following:

1. Vice-Chairmanship

Provision 2.3.6 (ii) of the Dutch Code recommends the election of a vice-chairman, to, among other things, deal with the situation when vacancies occur.

In December 2019 and in line with this recommendation of the Dutch Code, Airbus revised its Board Rules to provide that the Chair of the RNGC automatically fulfils the position of "Lead Independent Director". In this role he / she is responsible for (i) replacing the Chairman of the Board in his / her absence at meetings of the Board, (ii) organising the annual appraisal of the Chairman's performance by the Board and (iii) acting as an intermediary for and between the other Directors when necessary (*e.g.* acting as a spokesperson for the other Directors towards the Chairman of the Board, acting as a liaison for the Directors regarding the functioning of the Chairman of the Board and the Board). Effectively, the Lead Independent Director carries out tasks that are materially identical as those which a vice-chairman would have under the Dutch Code. With the introduction of the position of Lead Independent Director in 2019, Airbus expects to be (and remain) fully compliant with provision 2.3.6 (ii) of the Dutch Code for subsequent financial years.

2. Termination indemnity

Provision 3.2.3 of the Dutch Code recommends that the maximum remuneration in the event of dismissal of an Executive Board Member be one year's salary. Under this provision of the Dutch Code, severance pay should not be awarded if the Board membership is terminated early at the initiative of the Executive Board Member, or in the event of seriously culpable or negligent behaviour on the part of the Executive Board Member.

As per the amendment to the remuneration policy approved at the 2019 AGM, and in line with the recommendation of the Dutch Code, the termination indemnity of the sole Executive Board Member, the CEO, is equal to one year's salary. Consequently, the CEO is entitled to an indemnity equal to one times the last Total Annual Remuneration (defined as Base Salary and VR most recently paid), subject to applicable local legal requirements if any. The termination indemnity would be paid only provided that the performance conditions assessed by the Board of Directors had been fulfilled by the CEO. With this amendment to the termination indemnity in 2019, Airbus expects to be (and remain) compliant with provision 3.2.3 of the Dutch Code for subsequent financial years.

3. Securities in the Company as long-term investment

Provision 3.3.3 of the Dutch Code recommends that non-Executive Directors who hold securities in the Company should keep them as a long-term investment.

Although non-Executive Directors are welcome to own shares in the share capital of the Company, the Company does not require its non-Executive Directors who hold shares to keep such shares as a long-term investment. Airbus considers it is altogether unclear whether share ownership by non-Executive Directors constitutes a factor of virtuous alignment with stakeholder interest or may be a source of bias against objective decisions.

4. Dealings with analysts

Provision 4.2.3 of the Dutch Code recommends meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the Company's website and by means of press releases. In addition, it recommends that provisions shall be made for all shareholders to follow these meetings and presentations in real time, and that after the meetings the presentations shall be posted on the Company's website.

The Company does not always allow shareholders to follow meetings with analysts in real time. However, the Company ensures that all shareholders and other parties in the financial markets are provided with equal and simultaneous information about matters that may influence the share price.

5. Gender diversity

The composition guidelines regarding gender diversity under Dutch law pursuant to which the Board of Directors would be regarded as being composed in a balanced way if it contained at least 30% women and at least 30% men expired on 1 January 2020. Nevertheless, the Company will continue to promote gender diversity within its Board of Directors in accordance with the principles mentioned in section 4.1.1 above. In addition, the Company will continue to give due consideration to any applicable gender targets in its search to find suitable candidates and to actively seek female candidates. However, the Company believes that candidates should not be recruited based on gender alone; the capabilities and skills of potential candidates are most important in this respect. The proportion of the female representation on the Board of Directors is currently at 25% (against 0% seven years ago).

Furthermore, the Company is committed to supporting, valuing and leveraging the value of diversity. That being said, the importance of diversity, in and of itself, should not set aside the overriding principle that someone should be recommended, nominated and appointed for being "the right person for the job". Although the Company has not set specific targets with respect to particular elements of diversity, except for the principles described in 4.1.1 - "Composition, powers and rules" and those targets which apply by law, the Company is committed to seeking broad diversity in the composition of the Board of Directors and its Executive Committee and will consider attributes such as personal background, age, gender, experience, capabilities and skills when evaluating new candidates in the best interests of the Company and its stakeholders.

The Company believes that the composition of its Board of Directors and its Executive Committee is consistent with these diversity objectives.

For information on the operation of the Shareholders' Meeting, its key powers, the shareholders' rights and how such powers and rights can be exercised, see "— 3.1: Shareholding and voting rights – right to attend Shareholders' Meetings".

For information on the composition and operation of the Board of Directors and its respective committees, see "— 4.1.1: Composition, power and rules", "— 4.1.2: Operation of the Board of Directors in 2019", and "— 4.1.3: Board Committees".

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, see "— 3.1: Shareholding and voting rights – Shareholding structure at the end of 2019", "— 3.2: Relationships with Principal Shareholders", "— 4.1.1: Composition, powers and rules", "— 3.1: Shareholding and voting rights – Amendments to the Articles of Association" and "— 3.1: Shareholding and voting rights – Modification of share capital or rights attached to shares".

4.4 Remuneration Report

4.4.1 Introduction

The **RNGC** is pleased to present the Remuneration Report which comprises the following sections:

Paragraph 4.4.2 presents the proposed Company's remuneration policy ("**Remuneration Policy**") for adoption at the Annual General Meeting to be held in 2020 ("AGM 2020") and to be applicable from 1 January 2020. Its structure and substance are materially identical to those of the policy currently applicable and approved by the general meeting. To comply with the requirements of new Dutch regulations, this Remuneration Policy has been further detailed and refined in certain aspects.

Paragraph 4.4.3 highlights also two proposed amendments to the Remuneration Policy: the introduction of an Responsibility & Sustainability ("**R&S**") criterion in replacement of the existing RoCE criterion in the calculation of the Annual Variable Remuneration (as defined in paragraph 4.4.2 B item b) below), and the move from defined benefit pension commitment to contributions based pension plans.

Paragraphs 4.4.4 and 4.4.5 respectively describe how the Remuneration Policy was implemented in 2019 in respect of the current and former CEO and of the Non-Executive Members of the Board of Directors.

Note: *Whilst this chapter 4.4 is presented as the Company's Remuneration Report, only the disclosure included in (or expressly incorporated by reference into) this paragraph 4.4.1 and paragraphs 4.4.4 and 4.4.5 constitute the remuneration report (bezoldigingsverslag) for purposes of Section 2:135b of the Dutch Civil Code and will be included as a separate agenda item for an advisory vote at the AGM 2020.*

The cumulated remuneration of all Executive Committee Members is presented in the "Notes to the IFRS Consolidated Financial Statements – Note 34: Remuneration". To the extent that any information presented in this Note relates to matters referred to in Sections 2:383c through 2:383e of the Dutch Civil Code and is not also described in paragraph 4.4.4, such information is incorporated by reference into this Remuneration Report in order to satisfy the requirements of the Dutch Civil Code.

4.4.2 Remuneration policy

A — General

The Remuneration Policy covers all Members of the Board of Directors: the CEO (who is the only Executive Director) and the other Members of the Board (who are the Non-Executive Directors).

Pursuant to a resolution to that effect, the General Meeting may (re) adopt, amend or supplement the Remuneration Policy on the basis of a proposal by the Board of Directors at the recommendation of the RNGC.

The Board of Directors, at the recommendation of the RNGC, may decide to deviate temporarily (and ultimately until the General Meeting adopts an amended version of the Remuneration Policy following the occurrence of such deviation) from any element of the Remuneration Policy as outlined below, if this is necessary to serve the long-term interests and sustainability of the Company or to assure its viability.

It is proposed to the AGM 2020 to adopt the Remuneration Policy in the form set out below in this chapter 4.4.2 with effect as of 1 January 2020. The substantive terms of the Remuneration Policy have not been revised since the most recent amendment approved by the general meeting; the proposed revisions relate to clarifications and technical improvements throughout the policy in order to comply with the recently introduced provisions of the Dutch Civil Code. Given the positive outcome of the most recent vote at the Company's general meeting on the Remuneration Policy, the Board of Directors does not believe that substantive amendments to the Remuneration Policy are required (except for the proposed amendments as described in chapter 4.4.3).

The Remuneration Policy shall be posted on the Company's website as part of the Company's annual report of the Board of Directors.

B — Executive Remuneration – Applicable to the CEO

a) Remuneration Philosophy

The Company's remuneration philosophy aims to provide remuneration that will attract, retain and motivate high-calibre executives, whose contribution will ensure that the Company achieves its strategic and operational objectives, thereby delivering long-term sustainable returns for all shareholders and other stakeholders in a manner consistent with the Company's identity, mission and corporate values.

The Board of Directors and the RNGC are committed to making sure that the Executive remuneration structure (i) is transparent and comprehensive for all stakeholders, (ii) is consistent and aligned with the interests of long-term shareholders, also taking into consideration the employment conditions of the Company's employees and (iii) incentivises R&S and furthers the Company's corporate values by basing variable remuneration components also on the achievement of non-financial targets and metrics using environmental, social or governance ("**ESG**") criteria.

Before setting the targets to be proposed for adoption by the Board of Directors, the RNGC considers the financial outcome scenarios of meeting performance targets, including achieving maximum performance thresholds, and how these may affect the level and structure of the Executive remuneration, as well as potential risks for the Company's business which may result from variable compensation. The Board of Directors shall also consider these aspects, based on the RNGC's recommendations.

Also, before making a recommendation relating to the remuneration of the CEO, the RNGC and the Board of Directors shall take note of the views of the CEO with regard to the amount, level and structure of his or her remuneration.

b) Total Direct Compensation and Peer group

The CEO's total direct compensation ("**Total Direct Compensation**") comprises a base remuneration ("**Base Salary**"), an annual variable short-term remuneration ("**Annual Variable Remuneration**" or "**VR**") and a Long-Term Incentive Plan ("**LTIP**"). The three elements of the Total Direct Compensation are each intended to comprise one-third of the total, assuming the achievement of performance conditions is 100% of the applicable targets.

The level of the Total Direct Compensation for the CEO (Base Salary, VR and LTIP) is set by reference to the median of an extensive peer group (as described in paragraph 4.4.4 item a) below) and takes into account the scope of the role of the CEO and the level and structure of executive rewards within Airbus. The benchmark is regularly reviewed by the RNGC with the support of an independent consultant and is based on a peer group which comprises:

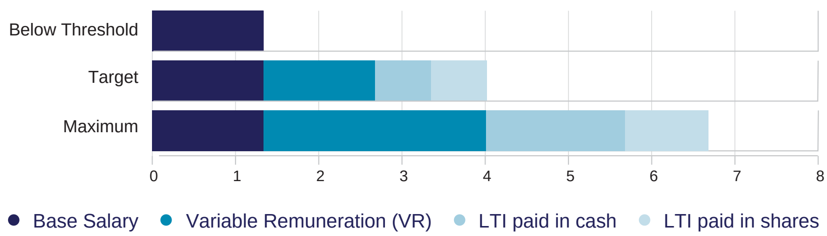
- global companies in Airbus' main markets (France, Germany, UK and US), excluding financial institutions; and
- companies operating in the same industries as Airbus worldwide.

The elements of the Total Direct Compensation are described below:

Remuneration Element	Main Drivers	Performance Measures	Target and Maximum
Base Salary	Reflects market value of position.	Not applicable	1/3 of Total Direct Compensation (when performance achievement is 100% of target).
VR	Rewards annual performance based on achievement of Company performance measures and individual objectives.	Collective (50% of VR): divided between EBIT [(1)] (40%); Free Cash Flow [(2)] (40%) and R&S (20%). Individual (50% of VR): Achievement of annual individual objectives, divided between Outcomes and Behaviour.	The VR is targeted at 100% of Base Salary for the CEO and, depending on the performance assessment, ranges from 0% to 200% of target. The VR is capped at 200% of Base Salary.
LTIP	Rewards long-term commitment and Company performance, and engagement on financial targets subject to cumulative performance over a 3-year period.	Vesting ranges from 0% to 150% of initial grant, subject to performance over a three-year period. In principle, no vesting if cumulative negative EBIT. If cumulative EBIT is positive, vesting from 50% to 150% of grant based on EPS (75%) and Free Cash Flow (25%).	The original allocation to the CEO is capped at 100% of Base Salary at the time of grant. The following caps apply to Performance Units: - overall pay-out is capped at a maximum of 250% of the original value at the date of grant. - the value that could result from share price increases is capped at 200% of the reference share price at the date of grant.

(1) The Company continues to use the term EBIT (earnings before interest and taxes). It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.
(2) Airbus defines the alternative performance measure Free Cash Flow ("FCF") as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, less (iii) change of securities, (iv) contribution to plan assets for pension schemes, (v) realised treasury swaps and (vi) bank activities. It is a key indicator which allows the Company to measure the amount of cash flow generated from operations after cash used in investing activities.

The following graphic depicts three relevant scenarios for the outcome of the Total Direct Compensation:



Indications assume a Base Salary of € 1.35 million, but the Board of Directors may revise the Base Salary based on the recommendations of the RNGC.

"Below Threshold" includes annual Base Salary; VR at 0%; LTIP not vesting.

"Target" includes Base Salary, VR at target and LTIP grant face value in cash and in shares.

"Maximum" includes Base Salary; maximum VR value (200% of VR at target); maximum LTIP cash grant projected at vesting date (250% of grant value); maximum performance applicable to the number of shares granted (150%). The final value of Performance Shares depends on the share price development which is not capped.

c) Base Salary

The CEO's Base Salary is determined by the Board of Directors, taking into account the peer group analysis mentioned above.

d) Annual Variable Remuneration

The Variable Remuneration is a cash payment that is paid following the end of each financial year, depending on the achievement of specific and challenging performance targets as determined at the beginning of each financial year. The level of the CEO's Variable Remuneration is targeted at 100% of the Base Salary; it is capped at a maximum level of 200% of the Base Salary. The entire variable remuneration is at-risk, and therefore if performance targets are not achieved as per the defined objectives agreed by the Board of Directors, no variable remuneration is paid.

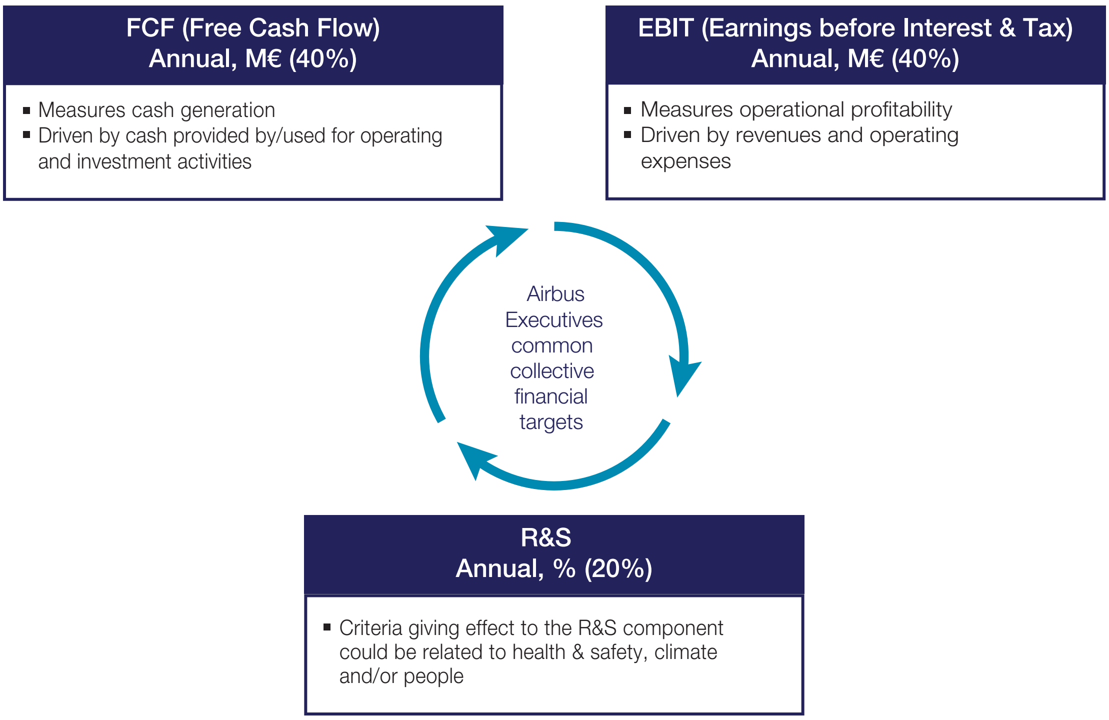
The performance measures that are considered when awarding the variable remuneration to the CEO are split between common collective performance measures and individual performance measures.

Common Collective Component

The common collective component is based on EBIT (40%), Free Cash Flow (40%) and R&S (20%) objectives (the "**Common Collective Component**"). At the beginning of each year, the Board of Directors sets the targets for these key value drivers at Company and Division levels. The common collective targets relate closely to internal planning and to guidance given to the capital markets (although there may be variations from these). The key value drivers that form the R&S component will be determined by the Board of Directors and disclosed in the implementation section of the Company's remuneration report for the relevant financial year. They can be related to matters such as health & safety, climate and/or people.

To calculate the common collective annual achievement levels, actual EBIT, Free Cash Flow and R&S performance is compared against the targets that were set for the year. This comparison forms the basis for computing achievement levels, noting that the actual EBIT, Free Cash Flow levels are occasionally normalised for a limited number of factors which are outside management's control (such as certain foreign exchange impacts or unplanned merger and acquisition activities). The RNGC's intention is to ensure ambitious financial and R&S targets and to incentivise the CEO's commitment to meeting these targets.

The graphic below illustrates the Common Collective Component, how it is measured and what the key value drivers are:



Individual Component

The individual element ("Individual Component") focuses on Outcomes and Behaviour (as defined below). Individual performance is assessed in these two important dimensions, which both contribute to the Company's remuneration philosophy. Among other matters, corporate social responsibility and the Company's corporate values are considered as part of this assessment.

- **Outcomes** encompass various aspects of what the CEO can do to contribute to the success of the business: specific business results he achieves, projects he drives and processes he improves. The individual targets of the CEO are comprehensive and shared with all employees via the Top Company Objectives.
- **Behaviour** refers to the way results have been achieved, which is also critical for long-term success: how the CEO and the Board of Directors work as a team, how the CEO leads the Executive Committee, quality of communication, encouragement of innovation, etc. A specific part of the behaviour assessment relates to ethics, compliance, quality and other sustainability matters.

The performance of the Individual Component is measured by the RNGC for the CEO and for all the other members of the Executive Committee.

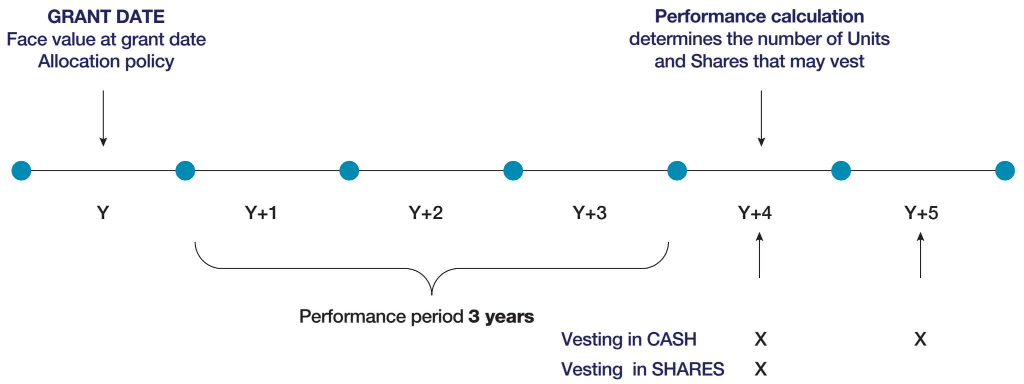
The RNGC discusses the level of achievement of every single target and derives a combined target achievement level for the outcomes. The behavioural part of the Individual Component is also discussed by the RNGC and constitutes an adjustment factor for the target achievement of the outcomes. Finally, the RNGC proposes to the Board of Directors the compound Individual Component of the CEO target achievement made up from the outcomes and behavioural achievements.

e) Long-Term Incentive Plan

The CEO participates in the Company's Long Term Incentive Plan ("**LTIP**") in order to increase the alignment with shareholders' interests. The LTIP allows the award of Performance Units ("Performance Units" or "Units") and/or Performance Shares ("**Performance Shares**" or "**Shares**").

The value of the CEO's LTIP allocation is capped at 100% of the Base Salary at the date of grant and subject to performance conditions. The achievement of the performance criteria is assessed by the RNGC after a three-year period based on relevant financial criteria during this period of three years with stringent targets set in advance and agreed by the Board of Directors at the recommendation of the RNGC.

At the end of this three-year period, the grant is subject to a performance calculation to determine whether and to what extent it should vest. Depending on this calculation (i) Performance Units will vest in two tranches, the payment of which takes place approximately 6 and 18 months following the end of the performance period and (ii) Performance Shares will vest in one tranche, approximately 6 months following the end of the performance period. This is depicted in the graphic below:



The level of vesting of Performance Shares and Units is subject to the following performance measures:
- 0-50% of the allocation: In principle, this element of the Performance Unit/Share award will not vest if the Company reports negative cumulated EBIT results. Nonetheless, in case the Company's EBIT results are impacted by exceptional and unpredictable circumstances, the Board of Directors, upon recommendation of the RNGC, may decide that a maximum portion of 50% of the allocation will vest;
- 50-150% of the allocation: This element of the Performance Unit/Shares vests based on the two following performance criteria: average earnings per share (75%) ("Earnings per Share" or "EPS") and cumulative Free Cash Flow (25%).

Earnings per Share Average over 3 years, €	Free Cash Flow Cumulated over 3 years, M€
▪ Measures profitability ▪ Driven by net income and number of shares	▪ Measures cash generation ▪ Driven by cash provided by/used for operating, financing, and investment activities

The vesting of Performance Units and Shares is subject to the following maximum cap:
- the maximum level of vesting is 150% of the number of Units/Shares granted.

The vesting of Performance Units is subject to the following maximum caps:
- the value that could result from share price increases is capped at 200% of the reference share price at the date of grant; and
- the overall pay-out is capped at 250% of the value at the date of grant.

Performance Units and Performance Shares that vest in accordance with the terms and conditions applicable to them are settled without further action being required by the beneficiary.

For each payment in cash, one Unit is equal to the value of one Airbus share at the time of vesting. The Airbus share value is the average of the opening share price, on the Paris Stock Exchange, during the 20 trading days preceding and including the respective vesting dates.

f) Share Ownership Guideline

The Board of Directors has established a share ownership guideline pursuant to which the CEO is expected to acquire Airbus shares with a value equal to 200% of the Base Salary and to hold them throughout his or her tenure.

g) Benefits

The benefits offered to the CEO are similar to the benefits granted to other executives of the Company and comprise, among other matters, medical, death and disability coverage (both through a social security system or a company plan, depending on the contractual agreement with the CEO), a company car and usual facilities.

Unless the law provides otherwise, the costs and expenses of the CEO are covered, including reasonable costs of defending claims, under the conditions set forth in the insurance policy subscribed by the Company. Under circumstances excluded by the insurance policy, such as an act or failure to act by the CEO that can be characterised as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to any coverage.

h) Retirement

The CEO is entitled to retirement benefits through mandatory applicable state and collective pension plans.

The CEO participates also in a Company pension contributions based plan. This plan consists of an annual pension contribution of 20% of the annual pensionable remuneration (as described in paragraph 4.4.4 item h) below) subject to applicable local practices (if any).

i) Clawback

In accordance with Dutch law, the Board of Directors may adjust a "bonus" (as defined under Dutch law, including short-term remuneration and awards under the Long-Term Incentive Plan subject to performance criteria) awarded to the CEO to a suitable level, if payment or satisfaction of that bonus would be unacceptable under the standards of reasonableness and fairness. Also, the Company may reclaim a bonus already paid, in whole or in part subject to applicable local legal requirements if any, to the extent that such payment was made on the basis of incorrect information regarding the achievement of the targets, objectives and/or conditions underlying the bonus or regarding the circumstances on which the bonus was dependent. The Non-Executive Directors, or a special representative designated by the General Meeting, may demand such repayment on the Company's behalf.

Any such adjustment or clawback will be reported in the notes of the relevant financial statements of the Company.

j) Loans

The Company does not provide loans or advances to the CEO.

k) Severance

In case of termination of the CEO's duties at the initiative of the Board of Directors, the CEO shall be entitled to an indemnity equal to one (1) time the last Total Annual Remuneration (defined as Base Salary and VR most recently paid) subject to applicable local legal requirements if any, and provided that the performance conditions (as described in paragraph 4.4.4 item k) below) assessed by the Board of Directors have been fulfilled. If the CEO's appointment as member of the Board of Directors terminates within a period of 12 months or less prior to his retirement date, the termination indemnity will be limited by pro-rating its amount. This will not apply if the CEO's mandate is terminated for cause (misconduct), in case of resignation or termination on or after his retirement date.

The CEO's appointment terms and conditions include a non-compete clause, which applies for a maximum of one year. The compensation under the non-compete clause is equal to 50% of the last Total Annual Remuneration (defined as Base Salary and VR most recently paid) subject to applicable local legal requirements if any and paid in monthly instalments.

Past LTIP awards may be maintained, in such cases as in the case of retirement or if a mandate is not renewed by the Company for a reason other than cause (misconduct). The vesting of past LTIP awards follows the rules and regulations of the LTIP including performance conditions and is not accelerated in any case. LTIP awards are forfeited for executives who leave the Company at their own initiative, but this is subject to review by the Board of Directors.

The term of the CEO's appointment is linked to his or her mandate as member of the Board of Directors. The termination of the CEO's appointment may be subject to a notice period of six months, except if the CEO's appointment is terminated for cause (misconduct), in which case the CEO's appointment may be terminated immediately, or in case of non-renewal of the CEO's mandate by the General Meeting.

C — Non-Executive Remuneration – Applicable to Non-Executive Directors

The Company's Remuneration Policy with regard to Non-Executive Directors aims at ensuring fair compensation and protecting the independence of the Board's Members. Their remuneration should be commensurate to the time spent and the responsibilities of their role on the Board of Directors.

Fees and Entitlements

Non-Executive Directors are entitled to the following remuneration components:
– a base fee for membership or chair of the Board;
– a Committee fee for membership or chair on each of the Board's Committees; and
– an attendance fee for the attendance of Board meetings (subject to such conditions as may be imposed by the Board of Directors at the recommendation of the RNGC); and
– an attendance fee for the attendance of Committee meetings if and when such Committees would have more than four Committee meetings per year (whether these meetings are held physically or by phone).

Each of these fees is a fixed amount that is determined by the Board of Directors from time to time, at the recommendation of the RNGC.

Committee chairmanship and Committee membership fees are cumulative if the concerned Non-Executive Director belongs to two different Committees. Fees are paid twice a year at the end of each semester (as close as possible to the Board meeting dates).

Non-Executive Directors do not receive any performance or equity-related compensation, and do not accrue pension rights with the Company in the frame of their mandate, except what they would receive in the frame of a current or past executive mandate. These measures are designed to ensure the independence of Board Members and strengthen the overall effectiveness of the Company's corporate governance.

The Company does not encourage Non-Executive Directors to purchase Company shares.

The Company does not provide loans or advances to the Non-Executive Directors.

Unless the law provides otherwise, the Non-Executive Directors shall be reimbursed by the Company for various costs and expenses, including reasonable costs of defending claims. Under certain circumstances, such as an act or failure to act by a Member of the Board of Directors that can be characterised as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to this reimbursement.

4.4.3 Proposed Amendments included in the Remuneration Policy

The Company's Remuneration Policy that will be proposed for adoption at the AGM 2020, and as presented in paragraph 4.4.2 above, contains the following amendments:

Proposal to include an R&S component in the Variable Remuneration of the CEO

The current Common Collective Component of the Variable Remuneration of the CEO is based only on financial key value drivers. In line with market practices and as announced in the Company's 2018 Report of the Board of Directors, in order to reinforce the alignment between the Company's strategy, values and remuneration structure, the Board proposes the introduction of an R&S component in the Common Collective Component of the CEO's Variable Remuneration. The R&S component will replace the existing RoCE criterion and will represent 20% of the Common Collective Component. Consequently, it is proposed that the new partition of the components be as follows from 1 January 2020: EBIT (40%), FCF (40%) and R&S (20%). Among other matters, criteria giving effect to the R&S component can be related to health & safety, climate and/or people in line with the Company's Priorities. These principles will also apply to the other members of the Executive Committee, who do not serve on the Board of Directors, and to a large extent to all Executives employed by Airbus. For information, the contemplated R&S target for 2020 is a 15% reduction in our accident frequency rate (measured through the rate "FR1" equal to the number of lost time accident per million of hours worked) compared to 2019.

Proposal to amend the CEO's pension policy

In line with market practices, the Board also proposes to amend the CEO's pension policy and to move from a defined benefit commitment to a contribution based pension plan. From 1 January 2020, in addition to local applicable mandatory collective and state pension plans, the annual accrued pension rights of the CEO will be built through a contribution of 20% of the annual pensionable remuneration, subject to applicable local practices (if any). This change also applies to the majority of the members of the Executive Committee and will apply to all future members of the Executive Committee.

4.4.4 Implementation of the Remuneration Policy: CEO

A — General

This paragraph 4.4.4 describes how the Remuneration Policy was implemented in 2019 with respect to the CEO: Section B relates to the current CEO (Mr Guillaume Faury) and section C relates to the former CEO (Mr Thomas Enders).

In line with the Remuneration Policy and the expectation of the RNGC and the Board of Directors, the implementation thereof with regard to the CEOs results in a remuneration that will retain and motivate high-calibre executive. It will ensure that the Company achieves its strategic and operational objectives, thereby delivering long-term sustainable returns for all shareholders and other stakeholders in a manner consistent with the Company's identity, mission and corporate values.

B — Implementation of the Remuneration Policy: Current CEO

As announced on 31 January 2020, Airbus has reached final agreements with the French Parquet National Financier (PNF), the U.K. Serious Fraud Office (SFO), and the U.S. Department of Justice (DoJ) resolving the authorities' investigations into allegations of bribery and corruption, as well as with the U.S. Department of State (DoS) and the DoJ to resolve their investigations into inaccurate and misleading filings made with the DoS pursuant to the U.S. International Traffic in Arms Regulations (ITAR). In this context, Airbus has agreed to pay penalties of € 3,598 million plus interest and costs to the French, U.K. and U.S. authorities. These agreements relate to legacy behaviour. With the full support of the Company's Board of Directors and its Ethics and Compliance Committee, considerable steps have been taken over the past years to design and implement an effective Ethics and Compliance programme and organisation across Airbus, meeting globally recognised standards. The fact that Airbus has reached agreements with multiple authorities is clear recognition of the substantial progress made on the Company's compliance programme in recent years. The Company's executive team reported to the authorities and demonstrated exemplary cooperation along the whole process. For these reasons, the Committee has concluded that the impact of the penalties should not be considered in the assessment of the 2019 Variable Remuneration and the ongoing and future incentive plans.

a) Benchmarking

The latest benchmark performed in November 2018 was based on the relevant peer group composed of 76 companies selected from CAC40 in France, DAX 30 in Germany, FTSE 100 in the UK and DJ 30 in the US as well as large European companies having comparable economic indicators such as revenues, number of employees and market capitalisation. Financial institutions were excluded from the peer group.

Based on a review performed by the RNGC in 2018 with the assistance of an independent consultant, Willis Towers Watson, it was concluded that the CEO's Total Direct Compensation was at the median level of the peer group as defined in paragraph 4.4.2.B item (b) above.

b) Base Salary

The CEO's Base Salary level on a full year basis is € 1,350,000.

The prorated Base Salary paid to the CEO calculated from his appointment in April 2019 until and including 31 December 2019 amounts to €971,591.

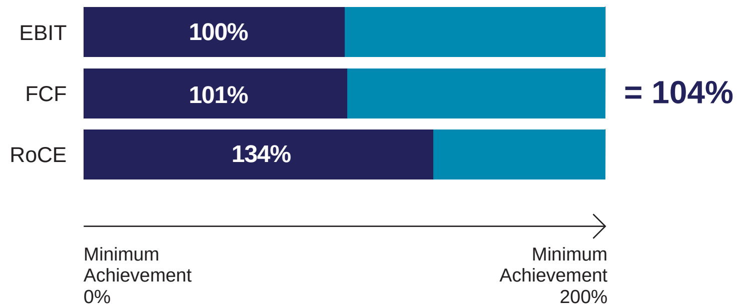
c) Annual Variable Remuneration

As stipulated in the Company's Remuneration Policy, the CEO's VR is targeted at 100% of the Base Salary and capped at 200% of the Base Salary. It is subject to the fulfilment of collective and individual performance targets.

For 2019, the VR prorated of the CEO amounts to an aggregate of € 1,136,761 composed of € 505,227 (104%) for the Common Collective Component and € 631,534 (130%) for the Individual Component.

Performance Achievement – Common Collective Component

According the policy applicable for the financial year 2019, the Common Collective Component results from a composite 104% achievement of EBIT (100%), Free Cash Flow (101%) and RoCE (134%) objectives.



This achievement mainly reflects a solid EBIT and Free Cash Flow generation against the budgeted targets. The main drivers were the strong underlying financial performance with record deliveries, progress on A350 programme, healthy pre-delivery payments inflows, disciplined inventory management on wide-body and sound CapEx spending, offsetting the industrial challenges. Finally, RoCE was above the target.

Normalisations were made to exclude exceptional events such as currency exchange differences or those arising from phasing mismatches.

Note for information on the collective component contemplated for 2020: *Subject to approval by the AGM 2020 of the proposed Remuneration Policy as described in paragraph 4.4.2 (including the replacement of the RoCE (10%) criterion by an R&S (20%) component), the Board of Directors decided to select a health & safety value driver for the 2020 R&S component in line with its significant impact in the materiality assessment of Airbus' approach to R&S (see: Chapter 6 – Non financial information and other corporate activities – Materiality matrix and paragraph c- Health and Safety in Chapter 6 – 6.1.4 – Responsible Employer). As one of the Company's Priorities is to provide a safe and inclusive working environment, it was decided that the R&S target for 2020 should be a 15% reduction in our accident frequency rate (measured through the rate "FR1" equal to the number of lost time accident per million of hours worked) compared to 2019. Safety is reviewed across the whole group on a daily basis and Airbus' FR1 performance is reported on a monthly basis to the CEO who in turn reviews the improvement plans and adapts actions across the business.*

Performance Achievement – Individual Component

The Individual Component in 2019 results from an achievement level of 130% out of 200%, assessed by the RNGC and approved by the Board of Directors on the basis of the CEO's performance and behaviour, mostly with respect to the Airbus priorities agreed at the start of 2019 (see: Chapter 2 – Summary 2019). For each of these outcomes, leadership, personal performance and contributions were examined.

The **factors determining the assessment** were among other achievements:

- strong underlying financial performance of the Company; achievement of the 2019 FY guidance; increased consolidated revenues by 11% and EBIT Adjusted by 19%;
- new Company and industry record of Commercial Aircraft deliveries with 863 aircraft delivered to 99 customers; almost 100 deliveries more than in 2018; breakeven target for the A350 achieved;

– very successful launch of the 321XLR counting over 300 orders with more than 10 airlines;
– successful Type Certification of the Beluga XL by the European Aviation Safety Agency (EASA): paves the way to entry-into-service in early 2020; key enabler for production ramp-up beyond 2019;
– successful A220 post-merger integration: market development, ramp-up and cost reduction on track;
– Single Aisle industrial transformation launched and set as a Company Priority; first results delivered in 2019;
– solid sales performance in Airbus Helicopters with highest-ever bookings in value achieved in 2019 (more than € 7 billion); notable evolution of services activities; unveiling of new version of the H145 light twin-engine helicopter with increase in overall performance; delivery of the 1000th Super Puma helicopter and of the first NH90 Sea Lion naval multi-role helicopter;
– key successes on MRTT and on the Future Combat Air System with the delivery of a joint industrial proposal to the governments of France and Germany for the first Demonstrator Phase of the programme and joint concept study tranche one completed; major milestones achievement in the A400M programme with new capabilities introduced; 18 new satellites in orbit and 11 new satellites under contract;
– good progress on UAV and green aircraft roadmaps;
– solid progress on digital roadmap for DDMS and Skywise: number of airlines on Skywise more than doubled since the end of 2018 (>100 airlines);
– effective Ethics and Compliance programme and organisation designed and implemented across Airbus: allowed finalisation of agreements with the French, U.K. and U.S. authorities in January 2020;
– key advancement in the Company's transformation programme with successful management transition, including structuring and empowerment of the new leadership organisation; reinforced efforts on diversity in all its forms, including the appointment of a second woman at the Executive Committee; strong emphasis on responsibility & sustainability raised at the heart of the Company's Priorities, including the reorganisation of the responsibility & sustainability teams to ensure the development of a strong responsibility & sustainability culture across the Company.

d) Long-Term Incentive Plan

Granting 2019

Under the Company's Remuneration Policy, the CEO is eligible to receive a Performance Units and Performance Shares award under the Company's LTIP. The value of the Performance Unit and Share award is capped at 100% of the Base Salary at the date of grant. During 2019, the CEO was granted an aggregate of 11,060 of Performance Units and Performance Shares. The LTIP awards during 2019, in line with the Remuneration Policy (4.4.2 B item b)), represent one third of the CEO's target Total Direct Compensation.

The table below gives an overview of the Performance Units and Performance Shares granted to the CEO in 2019 pursuant to the LTIP:

UNIT PLAN: NUMBER OF PERFORMANCE UNITS

	Granted in 2019	Vesting dates
Guillaume Faury	5,530	Vesting schedule is made up of 2 tranches over 2 years: (i) 50% expected in May 2023 (ii) 50% expected in May 2024

SHARE PLAN: NUMBER OF PERFORMANCE SHARES

	Granted in 2019	Vesting dates
Guillaume Faury	5,530	Vesting schedule is made up of 1 tranche: (i) 100% expected in May 2023

The grants in 2019 were performed in compliance with the performance measures (average EPS (75%) and cumulative FCF (25%)) described in paragraph 4.4.2 B item e).

Vesting values in 2019

In 2019, the CEO received both cash payments and vested shares in connection with the vesting of 2014 and 2015 LTIP awards:
– **cash:** the total cash payment to the CEO amounted to €697,383 in 2019;
– **shares:**
  – in connection with the 2014 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the CEO received 2,528 vested shares on the second vesting date for LTIP 2014 (31 May 2019),
  – in connection with the 2015 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 1,998 Performance Units for the LTIP 2015 will be released in the form of shares on the second vesting date for the 2015 LTIP (which will take place in 2020).

LTIP OVERVIEW: GRANTING AND VESTING

Date of grants	Grant Type	Number	Share price at grant date	Value at grant date	(Un) conditional	Performance achievement	Units with performance achievement	Dates of vesting	Share value at vesting dates (1)
2014	Units	12,640	€47.45	€ 599,768	Conditional	80%	10,112	2 vestings in 2018 - 2019	1st vesting – 3 May 2018: € 94.40 2nd vesting – 31 May 2019: € 94.90
2015	Units	10,656	€56.31	€ 600,039	Conditional	75%	7,992	2 vestings in 2019 - 2020	1st vesting- 31 May 2019: € 112.62
2016	Units	5,696	€52.67	€300,008	Conditional	75%	4,272	2 vestings in 2020 - 2021	Not yet known
2016	Shares	5,696	€ 52.67	€300,008	Conditional	75%	4,272	1 vesting in 2020	Not yet known
2017	Units	4,404	€73.81	€325,059	Conditional	Not yet known	Not yet known	2 vestings in 2021 - 2022	Not yet known
2017	Shares	4,404	€ 73.81	€325,059	Conditional	Not yet known	Not yet known	1 vesting in 2021	Not yet known
2018	Units	4,208	€ 106.94	€ 450,004	Conditional	Not yet known	Not yet known	2 vestings in 2022 - 2023	Not yet known
2018	Shares	4,208	€ 106.94	€ 450,004	Conditional	Not yet known	Not yet known	1 vesting in 2022	Not yet known
2019	Units	5,530	€ 122.06	€ 674,992	Conditional	Not yet known	Not yet known	2 vestings in 2023 - 2024	Not yet known
2019	Shares	5,530	€ 122.06	€ 674,992	Conditional	Not yet known	Not yet known	1 vesting in 2023	Not yet known

Calculations may involve rounding to the nearest unit.
(1) Vesting will occur according to the respective rules and regulations of each plan.
NOTE: 2014 to 2018 awards were granted to Mr Faury before his appointment as CEO and should vest during his mandate.

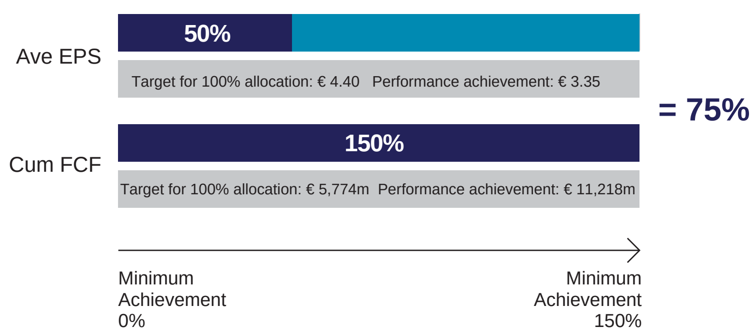
Performance Conditions of LTIP 2016

- The performance conditions for LTIP 2016 were determined as follows: if Airbus reports negative cumulated EBIT results, the Board of Directors can decide at its sole discretion to review the vesting of the Performance Units, including the 50% portion which is not subject to performance conditions.
- 50% to 150% of the allocation would be granted depending on the compounded achievement of the two following performance criteria:
  - 75% of average EPS ("Ave EPS"): determined on a linear basis depending on three-year Ave EPS for the 2017, 2018 and 2019 fiscal years, with the three-year Ave EPS target for an allocation of 100% equal to €4.40; and
  - 25% of cumulative FCF ("Cum FCF"): determined on a linear basis depending on three-year Cum FCF for the 2017, 2018 and 2019 fiscal years, with the three-year Cum FCF target for an allocation of 100% equal to €5,774 million.

Review of Achievement of Performance Conditions

The Board of Directors on 12 February 2020 noted the achievement of the performance conditions of the 2016 plan, *i.e.* for the 2017, 2018 and 2019 fiscal years. The three-year Ave EPS was €3.35 and the three-year Cum FCF was € 11,218 million, after normalisation to align them with policies in force when setting the target (notably IFRS 15 and A220 impacts).

LTIP 2016 PERFORMANCE ACHIEVEMENT



For reasons of confidentiality, the precise targets set for the average EPS and cumulative Free Cash Flow, even though they have been properly established in a proper manner, cannot be publicly disclosed as these objectives are in part linked to the Company's strategy. Nonetheless, for the sake of transparency and to ensure compliance with best practices, retrospective information demonstrating the stringency of the targets set by the Board of Directors is provide for the previous LTIP, as follows:

Date of grants	KPI	Number of units	Target for a 100% allocation	Achieved	Performance achievement in percentage	Compounded performance achievement in percentage	Resulting vesting in number	For comparison, average EPS for the last 3 reported years at the date of grant
2014	Ave EPS	12,640	€ 3.31	€ 2.81	56%	80%	10,112	€ 1.51 (1)
	Cum FCF		€ 4,298m	€ 9,741m	150%			
2015	Ave EPS	10,656	€ 4.02	€ 2.95	50%	75%	7,992	€ 2.10 (2)
	Cum FCF		€ 8,281m	€ 10,469m	150%			
2016	Ave EPS	11,392	€ 4.40	€ 3.35	50%	75%	8,544	€ 2.76 (3)
	Cum FCF		€ 5,774m	€ 11,218m	150%			

(1) Average EPS of 2013, 2012 and 2011.
(2) Average EPS of 2014, 2013 and 2012.
(3) Average EPS of 2015, 2014 and 2013.

e) Share Ownership

The CEO owned 8,407 Company shares on 31 December 2019. The CEO has engaged a personal investment plan in Airbus' shares to reach the target of 200% of the Base Salary by 2021.

Please refer to the AFM website **www.afm.nl** for any further information related to the transactions of the CEO.

f) Employee Share Ownership Plan (ESOP)

In March 2019, the Company offered all eligible employees the opportunity to subscribe to a share matching plan, through which the Company matches a certain number of directly acquired shares with a grant of matching shares. This ratio varies depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 44%. The total offering was up to 2.2 million shares of the Company, open to all qualifying employees. Information about the plan can be found on the Company's website.

Under the umbrella of the ESOP 2019, a dedicated UK tax advantageous Share Incentive Plan ("SIP") was also deployed in March 2019.

Although the CEO was eligible for the plan, he did not participate in the ESOP 2019 plan favouring the development of a shareholding among other employees of the Company.

g) Benefits

Costs of benefits provided through applicable mandatory collective and social security plans are accounted for among social charges (please refer to Note 34 to the IFRS Consolidated Financial Statements for further details). The monetary value of other benefits provided to the CEO in 2019 amounts to €33,802.

h) Retirement

Considering the seniority of the CEO, the new pension policy proposed in paragraphs 4.4.2 item h) and 4.4.3 will coexist with the former pension plan.

Until the end of 2019, the retirement benefit of the CEO accrued through a defined benefit commitment which consists of granting a pension at retirement age equal to 50% of the Base Salary for five years of service in the Executive Committee, including mandatory applicable collective and state pension plans. Such a percentage of pension would accrue gradually to 60% of the Base Salary after ten years of service within the Executive Committee.

Following the Board decision to move from defined benefit commitment to contributions based plans and in line with a new French regulation, the accrued pension rights under this commitment have been frozen based on the seniority of the CEO as Executive Committee Member at the end of 2019. A target replacement ratio has therefore been set at 52% of his Base Salary (*i.e.* 26% of the sum of his Base Salary and his target VR) and will no longer accrue. The pension rights under this commitment remain unvested until the retirement date of the CEO.

The pension rights arising from the Company's defined contribution plan (*i.e.* contribution of 20% of the pensionable remuneration, which is the Base Salary and the most recently paid VR) are deducted from the frozen pension rights described above.

The present value of the remaining CEO's pension obligation related to the frozen defined benefit commitment is estimated annually by an independent actuarial firm according to the international accounting standard IAS19 as applied by the Company for post-employment benefits. As of 31 December 2019, the defined benefit obligation amounted to €9,167,371. This obligation has been accrued in the 2019 Consolidated Financial Statements and will be updated annually up to the retirement date of the CEO considering future changes on economic assumptions or other factors like salary increase.

For the fiscal year 2019, the cost related to the CEO's pension rights accrued under Company's plans during the year represented a net profit of € (2,814,868) composed by an expense of € 812,005 and the effect of the freeze of the defined benefit commitment of € (3,626,873).

The annual cost of pension rights accrued under applicable mandatory collective and state pension plans are accounted for among social charges (please refer to Note 34 to the IFRS Consolidated Financial Statements for further details).

i) Clawback

The Board of Directors did not apply any clawback in 2019.

j) Pay ratio

The Dutch Corporate Governance Code recommends that the Company provides a ratio comparing the compensation of the CEO and that of a "representative reference group" determined by the Company.

The Airbus pay ratio is calculated by comparing the cash compensation of the CEO with the average compensation of full-time equivalent permanent employees from France, Germany, the U.K. and Spain for Airbus, excluding subsidiaries (encompassing around 94,000 employees).

The aggregate cash compensation over the 2019 fiscal year was used as a reference amount (*i.e.*, excluding the value of equity incentive awards and other non-cash compensation components). To calculate the ratio, the gross sum of the Base Salary, annual bonus, profit and success sharing, overtime, premium for work conditions and other premiums was taken into account.

Based on this methodology, the ratio between the cash compensation of the CEO (*i.e.* the aggregated Base Salary amount for the former and current CEO and VR related to 2018) and the average compensation of full-time equivalent permanent employees for the fiscal year to which this report relates is 49 (for 2018: 50 as restated based on exact figures) (rounded to the nearest integer).

k) Severance

No payment has been made to the CEO in 2019 related to severance or other termination indemnity.

Under the current CEO's appointment terms and conditions, the payment of an indemnity in case of termination would be subject to performance conditions. These conditions would be fulfilled if the collective and individual components of the VR for the last 2 financial years preceding the financial year during which the termination occurs have been assessed by the Board of Directors at 100% or more.

C — Implementation of the Remuneration Policy: former CEO

On 10 April 2019, Thomas Enders left the Company as CEO and Executive Member of the Board of Directors.

As disclosed in the 2018 Report of the Board of Directors, Mr Enders received for the year 2019 € 420,455 as prorated Base Salary and € 416,096 as prorated VR in 2019.

As already mentioned in the 2018 Report of the Board of Directors, Mr Enders was entitled to a non-compete remuneration, which lead to a payment of € 2,134,838 in 2019.

For further details please refer to chapter 4.4.4 of the 2018 Report of the Board of Directors available on the Company's website (**www.airbus.com**).

D — Development of the compensation

The table below provides an overview of the development of the direct cash compensation paid to the CEO during a financial year composed by the Base Salary plus the VR (as defined below) and of the Employee Compensation (as defined below).

Financial year	**2019**	2018	2017	2016	2015
I. CEO's direct cash compensation					
Annual Base Salary *(in € thousand)*	1,392 (1)	1,500	1,500	1,500	1,400
VR *(in € thousand)* (2)	2,318	2,168	1,913	1,932	1,939
Total	**3,710**	**3,668**	**3,413**	**3,432**	**3,339**
Annual Variation	+1.1%	+7.5%	-0.6%	+2.8%	
II. Long Term Incentive Plan *(in € thousand)* (3)	**1,350**	**-**	**1,500**	**1,500**	**1,400**
III. Company Performance					
EBIT Adjusted *(in € million)* (4)	6,946	5,834	4,253	3,955	4,132
Annual Variation	+19%	+37%	+8%	-4%	
FCF before M&A and customer financing *(in € million)* (4)	3,509	2,912	2,949	1,408	1,175
Annual variation	+21%	-1%	+109%	+20%	
IV. Employee Compensation *(in € thousands)* (5)	**75,1**	**73.6**	**71.0**	**7101**	**70.6**
Annual Variation	+2.0%	+3.6%	0.0%	+0.6%	

(1) Base salary 2019 relates to the former CEO up to 10 April 2019 and to the current CEO from 10 April 2019.
(2) VR paid during the financial year at stake in relation to the previous financial year.
(3) Face value of LTIP granted in the financial year. No LTIP were granted in 2018 to the CEO due to his future departure.
(4) Before 2016, Airbus used the key indicators "EBIT before one-offs" and "FCF before M&A".
(5) Average compensation of full-time equivalent permanent employees from France, Germany, the U.K. and Spain for Airbus, excluding subsidiaries, composed by gross sum of the Base Salary, annual bonus, profit and success sharing, overtime, premium for work conditions and other premiums. For the 2019 financial year, the amount presented is still an estimate and will be adjusted next year.

4.4.5 Implementation of the Remuneration Policy: Non-Executive Directors

This section describes how the Remuneration Policy was implemented in 2019 in respect of the Non-Executive Directors. In line with the Remuneration Policy, the implementation thereof with regard to the Non-Executive Directors aims at ensuring fair compensation and protecting the independence of the Board's Members. Their remuneration should be commensurate to the time spent and the responsibilities of their role on the Board of Directors.

The last review of the Board remuneration was undertaken in 2018 with the support of an independent consultant. The Board remuneration is in line with market practice, incentivises attendance and recognises the strategic role played by the Board of Directors in Airbus' developments. The CEO is the only Member of the Board of Directors who is not entitled to any Board membership fee.

In 2019, Non-Executive Members of the Board were entitled to the following fees:

a) Board fees

- Fixed fee for membership of the Board (EUR / year):
  - Chairman of the Board: 210,000,
  - Member of the Board: 80,000.
- Attendance fees (EUR / Board meeting):
  - Chairman: 15,000,
  - Member: 10,000.

Attendance fees shall decrease by 50% in case of an attendance by phone or a Board meeting held by phone.

b) Committee fees

– Fixed fee for membership of a Committee (EUR / year):
  – Chairman: 30,000,
  – Member of a Committee: 20,000.
– Attendance fee for membership of a Committee applicable to chair and members (EUR / additional meeting above four meetings per Committee per year, whether these meetings were held physically or by phone):
  – physical participation: 3,000 if the chair or member is based in Europe and double attendance fee amount, *i.e.* 6,000 if the chair or member is based outside Europe,
  – participation by phone (whether the meeting is held physically or by phone): 1,500.

For personal reasons, and with regards to the implementation of the Remuneration Policy approved at the Annual General Meeting in 2016, Denis Ranque decided in 2016 and onwards to waive the portion of his remuneration as Chairman of the Board of Directors which exceeds €240,000 (his total target remuneration for 2015, based on six meetings per year and including chairmanship Board fixum and attendance fees) until further notice.

Taking into account the increased number of Board meetings in 2019, the remuneration of Denis Ranque for 2019 as Chairman of the Board of Directors (Board chairmanship fixum and attendance fees) is € 275,000.

Therefore, the Board recommended that the remuneration exceeding € 275,000 would be converted into an annual contribution to the Airbus Foundation, as long as Denis Ranque waived this part of his remuneration which corresponds to € 77,500 based on the number of Board meetings in 2019.

The remuneration of the Non-Executive Members of the Board of Directors was as follows:

	2019			2018		
(In €)	**Fixum** (1)	**Attendance Fees** (2)	**Total**	Fixum (1)	Attendance Fees (2)	Total
Non-Executive Board Members						
Denis Ranque	210,000	101,000	311,000	210,000	75,000	285,000
Victor Chu (3)	100,000	107,000	207,000	72,376	50,000	122,376
Jean-Pierre Clamadieu (4)	114,176	105,000	219,176	72,376	50,000	122,376
Ralph D. Crosby Jr.	100,000	108,500	208,500	100,000	75,000	175,000
Lord Drayson (5)	120,000	105,000	225,000	114,475	55,000	169,475
Catherine Guillouard (6)	127,265	95,500	222,765	120,000	75,000	195,000
Hermann-Josef Lamberti	122,735	77,500	200,235	130,000	65,000	195,000
María Amparo Moraleda Martínez	130,000	105,000	235,000	127,238	65,000	192,238
Claudia Nemat	100,000	74,500	174,500	100,000	75,000	175,000
René Obermann (7)	100,000	102,000	202,000	72,376	55,000	127,376
Carlos Tavares	80,000	65,000	145,000	80,000	50,000	130,000
Former Non-Executive Board Members						
Hans-Peter Keitel (8)	0	0	0	27,900	10,000	37,900
Sir John Parker (8)	0	0	0	36,270	10,000	46,270
Jean-Claude Trichet (8)	0	0	0	27,900	10,000	37,900
Total	**1,304,176**	**1,046,000**	**2,350,176**	**1,290,910**	**720,000**	**2,010,910**

(1) Fixum includes a base fee for Board membership and Committee membership within the Audit Committee, the RNGC and/or the E&C Committee as the case may be. The fixum for the year 2019 was paid 50% in July 2019 and 50% in January 2020. The fixum for the year 2018 was paid 50% in January 2018 and 50% in July 2018.
(2) 2019 attendance fees include the board attendance fees and the fees in relation to Audit Committee, RNGC and E&C Committee meetings. The Board attendance fees related to the first semester 2019 were paid in July 2019, those related to the second semester 2019 were paid in January 2020. The Committee attendance fees related to full year 2019 were paid in January 2020.
(3) Member of the Board of Directors and the Audit Committee since 11 April 2018.
(4) Member of the Company Board of Directors and the RNGC since 11 April 2018. Member of the E&C Committee since 10 April 2019.
(5) Member of the E&C Committee since 11 April 2018.
(6) Chair of the Audit Committee since 10 April 2019.
(7) Member of the Board of Directors and the Audit Committee since 11 April 2018. Member of the E&C Committee since 30 July 2019.
(8) Member of the Company Board of Directors until 11 April 2018.

The total aggregated remuneration (*i.e.* fixum and attendance fee) of the Non-Executive Members of the Board of Directors were respectively € 2,080,403 in 2017, € 1,750,768 in 2016 and € 1,521,668 in 2015.

4.4.6 Miscellaneous

Policy for Loans and Guarantees Granted

The Company's general policy is not to grant any loan to the Members of the Board of Directors. Unless the law provides otherwise, the Members of the Board of Directors shall be reimbursed by the Company for various costs and expenses, like reasonable costs of defending claims. Under certain circumstances, such as an act or failure to act by a Member of the Board of Directors that can be characterised as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to this reimbursement. The Company has also taken out liability insurance ("D&O" – Directors & Officers) for the persons concerned.

4.5 Enterprise Risk Management System

Airbus' long-term development and production lifecycle make Enterprise Risk Management ("**ERM**") a crucial mechanism for both mitigating the risks faced by the Company and identifying future opportunities.

Applied across the Company and its main subsidiaries, ERM is a permanent top-down and bottom-up process, which is executed across Divisions at each level of the organisation. It is designed to identify and manage risks and opportunities. A strong focus is put on the operational dimension due to the importance of Programmes and Operations for Airbus.

ERM is an operational process embedded into the day-to-day management activities of Programmes, Operations and Functions. The top risks and their mitigations are reported to the Board of Directors through a reporting synthesis, consolidated on a quarterly basis.

The ERM system is articulated along five axes:
- Anticipation: early risk reduction and attention to emerging risks;
- Speak-up & early warnings;
- Robust risk mitigations;
- Opportunities; and
- Strong Governance.

ERM Process

The objectives and principles for the ERM system, as endorsed by the Board of Directors, are set forth in the Company's ERM Policy and communicated throughout Airbus. The Company's ERM Policy is supplemented by directives, manuals, guidelines, handbooks, etc. External standards which contribute to the Company's ERM system include the standards as defined by the International Organisation for Standardisation ("**ISO**").

The ERM process consists of three elements:
- a strong operational dimension – derived from ISO 31000 – to enhance operational risk and opportunity management, looking in particular at identifying and mitigating Single Points of Failure (SPOF);
- a reporting dimension (bottom up and top down), which contains procedures for the status reporting of the ERM system and the risk/opportunity situation; and
- an ERM confirmation dimension, which comprises procedures to assess the effectiveness of the ERM system.

The ERM process applies to all relevant sources of risks and opportunities that potentially affect the Company's activities, its businesses and its organisation in the short-, mid- and long-term. The ERM process is part of the management process and inter-related with the other processes.

All Airbus organisations, including Divisions, subsidiaries and controlled participations, commit to and confirm the effective implementation of the ERM system. The annual ERM Confirmation Letter issued by each organisation is the formal acknowledgement about the effectiveness of the ERM system.

For the main risks to which Airbus is exposed, see "— Chapter 4.6 (Risk Factors)" of this document.

ERM Governance and Responsibility

The governance structure and related responsibilities for the ERM system are as follows:
- the Board of Directors with support of the Audit Committee supervises the strategy and business risk and opportunities, as well as design and effectiveness, of the ERM system;
- the CEO, with the top management, is responsible for an effective ERM system. He is supported by the CFO, who supervises the Head of ERM, and the ERM system design and process implementation;
- the Head of ERM has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation in the Company focusing on the operational dimension, early warning and anticipation culture development while actively seeking to reduce overall risk criticality by challenging the business. The risk management organisation is structured as a cross-divisional Centre of Competence ("**CoC**") and pushes for a proactive risk management; and
- the management at executive levels has responsibility for the operation and monitoring of the ERM system in its respective areas of responsibility and for the implementation of appropriate response activities to reduce risks and seize opportunities, considering the recommendations of the internal and external auditors.

ERM Effectiveness

The ERM effectiveness is analysed by:
- ERM CoC, based on ERM reports, confirmation letters, *in situ* sessions (*e.g.* risk reviews), participation to key controls (*e.g.* major Programme Maturity Gate Reviews);
- Risk & Opportunity Deep Dives performed by the ERM CoC; and
- Corporate Audit, based on internal corporate audit reports.

The combination of the following controls is designed to achieve reasonable assurance about ERM effectiveness:

Organisation	Explanations
Board of Directors/ Audit Committee	**Regular monitoring** The Board of Directors and the Audit Committee review, monitor and supervise the ERM system. Any material failings in, material changes to, and/or material improvements of the ERM system which are observed, made and/or planned are discussed with the Board and the Audit Committee.
Top Management	**ERM as part of the regular divisional business reviews** Results of the operational risk and opportunity management process, self-assessments and confirmation procedures are presented by the Divisions or other Airbus' organisations to top management.
Management	**ERM confirmation letter procedure** Entities and department heads that participate in the annual ERM compliance procedures must sign ERM Confirmation Letters.
ERM CoC	**ERM effectiveness measurement** Assess ERM effectiveness by consideration of ERM reports, ERM confirmations, in situ sessions (risk reviews etc.), participation to key controls (*e.g.* major Programme Maturity Gate Reviews).
Corporate Audit	**Audits on ERM** Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.
E&C	**Alert System** Detect deficiencies regarding conformity to applicable laws and regulations as well as to ethical business principles.

Board Declaration

Based on the Company's current state of affairs, the reports made directly available to the Board of Directors, coming from different processes, audits and controls and the information it received from management, the Board of Directors believes to the best of its knowledge that:

– the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
– this report provides sufficient insight into any material failings in the effectiveness of the internal risk management and control systems;
– it is justified that the financial statements have been prepared on a going concern basis; and
– this report states the material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of the report.

It should be noted that no matter how well designed, the internal risk management and control system has inherent limitations, such as vulnerability to circumvention or overrides of the controls in place. Consequently, no assurance can be given that the Company's internal risk management and system and procedures are or will be, despite all care and effort, entirely effective.

4.6 Risk Factors

The Company is subject to the risks and uncertainties described below that may materially affect its business, results of operations and financial condition. These are not the only risks the Company faces. Additional risks and uncertainties not presently known to the Company, or that it currently considers immaterial may also impair its business and operations.

Although a certain degree of risk is inherent in the Company's business (as described in the risk factors mentioned in this section), the Company endeavours to minimise risk to the extent reasonably possible. To achieve its strategy, the Company is prepared to take modest or low event risks to provide sufficient predictability on profitability and cash flow given the necessity to stay competitive, invest in R&D and manage the diversified portfolio of business in a world of uncertain market and economic conditions. Due to the importance of programmes and operations for the Company, a particular focus is put on the operational dimension of risk identification and management. Within the area of legal and compliance risks, the Company seeks to ensure that its business practices conform to applicable laws, regulations and ethical business principles, while developing a culture of integrity. Regarding financial risks, our risk approach can be qualified as prudent and the Company aims to minimise the downside risk through appropriate liquidity buffer, the use of hedging derivatives and other insurance products.

4.6.1 Financial Market Risks

Global Economic Concerns

The Company's business, results of operations and financial condition are materially affected by global economic conditions.

Market disruptions and significant economic downturns may develop quickly due to, among other things, crises affecting credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt and bank debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including the impact of Brexit, discussed below and global policy including in the US, European Union, China). The current US administration has introduced greater uncertainty with respect to US tax and trade policies, tariffs and government regulations affecting trade between the US and other countries. Such measures may affect countries where our customers and suppliers are located or where the Company has an operational presence or to which its financing activities are linked. See " – Risk Factors – Financial Market Risks – The Company's business, results of operations and financial condition could be materially affected by Brexit" and "— Risk Factors – Business-Related Risks – Availability of Government and other Sources of Financing".

The Company's global presence includes France, Germany, Spain and the United Kingdom ("UK"), fully-owned subsidiaries in the United States ("US"), China, Japan, India and in the Middle East, and spare parts centres in Hamburg, Frankfurt, Washington, Beijing, Dubai and Singapore. The Company also has engineering and training centres in Toulouse, Miami, Mexico, Wichita, Hamburg, Bangalore, Beijing and Singapore, as well as an engineering centre in Russia. There are also hubs and field service stations around the world. The Company also relies on industrial co-operation and partnerships with major companies and a wide network of suppliers. This global presence entails the risk of being affected by weak market and economic conditions in particular in Europe, the US and Asia where it manufactures and to which it sells the majority of its products.

As of 31 December 2019, the Company's workforce amounted to 134,931 employees of which over 15,000 employed outside our core countries. In terms of nationalities, 35.6% of the Company's employees are from France, 31.6% from Germany, 8.5% from the UK and 10.1% from Spain. US nationals account for 2.1% of employees. The remaining 12% are employees coming from a total of 142 other countries. In total, 90.1% of the Company's active workforce is located in Europe on more than 100 sites.

It is a priority to ensure that the Company can attract, develop and retain a world-class competent, motivated and flexible workforce, which fits current and future business requirements in each of the countries in which we have a presence. A change in economic conditions in any of the geographies in which we have significant numbers of employees or key employees may therefore impact our ability to compete effectively for employees in such countries.

Approximately 24,000 suppliers from more than 100 countries supply parts, components, systems and services to the Company. In 2018, the overall external sourcing volume of the Company was valued at around €52 billion. We require our suppliers' and subcontractors' services in order to deliver our products and generate revenue and profit. Therefore financial instability in any part of the world that would affect our suppliers or subcontractors, including financial conditions resulting in their inability to obtain credit or even insolvency, could impact the Company's ability to meet its customer obligations in a satisfactory and timely manner. In addition, financial instability affecting suppliers or subcontractors could impact such parties' ability to meet their obligations under risk sharing partnership agreements entered into with the Company.

The behaviour of our customers and by extension, the demand for, and supply of, the Company's products and services may be materially affected by global economic conditions. Historically, the Company has experienced that order intake for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and the air cargo share of freight activity, which are in turn driven by a range of economic variables including gross domestic product ("**GDP**") growth and private consumption levels. A downturn in economic factors driving our commercial airline business, could lead to a weakening demand for our commercial aircraft. The significant growth of our commercial aircraft business relative to our Defence, Space and Government activities has diluted the latter's ability to serve as an effective tool to counter commercial cycles.

Demand for military and parapublic products may be further affected by governmental budget constraints caused by economic pressure.

Therefore weak global economic conditions could directly result in:

- requests by customers to postpone or cancel existing orders for aircraft (including helicopters) or decisions by customers to review their order intake strategy due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or change in operating costs or weak levels of passenger demand for air travel and cargo activity more generally, which could negatively impact the Company's results of operations;
- variations in public spending for defence, homeland security and space activities, which may lead to termination or reduction of future funding or cancellations or delays impacting existing contracts which could negatively impact the Company's results of operations; and
- an increase in the amount of sales financing that the Company must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interests the Company might have in the underlying aircraft. See "— Risk Factors – Financial Market Risks – Sales Financing Arrangements".

In addition, in the Commercial Aircraft industry it is the industry standard to include revision clauses in sales and supplier contracts due to the long terms of such contracts. Such revision clauses can be based on one or multiple indices and, therefore, can evolve due to changes in economic measures on which such indices are based, thereby potentially negatively impacting the Company's results.

The Company generally finances its manufacturing activities and product development programmes, and in particular the development of new commercial aircraft, through a combination of flows generated by operating activities, customer advances, European governments' refundable advances and risk-sharing partnerships with subcontractors. In addition, the Company's military activities benefit from government-financed research and development contracts. If necessary, the Company may raise funds in the capital markets. Weak economic circumstances leading to liquidity constraints or reduced availability of finance for the Company's customers, suppliers, European and other governments, and other risk sharing partners may affect the Company's ability to finance its product development programmes and raise funds in the capital markets.

The Company's financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realised in the future on the Company's financial instruments differing significantly from the fair values currently assigned to them.

Although the potential negative impact of global economic conditions cannot reasonably be assessed, the consequences thereof could have a material effect on the Company's business, results of operations and financial condition, and in particular if these were to impact the Company's commercial aviation activities or otherwise impact its access to financing.

The Company's business, results of operations and financial condition could be materially affected by Brexit.

On 29 March 2017, the UK triggered Article 50 of the Lisbon Treaty, the mechanism to leave the European Union ("**Brexit**"), before having achieved a roadmap for the complex negotiations. The UK Government's Withdrawal Agreement was ratified and the UK left the EU in an orderly manner on 31 January 2020, opening a transition period until 31 December 2020. During this transition period, the European Union and the UK are continuing to negotiate their future long-term relationship, including around alignment of the regulatory framework for aviation. The full impact of Brexit on our business, results of operations and financial condition will only become clear once the negotiations between the European Union and the UK regarding withdrawal after the end of the transition period have concluded and clarified the general nature of the post-Brexit relationship. However, the

Company's business and supply chain in particular may be materially affected by this uncertainty and by potentially a lack of agreement on the future long term relationship and/or divergent national laws and regulations between the European Union and the UK.

The critical issues amongst others are the increased cost base due to trade procedures, airworthiness efforts and difficulty to move people. For trade procedures (non-tariff cost) alone, an OECD study estimates the range of the recurring extra cost between 2% and 15% of overall trade. Because of the unprecedented and evolving nature of Brexit, it is difficult to estimate the cost impact it may have on the company. The Company recently generated a UK turnover of approximately £6 billion. Greater restrictions on the import and export of goods and services between the UK and the European Union in which the Company operates, along with increased regulatory and legal complexities, may lead to disruptions and greater costs in the Company's operations and supply chain. The Company has more than 2,000 suppliers in the UK and an integrated supply chain with parts crossing the Channel multiple times. More than 10,000 original aircraft parts originate in the UK. The Company's supply chain is operated on a just-in-time basis relying on frictionless trade today provided by the combination of the EU Customs Union and Single Market rules. Changes in the customs regime between the UK and the European Union could result in significant changes at borders and customs controls. An insufficient level of preparedness for such changes could significantly delay the import and export of goods, including goods which are transferred between Airbus (and its suppliers') entities in the UK and Airbus (and its suppliers') entities in the European Union, which may have a direct industrial and cost impact.

The design, production, maintenance, repair and overhaul and use of parts originating from UK aerospace companies follow tight regulations controlled by the UK certification authority within EASA, who delivers, for example, necessary Design Organisation Approval (DOA), Production Organisation Approval (POA) and Maintenance Organisation Approval (MOA). In the absence of a Brexit agreement, UK aerospace companies may not be covered anymore under existing regulatory approvals including EASA approvals. To secure transition without disruption, UK companies shall transfer their DOA, POA and MOA into the EU-27 and/or adhere to EASA's third country approval scheme.

Airbus has four major engineering and manufacturing facilities in the UK, 14,000 employees at 25 sites. Our people make 80,000 business trips between the UK and the European Union a year and we have 1,900 expatriates.

The Company employs a substantial amount of highly skilled employees in the UK. Limitations on the free movement of people and skilled labour could negatively affect competitiveness, in particular compared to market participants that are less reliant on movement of people and goods between the UK and the European Union, and have a material adverse effect on the Company's results. See also "— Risk Factors – Business-Related Risks – Major Research and Development Programmes".

The Company launched a major Brexit planning project in order to understand, eradicate and/or mitigate risks in the following areas: People, Certifications, Customs, Procurement & Supply Chain, Transport and Logistics, Export Control, Environment, Security, Capital & Financial Services, Legal.

The Company has been working with suppliers and partners to stockpile parts, prepare our customs and regulatory systems and mitigate impacts where possible, for example transport where the Company prepared additional means in advance of 31 March 2019, 31 October 2019 and 31 January 2020. The Company has been working with suppliers and partners to assess and improve their readiness level, and encouraging them to do the same with their supply chains.

In addition, the Company has established a quick reaction crisis management organisation to address any unknown events / risks which may occur.

Because the risk of the UK not reaching agreement with the European Union during the transitional period, or reaching an agreement that might have material consequences for the Company's business, cannot be excluded, the commercial aerospace, defence, space and security industries in which the Company operates may plunge into unknown territory, and the Company's operations and supply chain may still suffer from disruptions, the nature, materiality and duration of which is impossible to predict with any level of certainty. If the UK, either during the transitional period or following such period, would be considered by the European Union to be a third country without a privileged relationship with the European Union, the Company's business, results of operations and financial condition could be materially affected.

Foreign Currency Exposure

At the end of 2019, more than 75% of the Company's revenues are denominated in US dollars, with approximately 60% of such currency exposure "naturally hedged" by US dollar-denominated costs. To the extent that the Company does not use financial instruments to hedge its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies.

There are complexities inherent in determining whether and when foreign currency exposure of the Company will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations, postponements or delivery delays. The Company may also have difficulty in fully implementing its hedging strategy if its hedging counterparties are unwilling to increase derivatives risk limits with the Company, and is exposed to the risk of non-performance or default by these hedging counterparties. The exchange rates at which the Company is able to hedge its foreign currency exposure may also deteriorate, as the euro could appreciate against the US dollar for some time, as has been the case in the past and as higher capital requirements for banks result in higher credit charges for uncollateralised derivatives. Accordingly, the Company's foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the long term, which could have a negative effect on its financial condition and results of operations. In addition, the portion of the Company's US dollar-denominated revenues that is not hedged in accordance with the Company's hedging strategy will be exposed to fluctuations in exchange rates, which may be significant. As of 31 December 2019, the total hedge portfolio with maturities up to 2026 amounts to US$ 92.7 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning.

Furthermore, the Company is exposed to certain other price risks such as interest rate risks, changes in commodity prices and in the price of its own stocks. Adverse movements of these prices may jeopardise the Company's profitability if not hedged.

Currency exchange rate fluctuations in currencies other than the US dollar in which the Company incurs its principal manufacturing expenses (mainly the euro) may affect the ability of the Company to compete with competitors whose costs are incurred in other currencies. This is particularly true with respect to fluctuations relative to the US dollar, as many of the Company's products and those of its competitors (*e.g.*, in the defence export market) are priced in US dollars. The Company's ability to compete with competitors may be eroded to the extent that any of the Company's principal currencies appreciates in value against the principal currencies of such competitors.

The Company's consolidated revenues, costs, assets and liabilities denominated in currencies other than the euro are translated into the euro for the purposes of compiling its financial statements. Changes in the value of these currencies relative to the euro will, therefore, have an effect on the euro value of the Company's reported revenues, costs, earnings before interest and taxes ("EBIT"), other financial results, assets, liabilities and equity.

Sales Financing Arrangements

In support of sales, the Company may agree to participate in the financing of selected customers. Over the last three years (2017 to 2019), the average number of aircraft delivered in respect of which financing support has been provided by Airbus amounted to close to 0% of the average number of deliveries over the same period, *i.e.* one aircraft financed per year out of 794 deliveries per year on average.

The risks arising from the Company's sales financing activities may be classified into two categories: (i) credit risk, which relates to the customer's ability to perform its obligations under a financing arrangement, and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft. Defaults by its customers or significant decreases in the value of the financed aircraft in the resale market may materially adversely affect the Company's business, results of operations and financial condition.

The Company's sales financing arrangements expose it to aircraft value risk, because it generally retains security interests in aircraft for the purpose of securing customers' performance of their financial obligations to the Company, and/or because it may guarantee a portion of the value of certain aircraft at certain anniversaries from the date of their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, the Company would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, *etc.*). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window date of an asset value guarantee with respect to that aircraft, the Company would be exposed to losing as much as the difference between the market value of such aircraft and the guaranteed amount, though such amounts are usually capped. Through the Airbus Asset Management department or as a result of past financing transactions, the Company is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

In addition, the Company has backstop commitments to provide financing related to orders on Airbus' and ATR's backlog. The Company's sales financing exposure could rise in line with future sales growth depending on the agreement reached with customers. The Company remains exposed to the risk of defaults by its customers or significant decreases in the value of the financed aircraft in the resale market, which may have a negative effect on its future financial condition and results of operations.

Counterparty Credit

In addition to the credit risk relating to sales financing as discussed above, the Company is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments ($ 97.1 billion nominal value at 31 December 2019) and cash investments ($ 20.4 billion nominal value at 31 December 2019). However, the Company has policies in place to avoid concentrations of credit risk and to ensure that credit risk exposure is limited.

Counterparties for transactions in cash, cash equivalents and securities as well as for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. The Company's credit limit system assigns maximum exposure lines to such counterparties, based on a minimum credit rating threshold as published by Standard & Poor's and Moody's. If neither is present, Fitch ratings is used. Besides the credit rating, the limit system also takes into account fundamental counterparty data, as well as sector and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of the Company is reviewed on a regular basis and the respective limits are regularly monitored and updated.

As of 31 December 2019 the credit exposure had been estimated as follows:

Source of risk	Exposure	Unexpected Loss Contribution
Banks	4,277	45
Corporates	8,046	190
Sovereign issuers	1,011	6
Money market funds	7,012	10
Total	**20,346**	**251**

The Company also seeks to maintain a certain level of diversification in its portfolio between individual counterparties as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparties.

However, there can be no assurance that the Company will not lose the benefit of certain derivatives or cash investments in case of a systemic market disruption. In such circumstances, the value and liquidity of these financial instruments could decline and result in a significant impairment, which may in turn have a negative effect on the Company's financial condition and results of operations.

Moreover, the progressive implementation of new financial regulations (MiFiD II / MiFIR, CRD4, Bank Restructuring Resolution Directive, etc.) will have an impact on the business model of banks (for example, the split between investment banking and commercial banking activities) and on the capital structure and cost of such banks' activities in relation to over-the-counter derivatives, and therefore on the funding consequences of central clearing and collateralisation of over-the-counter derivatives for corporations like the Company. This may ultimately increase the cost and reduce the liquidity of the Company's long-term hedges, for example, as banks seek to either pass-on the additional costs to their corporate counterparties or withdraw from low-profit businesses altogether.

Pension Commitments

The Company participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. As of 31 December 2019, the provision for retirement plans and similar obligations amounted to €8.353 billion. For information related to these plans, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Post-employment Benefits". Although the Company has recorded a provision in its balance sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading the Company to record additional provisions in respect of such plans.

Necessary adjustments of such provisions include but are not limited to (i) the discount factor (dependent in part on interest rates) and the inflation rate applied to calculate the net present value of the pension liabilities, (ii) the performance of the asset classes which are represented in the pension assets, and (iii) behavioural assumptions regarding beneficiaries, and (iv) additional cash injections contributed by the Company from time to time to the pension assets. The Company has taken measures to reduce potential losses on the pension assets and to better match the characteristics of the pension liabilities with those of the pension assets as a long-term objective. Nevertheless, any required additional provisions would have a negative effect on the Company's total equity (net of deferred tax), which could in turn have a negative effect on its future financial condition.

4.6.2 Business-Related Risks

Commercial Aircraft Market Factors

Historically, the Company has experienced that order intake for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and the air cargo share of freight activity, which are in turn driven by a range of economic variables, such as gross domestic product ("GDP") growth, private consumption levels or working age population size. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies and resultant yields, (v) airline financial health and the availability of third party financing for aircraft purchases, (vi) evolution of fuel price, (vii) regulatory environment, (viii) environmental constraints imposed upon aircraft operations, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), carbon standards and other environmental taxes; and (ix) market evolutionary factors such as the growth of low-cost passenger airline business models or the impact of e-commerce on air cargo volumes.

The factors described above may have a material impact on the commercial aircraft industry and, therefore, on the Company's financial condition and results of operations. In 2019, the commercial aircraft business segment of Airbus recorded total revenues of €54.77 billion – representing 75% of the Company's revenues. The significant growth of our commercial aircraft business relative to our Defence, Space and Government activities has diluted the latter's ability to serve as an effective tool to counter commercial cycles.

The commercial helicopter market in which the Company operates has shown cyclical trends and could also be influenced by factors listed above. In addition, the civil & parapublic and in particular the oil & gas market softness has led to, and may in future lead to, a postponement of investments in the acquisition of new platforms and a reduction of flight hours. Structural changes in demand for helicopters in the oil & gas segment are not anticipated at current oil price levels. However, this may change as oil & gas prices fluctuate. The uncertainty on the lead time of the civil and parapublic market recovery may have an impact on Airbus Helicopters' financial results and could lead to cancellations or loss of bookings and services.

Cyber Security Risks

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

The Company is exposed to a number of different cyber security risks, directly or through its supply chain, arising from actions that may be intentional and hostile, accidental or negligent. Intrusion in systems, leakage of information or theft including industrial espionage, sabotage, corruption and availability of data and destabilisation are the main cyber security risks that the Company faces.

All of the above mentioned risks are heightened in the context of the Company's digital transformation, including greater use of cloud services, increasingly capable adversaries, integration with the extended enterprise, increasing use of the "internet of things" and the growing prevalence of mobile devices. Risks related to the Company's industrial control systems, manufacturing processes and products are growing with the increase of interconnectivity and digitalisation. The growing gap developing between the defences of legacy industrial systems and the capabilities of potential attackers as well as an increasingly competitive landscape of the Company is also at stake.

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

While the Company continues to make significant efforts to prevent such risks from materialising, making targeted investments will reduce but not eradicate likelihood and impact through strengthening the business cyber resilience.

The materialisation of one or several of such risks could lead to severe damage including but not limited to significant financial loss, need for additional investment, contractual or reputational performance degradation, loss of intellectual property, loss of business data and information, operational business degradation or disruptions, and product or services malfunctions.

Physical Security, Terrorism, Pandemics and Other Catastrophic Events

Past terrorist attacks and the spread of disease (such as the Coronavirus or the H1N1 flu pandemic or the Ebola epidemic in 2013-2016) have demonstrated that such events may negatively affect public perception of air travel safety, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest or uncertainties may also affect the willingness of the public to travel by air. Furthermore, major aircraft accidents may have a negative effect on the public's or regulators' perception of the safety of a given class of aircraft, a given airline, form of design or air traffic management. As a result of such factors, the aeronautic industry may be confronted with sudden reduced demand for air transportation and be compelled to take costly security and safety measures. The Company may, therefore, suffer from a decline in demand for all or certain types of its aircraft or other products, and the Company's customers may postpone delivery or cancel orders.

In addition to affecting demand for its products, catastrophic events could disrupt the Company's internal operations or its ability to deliver products and services. Disruptions may be related to threats to infrastructure, personnel security and physical security and may arise from terrorism, natural disasters, fire, damaging weather, and other types of incidents such as drone air traffic disruption. Any resulting impact on the Company's production, services or information systems could have a significant adverse effect on the Company's operations, financial condition and results of operations as well as on its reputation and on its products and services.

Dependence on Key Suppliers and Subcontractors

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

The Company relies upon the good performance and financial health of its suppliers and subcontractors to meet the obligations defined under their contracts. A supplier's performance and health may be negatively impacted by a variety of topics including a concentrated customer base.

The Company cannot fully protect itself from non-performance of a supplier which could disrupt production and in turn may have a negative effect on its financial condition and results of operations.

Changes to the Company's production or development schedules may impact suppliers so that they initiate claims under their respective contracts for financial compensation. This may have a negative effect on the financial condition and results of operations of the Company.

As the Company's global sourcing footprint extends, some suppliers (or their sub-tier suppliers) may have production facilities located in countries that are exposed to socio-political unrest or natural disasters which could interrupt deliveries. This may have a negative effect on the financial condition and results of operations of the Company. See "— Risk Factors – Financial Market Risks – The Company's business, results of operations and financial condition could be materially affected by Brexit".

Industrial Ramp-Up

As a result of the large number of new orders for aircraft recorded in recent years, the Company continues the process of sustainable production increase in order to meet the agreed upon delivery schedules for such new aircraft. The Company's ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given the high demand by the Company and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of engines and buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, across Airbus and the two Divisions, which carry their own resource demands. Therefore, failures relating to any or all of these factors could lead to missed or delayed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders. The associated risks may increase as the Company and its competitors announce further production rate increases. For more details on specific programme ramp-up risks, see "— Programme-Specific Risks" below.

Technologically Advanced Products and Services

The Company offers its customers products and services that are technologically advanced, so the design, manufacturing, components and materials utilised can be complex and require substantial integration and coordination along the supply chain. In addition, most of the Company's products must function under demanding operating conditions. Throughout the lifecycle of its products, the Company performs checks and inspections, which may result in modifications, retrofits or other corrective actions, each of which may have an adverse effect on production, operations, in-service performance or financial condition. There can be no assurance that the Company's products or services will be successfully developed, manufactured or operated or that they will perform as intended.

Certain of the Company's contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, to provide cancellation rights, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should the Company fail to meet delivery schedules or other measures of contract performance — in particular with respect to new development programmes such as the A220, A350-900 and -1000 XWB, A400M, H175, H160 or Ariane 6 and to modernisation programmes such as the A320neo and the A330neo. See "— Programme-Specific Risks" below.

In addition to the risk of contract cancellations, the Company may also incur significant costs or loss of revenues in connection with remedial action required to correct any performance issues detected in its products or services. Moreover, to the extent that a performance issue is considered to have a possible impact on safety, regulators could suspend the authorisation for the affected product or service.

Any significant problems with the development, manufacturing, operation, performance or safety of the Company's products and services could have a significant adverse effect on the Company's financial condition and results of operations as well as on the reputation of the Company and its products and services.

Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. Any termination or reduction of future funding or cancellations or delays impacting existing contracts may have a negative effect on the Company's financial condition and results of operations. In instances where several countries undertake to enter together into defence or other procurement contracts, economic, political or budgetary constraints in any one of these countries may have a negative effect on the ability of the Company to enter into or perform such contracts.

The Company has a geographically diverse backlog. Adverse economic and political conditions, as well as downturns in broad economic trends in certain countries or regions, may have a negative effect on the Company's financial condition and results of operations generated in those regions.

Availability of Government and Other Sources of Financing

From 1992 to 2004, the European Union and the US operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the US unilaterally withdrew from this agreement, which eventually led to the US and the European Union making formal claims against each other before the World Trade Organization ("WTO"). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues.

Separately, Brazil has initiated WTO proceedings citing Canadian support to the C-Series aircraft, the aircraft that the Company manufactures, markets and supports as the A220 aircraft under the Airbus Canada Limited Partnership (prior to 1 June 2019 known as the "C Series Aircraft Limited Partnership" (CSALP)) agreement, finalised in 2018. Here too, a negotiated outcome would be preferable. Domestic proceedings in the US based on alleged subsidies to the C-Series were dismissed. The terms and conditions of any new agreement, or the final outcome of the formal WTO or other trade law proceedings, may limit access by the Company to risk-sharing funds for large projects, may establish an unfavourable balance of access to government funds by the Company as compared to its US competitors or may in an extreme scenario cause the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to the Company.

On 18 October 2019, the US imposed, among other targeted goods, a tariff of 10% on new aircraft exported from the European Union to the US. Airbus deliveries to the US from the FAL in Mobile are exempted from tariffs. Considering the current political environment and absent an agreed negotiated settlement, the tariffs affect the delivery of new Airbus aircraft to the US market and may have a negative effect on the Company's financial condition and results of operations. The Company cannot predict at this time the impact on it or on the industry as a result of the imposition of tariffs, and accordingly cannot give any assurance that it will not be adversely affected. See WTO in "— Risk Factors – Legal Risks – Legal and Regulatory Proceedings".

In prior years, the Company and its principal competitors have each received different types of government financing of product research and development. However, no assurances can be given that government financing will continue to be made available in the future, in part as a result of the proceedings mentioned above. Moreover, the availability of other outside sources of financing will depend on a variety of factors such as market conditions, the general availability of credit, the Company's credit ratings, as well as the possibility that lenders or investors could develop a negative perception of the Company's long- or short-term financial prospects if it incurred large losses or if the level of its business activity decreased due to an economic downturn. The Company may, therefore, not be able to successfully obtain additional outside financing on appropriate terms, or at all, which may limit the Company's future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

Competition and Market Access

The markets in which the Company operates are highly competitive. With regard to the Company's commercial aircraft business for aircraft with more than 150 seats, the Company today operates in a competitive duopoly. The design, development and production of commercial aircraft involves high barriers to entry (including certification requirements, large investment needs, skilled competencies and access to technology) and the two main market participants have secured significant order backlogs.

In some areas, competitors may have more extensive or more specialised engineering, manufacturing and marketing capabilities. In addition, some of the Company's largest customers and/or suppliers may develop the capability to manufacture products or provide services similar to those of the Company. This would result in these customers/suppliers marketing their own products or services and competing directly with the Company for sales of these products or services, all of which could significantly reduce the Company's revenues. Further, new players are operating or seeking to operate in the Company's existing markets, which may impact the structure and profitability of these markets. In addition, enterprises with different business models and alternative technologies could substitute some of the Company's products and services. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues, market share or profit.

In addition, the contracts for many aerospace and defence products are awarded, implicitly or explicitly, on the basis of home country preference. Although the Company is a multinational company which helps to broaden its domestic market, it may remain at a competitive disadvantage in certain countries, especially outside of Europe, relative to local contractors for certain products. The strategic importance and political sensitivity attached to the aerospace and defence industries means that political considerations will play a role in the choice of many products for the foreseeable future.

Major Research and Development Programmes

The business environment in many of the Company's principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments with a high level of complexity. For the year 2019, research and development expenses were € 3.4 billion. For the year 2018, research and development expenses were €3.2 billion, mainly reflecting development cost on the A320neo.

Due to the technologically advanced complex nature of the products that the Company produces and the long period, including ramp up time, it takes to produce them, the business plans underlying such investments often contemplate a long payback period before these investments are recouped, and assume a certain level of return over the course of this period in order to justify the initial investment. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved.

Successful development of new programmes also depends on the Company's ability to attract and retain aerospace engineers and other professionals with the technical skills and experience required to meet its specific needs. Demand for such engineers may often exceed supply depending on the market, resulting in intense competition for qualified professionals. The Company's attrition rate in 2019 was 4.4% overall (incl. subsidiaries) and 8.43% in subsidiaries only (compared to 4.9% overall and 8.51% in subsidiaries only in 2018). There can be no assurances that the Company will attract and retain the personnel it requires to conduct its operations successfully and in particular to attract and retain aerospace engineers and other professionals with the technical skills and experience required for its research and development programmes. Failure to attract and retain such personnel or an increase in the Company's employee turnover rate could negatively affect the Company's financial condition and results of operations more generally and particularly its ability to successfully execute its research and development programmes.

No assurance can be given that the Company will achieve the anticipated level of returns from these programmes and other development projects, which may negatively affect the Company's financial condition and results of operations and competitiveness.

In the context of the post-Brexit relationship between the UK and the European Union, there is a risk that the Company might lose access to pooled expertise and knowledge and could face disruptions within its interdependent and extensively integrated research and innovation networks across the UK and the European Union countries. The Company may also face lack of certainty with respect to intellectual property rights for existing or new programmes and established or potential partnerships with private or public organisations, academic institutions and research councils, charities and government departments, where the relevant intellectual property frameworks or user-rights/ownership governing those relationships is dependent on the UK's status as a member state of the European Union.

Acquisitions, Divestments, Joint Ventures and Strategic Alliances

As part of its business strategy, the Company may acquire or divest businesses and/or form joint ventures or strategic alliances. Executing acquisitions and divestments can be difficult and costly due to the complexities inherent in integrating or carving out people, operations, technologies and products. There can be no assurance that any of the businesses that the Company intends to acquire or divest can be integrated or carved out successfully, as timely as originally planned or that they will perform well and deliver the expected synergies or cost savings once integrated or separated. In addition, regulatory, administrative or other contractual conditions can prevent transactions from being finalised. The Company's business, results of operations and financial condition may be materially affected if these transactions will not be successfully completed or do not produce the expected benefits.

Public-Private Partnerships and Private Finance Initiatives

Defence customers may request proposals and grant contracts under schemes known as public-private partnerships ("PPPs"). PPPs differ substantially from traditional defence equipment sales, as they often incorporate elements such as:

- the provision of extensive operational services over the life of the equipment;
- continued ownership and financing of the equipment by a party other than the customer, such as the equipment provider;
- mandatory compliance with specific customer requirements pertaining to public accounting or government procurement regulations; and
- provisions allowing for the service provider to seek additional customers for unused capacity.

The Company is party to PPP and private finance initiatives ("PFI") contracts, for example Skynet 5 and related telecommunications services, and in the AirTanker (FSTA) project both with the UK MoD. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the life-time of the project.

There can be no assurances of the extent to which the Company will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the ongoing provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. The Company may also encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programmes.

Programme-Specific Risks

In addition to the risk factors mentioned above, the Company also faces the following programme-specific risks that could have a material impact on the Company's financial condition and results of operations:

A320neo programme. In connection with the A320neo programme, the Company faces the following main challenges: A320neo (new engine option) ramp up including the A321neo ACF (Airbus Cabin Flex) with its new airframe and cabin design; management of the internal and external supply chain pressure as a result of the industrial ramp-up; ensuring maturity and high quality service support for a growing number of operators of A320neo. The main focus will be with the further ramp-up for the Company and both engine suppliers. For both engine suppliers, challenges are to (i) meet the delivery commitments in line with agreed schedule and ensure sufficient engine availability; (ii) fix in-service maturity issues in line with the Company and customer expectations and mitigate the associated consequences; (iii) manage engine upgrades and performance. Two new versions will be launched for the A320 family: the Airspace Cabin and the A321XLR, respectively in early 2021 and in 2023.

A400M programme. The Company signed a contract amendment to restructure the contract. 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. For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 10: Revenues and Gross Margin".

A350 XWB programme. In connection with the A350 XWB programme, the Company faces the following main challenges: ensuring satisfaction of operators and high quality support to their operations; maintaining supply chain performance and production ramp-up; controlling and reducing the level of outstanding work in final assembly line; reducing recurring costs during the ongoing ramp-up; maintaining customisation and ramp-up of Heads of Version; maintaining the development schedule in line with learning curve assumptions beyond the initial ramp up phase of A350-1000 XWB; maintaining attention on engine development; and customer support for new type in service.

A380 programme. In connection with the A380 programme, the Company faces the following main challenges: programme wind-down and manage in service issues.

A330 programme. In connection with the A330 programme, the main challenge the Company faces is to manage the new production plan of the A330neo. Given the current overall customer demand for widebody aircraft, the Company will retain a 3.5 rate. The A330neo development progresses. For the engine supplier, the main challenges relate to meeting the delivery commitments and ensuring engine maturity.

A220 programme. In connection with the A220 programme, the main challenges the Company faces are to build commercial momentum, ramp up production and reduce costs.

H225 programme and AS332 L2 fleet. In connection with the H225 programme and the AS332 L2 fleet, the Company faces the following main challenges: since the crash in April 2016 of a H225 in Norway (LN-OJF accident), the Company is dealing with protective measures validated by EASA who lifted the flight suspension on 7 October 2016 and by UK and Norwegian aviation authorities on 7 July 2017 to put the fleet back into flight operations. Publication of the final AIBN report in July 2018 confirmed the work on incremental improvements on the H225 as part of its ongoing, continuous improvement. The contributing factors of the LN-OJF accident have been identified, and the sequence of events has been understood and reproduced during recent testing. Airbus Helicopters continues to drive improvements across its product range as part of its commitment to raise safety standards and increase the robustness and reliability of dynamic components. The new challenge of the programme is to secure the industrial ramp-up in order to fulfil 2020 and 2021 deliveries.

H175 programme. In connection with the H175 programme produced in cooperation with Avic, the Company faces the following main challenges: today, the VIP and Public Services configurations are in delivery mode, the Company is now working on the maturity plan of the aircraft with the associated customer support. Exchanges took place in 2019 with key H175 customers to review the proposed maturity plan, share and challenge the identified solutions and prepare the deployment plan.

NH90 and Tiger programmes. In connection with the NH90 programme, the Company is working to mitigate possible impact on the 2020-2021 deliveries of the interruption of the Titanium supply due to the export license withdrawn by the Russian export authorities. In connection with multiple fleets entering into service, the NH90 programme faces the challenge of assuring support readiness while working on the deliveries of new contracts signed in 2018 and 2019. As for the Tiger programme, the last serial aircraft will be delivered Q1 2020. The Company is working on the conversion from HAP to HAD.

H160 programme. In connection with the H160 programme, the Company is completing the last paperwork activities to get the EASA Type Certification and then the FAA validation. The following challenges include the delivery of the first helicopter for an EIS by year-end 2020, together with a mature support environment (tech pub, tools, training). Another challenge is to manage the industrial ramp-up of the supply chain.

Border security. In connection with border security projects, the Company faces the following main challenges: meeting the schedule and cost objectives taking into account the complexity of the local infrastructures to be delivered and the integration of commercial-off-the-shelf products (radars, cameras and other sensors) interfaced into complex system networks; assuring efficient project and staffing; managing the rollout including subcontractors and customers. Negotiations on change requests and schedule re-alignments remain ongoing. Due to the repeatedly prolonged suspension of defence export licenses to Saudi Arabia by the German Government, and the consequential inability of the Company to execute a customer contract, a revised Estimate at Completion (EAC) was performed. As a result a € 221 million impairment charge mainly on inventories on top of a € 112 million financial expense related to hedge ineffectiveness, have been recognised as of 30 September 2019. The Company is engaging with its customer to agree a way forward on this contract. The outcome of these negotiations is presently unclear but could result in significant further financial impacts.

4.6.3 Legal Risks

Legal and Regulatory Proceedings

The Company is currently engaged in a number of active legal and regulatory proceedings.

For example, the WTO litigation, which is described in "— Risk Factors – Business-Related Risks – Availability of Government and other Sources of Financing", is ongoing. The United States Trade Representative ("USTR") imposed tariffs on a range of imports to the US from the EU, including 10% on the importation of large civil aircraft from the EU. Those tariffs went into effect on 18 October 2019. The duration of the tariffs (and any change to the amount thereof) will depend on the USTR, and could have a material impact on the financial statements, business and operations of the Company. At this stage it is too early to determine the full extent of any financial impact on the Company. For more information on the WTO litigation and trade dispute, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 38: Litigation and Claims".

The Company expects to continue to spend time and incur expenses associated with its defence of legal and regulatory proceedings, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although the Company is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a material effect on the Company's business, results of operations and financial condition. An unfavourable ruling could also negatively impact the Company's stock price and reputation.

In addition, the Company is from time to time subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. In addition to the risk of an unfavourable ruling against the Company, any such inquiry or investigation could negatively affect the Company's reputation and its ability to attract and retain customers and investors, which could have a negative effect on its business, results of operations and financial condition. See "— Non-Financial Information — 6.1.3(a) Responsible Business — Ethical Business Practices".

For the investigation by the UK Serious Fraud Office (SFO), France's Parquet National Financier (PNF), and the US Departments of State and Justice, which is described in "— Risk Factors – Legal Risks – Anticorruption Laws and Regulations", the Company has reached an agreement with the authorities, which was approved by the French and UK courts and US court and regulator on 31 January 2020. The agreement resulted in a fine totalling € 3.6 billion plus costs to the French, UK, and US authorities. For more information about the investigation, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 38: Litigation and Claims" (Investigation by the UK SFO, France's PNF, and US Departments of State and Justice and Related Commercial Litigation).

Anti-Corruption Laws and Regulations

The Company is required to comply with applicable anti-bribery laws and regulations in jurisdictions around the world where it does business. To that end, an anti-corruption programme has been put in place that seeks to ensure adequate identification, assessment, monitoring and mitigation of corruption risks. Despite these efforts, ethical misconduct or non-compliance with applicable laws and regulations by the Company, its employees or any third party acting on its behalf could expose it to liability or have a negative impact on its business.

The Company may be subject to administrative, civil or criminal liabilities including significant fines and penalties, as well as suspension or debarment from government or non-government contracts for some period of time. The Company may also be required to modify its business practices and compliance programme and/or have a compliance monitor imposed on it. Any one or more of the foregoing could have a significant adverse effect on the Company's reputation and its business, results of operations and financial condition.

In 2016, for example, the Company announced that it had discovered misstatements and omissions in certain applications for export credit financing for Airbus customers, and had engaged legal, investigative and forensic accounting experts to conduct a review. Separately, the UK SFO announced that it had opened a criminal investigation into allegations of fraud, bribery and corruption in the civil aviation business of the Company, relating to irregularities concerning third party consultants. Airbus was subsequently informed that the French authorities, the PNF, had also opened a preliminary investigation into the same subject and that the two authorities will act in coordination going forward. The Company engaged with the government of the US (Department of State and Department of Justice) relating to conduct forming part of the SFO/PNF investigation that could fall within US jurisdiction. The Company also engaged with the government of the US concerning potential issues of ITAR Part 130 and related matters. On 31 January 2020, the French and UK courts and US court and regulator approved an agreement reached by the Company with the authorities. For more information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 38: Litigation and Claims".

Export Controls Laws and Regulations

The export market is a significant market for the Company. In addition, many of the products the Company designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of the jurisdictions in which they are produced may be restricted or subject to licensing and export control requirements, notably by the UK, France, Germany and Spain, where the Company carries out its principal activities relating to military products and services as well as by other countries where suppliers are based, notably, the US. There can be no assurance (i) that the export controls to which the Company is subject will not become more restrictive, (ii) that new generations of the Company's products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain the Company's ability to perform under previously signed contracts. Reduced access to military export markets may have a significant adverse effect on the Company's business, results of operations and financial condition.

Operating worldwide, the Company must comply with several, sometimes inconsistent, sets of sanctions laws and regulations implemented by national / regional authorities. Depending on geopolitical considerations including national security interests and foreign policy, new sanctions regimes may be set up or the scope of existing ones may be widened, at any time, immediately impacting the Company's activities.

Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in suspension of the Company's export privileges, or preclude the Company from bidding on certain government contracts (even in the absence of a formal suspension or debarment).

Furthermore, the Company's ability to market new products and enter new markets may be dependent on obtaining government certifications and approvals in a timely manner.

Dependence on Joint Ventures and Minority Holdings

The Company generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings. These arrangements include primarily:

– the Eurofighter and AirTanker consortia; and
– four principal joint ventures: ArianeGroup, ATR, Airbus Canada (formerly CSALP) and MBDA.

The formation of partnerships and alliances with other market players is an integral strategy of the Company, and the proportion of sales generated from consortia, joint ventures and equity holdings may rise in future years. This strategy may from time to time lead to changes in the organisational structure, or realignment in the control, of the Company's existing joint ventures.

The Company exercises varying and evolving degrees of control in the consortia, joint ventures and equity holdings in which it participates. While the Company seeks to participate only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of the Company, and thus may have interests that differ from those of the Company.

Product Liability and Warranty Claims

The Company designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. The Company is subject to the risk of product liability and warranty claims in the event that any of its products fails to perform as designed. While the Company believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance coverage will be adequate.

While the Company believes that its insurance programmes are adequate to protect it from such liabilities, claims may arise in the future and insurance coverage related to such claims may be inadequate. The Company follows a policy of seeking to transfer the insurable risk of the Company to external insurance markets at reasonable rates, on customised and sufficient terms and limits as provided by the international insurance markets. The insurance industry remains unpredictable. There may be future demands to change scope of coverage, premiums and deductible amounts. No assurance can be given that the Company will be able to maintain its current levels of coverage nor that the insurance coverages in place are adequate to cover all significant risk exposure of the Company.

Any problems in this respect may also have a significant adverse effect on the reputation of the Company and lead to a decline in demand for its products and services. Any reputational damage faced by the Company may be exacerbated due to the Company's visibility.

The Company cannot predict at this time the impact on it as a result of any product liability or warranty claims as such will depend on the nature and size of any such claim.

Intellectual Property

The Company continuously seeks to develop and deliver new products to meet customers' evolving needs, while also improving its existing product lines. Technological innovation has been at the core of the Company's strategy since its creation.

The Company's innovations often provide distinct competitive advantages, with many becoming standard in the aircraft industry. In addition, the Company designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. Therefore, intellectual property (IP) is one of the Company's most valuable assets and the protection of IP is critical to its business.

The Company relies upon patents, copyright, trademark, confidentiality and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its IP rights in its products and services and in its operations. Despite these efforts to protect its IP rights, any of the Company's direct or indirect IP rights could be challenged, invalidated or circumvented. Further, the laws of certain countries do not protect the Company's proprietary rights to the same extent as the laws in Europe and the US. Therefore, in certain jurisdictions the Company may be unable to protect its proprietary technology adequately against unauthorised third-party copying or use, which could adversely affect its competitive position. The Company may also face lack of certainty with respect to intellectual property rights for existing or new research and development programmes and established or potential partnerships with private or public organisations, academic institutions and research councils, charities and government departments, where the relevant intellectual property frameworks or user-rights/ownership governing those relationships is dependent on the UK's status as a member state of the European Union.

In the event the Company is unable to adequately procure and protect critical IP it could potentially not implement its business strategy.

The Company has been accused of infringement on occasion and could have additional claims asserted against it in the future. These claims could harm its reputation, result in financial penalties or prevent it from offering certain products or services which may be subject to such third-party IP rights. Any claims or litigation in this area, whether the Company ultimately wins or loses, could be time-consuming and costly, harm the Company's reputation or require it to enter into licensing arrangements. The Company might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against the Company, causing further losses.

4.6.4 Environment, Human Rights, Health & Safety Risks

The Company's expenditure associated with environmental and health and safety challenges may increase due to both increased costs of compliance with regulations in those areas as well as potential reputational and litigation risks.

Given the scope of its activities and the industries in which it operates, the Company is subject to stringent environmental, human rights, health and safety laws and regulations in numerous jurisdictions around the world. The Company therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety and human rights. Health and safety expenditures include investments in the identification and the prevention, elimination or control of physical and psychological risks to people arising from work, including chemical, mechanical and physical agents. Risks that could arise from work activities include the possibility of injury, physical and mental ill-health, damage to equipment, business interruption and regulatory action. Any reputational risk and claims against the Company that may result will also need to be managed and may lead to additional health and safety expenditure being required. Environmental protection expenditures include costs to prevent, control, eliminate or reduce emissions to the environment, waste management, the content of the Company's products, and reporting and warning obligations. Analysis of the current trends shows that regulatory pressure on the international scene to reduce the environmental footprint of industry is steadily growing (circular economy and resources efficiency, energy transition and climate change engagement, air and water quality improvement). Moreover, new laws and regulations, the imposition of tougher license requirements, increasingly strict enforcement or new interpretations of existing laws and regulations may cause the Company to incur increased capital expenditure and operating costs in the future in relation to the above, which could have a negative effect on its financial condition and results of operations.

If the Company fails to comply with environmental, human rights, health and safety laws and regulations, even if caused by factors beyond its control, that failure may result in the levying of civil or criminal penalties and fines against it. Regulatory authorities may require the Company to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks. In the event of an industrial accident or other serious incident, employees, customers and other third parties may file claims for ill-health, personal injury, or damage to property or the environment (including natural resources). Further, liability under some environmental, human rights, health and safety laws can be imposed retrospectively, on a joint and several basis, and, in relation to contaminated sites, without any finding of non-compliance or fault. These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages could have a negative effect on the Company's financial condition and results of operations.

In addition, the various products manufactured and sold by the Company must comply with relevant health, safety and environmental laws, for example those designed to protect customers and downstream workers or communities, and those covering substances and preparations, in the jurisdictions in which they operate. Although the Company seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the EU Regulation known as "REACH", which addresses the production and use of chemical substances) may force the Company to adapt, redesign, redevelop, recertify and/or eliminate its products from the market thereby incurring significant additional costs. Seizures of defective products may be pronounced, and the Company may incur administrative, civil or criminal liability. Any problems in this respect may also have a significant adverse effect on the reputation of the Company and lead to a decline in demand for its products and services.

Despite compliance with all applicable laws and regulations, the Company's reputation and the demand for its products may also be affected by the public perception of environmental and societal impacts of the Company's products in operation (such as the emission of greenhouse gases or noise) and of the local impacts of the Company and its supply chain industrial operations on local communities, the environment and air and water quality.

The Company cannot predict at this time, the impact on it as a result of environmental, human rights, health and safety matters, and may be adversely affected by them in the manner described above. For more information on sustainability-related risks, see 6.1 "Non-Financial Information".

5. Financial Performance

The Airbus SE IFRS Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

5.1 IFRS Consolidated Financial Statements

Please refer to the “Airbus SE – IFRS Consolidated Financial Statements” and the “Notes to the IFRS Consolidated Financial Statements” for the years ended 31 December 2019 and 2018.

IFRS Consolidated Income Statement

Please refer to the “Airbus SE – IFRS Consolidated Income Statements” for the years ended 31 December 2019 and 2018”.

Revenue

Consolidated **revenues** increased to €70.5 billion (2018: €63.7 billion), mainly driven by the higher commercial aircraft deliveries and a favourable mix at Airbus, and to a lesser extent the favourable exchange rate development. A record 863 commercial aircraft were delivered (2018: 800 aircraft), comprising 48 A220s, 642 A320 Family, 53 A330s, 112 A350s and 8 A380s. Airbus Helicopters recorded stable revenues supported by growth in services, which offset lower deliveries of 332 rotorcraft (2018: 356 units). Revenues at Airbus Defence and Space were broadly stable compared to the previous year.

EBIT and Financial Result

Consolidated **EBIT Adjusted** – an alternative performance measure and key indicator capturing the underlying business margin by excluding material charges or profits caused by movements in provisions related to programmes, restructurings or foreign exchange impacts as well as capital gains/losses from the disposal and acquisition of businesses – increased to €6,946 million (2018: €5,834 million), mainly reflecting the operational performance at Airbus and partially offset by Airbus Defence and Space’s performance and additional ramp-up costs.

Airbus’ EBIT Adjusted increased by 32% to €6,358 million (2018: €4,808 million), largely driven by the A320 ramp-up and NEO premium, together with good progress on the A350.

On the A320 programme, NEO aircraft deliveries rose by 43% year-on-year to 551 aircraft. The ramp-up continued for the Airbus Cabin Flex (ACF) version of the A321 with almost 100 more deliveries than in 2018. The Airbus teams are focused on securing the ongoing ACF ramp-up and improving the industrial flow. Airbus is discussing further ramp-up potential for the A320 programme beyond rate 63 per month with the supply chain, and already sees a clear path to further increase the monthly production rate by 1 or 2 for each of the 2 years after 2021.

The breakeven target for the A350 was achieved in 2019. Given overall customer demand for widebody aircraft, Airbus expects A330 deliveries of approximately 40 aircraft per year beginning in 2020 and the A350 to stay between a monthly rate of 9 and 10 aircraft.

Airbus Helicopters’ EBIT Adjusted increased to €422 million (2018: €380 million), mainly reflecting an increased contribution from services and lower research and development costs. This was reduced by a less favourable delivery mix.

EBIT Adjusted at Airbus Defence and Space declined to €565 million (2018: €935 million), mainly reflecting the lower performance in a competitive Space environment and efforts to support sales campaigns. The Division is targeting a restructuring programme to address its cost structure and restore profitability to a high single digit margin.

During 2019, 14 A400M military transport aircraft were delivered in line with the latest delivery schedule, bringing the in-service fleet to 88 aircraft at year-end. Several key milestones towards full capability were achieved in the year, including the simultaneous deployment of paratroopers and helicopter air-to-air refuelling dry contacts. In 2020, development activities will continue towards achieving the revised capability roadmap. Retrofit activities are progressing in line with the customer-agreed plan. While the rebaselining of the A400M programme was completed and significant progress has been made on technical capabilities, the outlook is increasingly challenging on exports during the launch contract phase, also in light of the repeatedly extended German export ban to Saudi Arabia. As a result, the Company has reassessed its export assumptions on future export deliveries for the launch contract phase and recognised a charge of €1.2 billion in the fourth quarter of 2019.

Consolidated EBIT (reported) was €1,339 million (2018: €5,048 million), including Adjustments totalling a net €-5,607 million. These Adjustments comprised:
- €-3,598 million related to the penalties;
- €-1,212 million related to the A400M charge;
- €-221 million related to the suspension of defence export licences to Saudi Arabia by the German government, now prolonged to March 2020;
- €-202 million related to A380 programme cost;
- €-170 million related to the dollar pre-delivery payment mismatch and balance sheet revaluation;
- €-103 million related to Premium AEROTEC’s restructuring plan launched to improve its competitiveness;
- €-101 million of other costs, including compliance costs partially offset by positive capital gains from the Alestis Aerospace and PFW Aerospace divestments.

Consolidated reported **loss per share** of €-1.75 (2018 earnings per share: €3.94) includes a negative impact from the financial result, mainly driven by the revaluation of financial instruments. The financial result was €-275 million (2018: €-763 million). The consolidated **net loss** was €-1,362 million (2018 net income: €3,054 million).

TABLE 1 – EBIT AND REVENUE BY DIVISION

	Revenues			EBIT (reported)		
(In €million)	**2019**	2018	Change	2018	2017	Change
Airbus	54,775	47,970	+14%	2,205	4,295	-49%
Airbus Helicopters	6,007	5,934	+1%	414	366	+13%
Airbus Defence and Space	10,907	11,063	-1%	(881)	676	-
Transversal / Eliminations	(1,211)	(1,260)	-	(399)	(289)	-
Total	**70,478**	**63,707**	**+11%**	**1,339**	**5,048**	**-73%**

IFRS Consolidated Statements of Financial Position

Please refer to the “Airbus SE – IFRS Consolidated Statements of Financial Position” at 31 December 2019 and 2018.

Intangible Assets and Property, Plant and Equipment

Intangible assets decreased by €-135 million to €16,591 million (2018: €16,726 million). Intangible assets mainly relate to goodwill of €13,019 million (2018: €13,039 million). The decrease is primarily due to the disposal of PFW Aerospace GmbH.

The annual impairment tests performed in 2019 led to no impairment charge.

Property, plant and equipment increased by €+521 million to €17,294 million (2018: €16,773 million), mainly due to the application of IFRS 16 offset by depreciation in the period. Property, plant and equipment include right-of-use assets for an amount of € 1,543 million as of 31 December 2019.

Investments Accounted for under the Equity Method

Investments accounted for under the equity method decreased by €-67 million to €1,626 million (2018: €1,693 million). They mainly include the equity investments in ArianeGroup, MBDA and ATR GIE.

OTHER INVESTMENTS AND OTHER LONG-TERM FINANCIAL ASSETS

	31 December	
(In € million)	**2019**	2018
Other investments	2,516	2,267
Other long-term financial assets	1,937	1,544
Total non-current other investments and other long-term financial assets	**4,453**	**3,811**
Current portion of other long-term financial assets	**449**	**489**
Total	**4,902**	**4,300**

Other investments mainly comprise the Company’s participations. The significant participations at 31 December 2019 include the remaining investment in Dassault Aviation (9.90%, 2018: 9.89%) amounting to €968 million (2018: €999 million).

Other long-term financial assets and the **current portion of other long-term financial assets** include other loans in the amount of €2,036 million as of 31 December 2019 (2018: €1,523 million), and the sales financing activities in the form of finance lease receivables and loans from aircraft financing.

Inventories

Inventories of €31,550 million (2018: €31,891 million) decreased by €-341 million. This is driven by Airbus (€-338 million) and Airbus Defence and Space (€-651 million), partly offset by an increase at Airbus Helicopters (€+578 million). In Airbus, the decrease reflects a lower work in progress associated with the widebody programmes partly compensated by a higher work in progress associated with A320 programme ramp-up. In Airbus Defence and Space, this is mainly driven by a decrease in work in progress for the A400M reflecting the netting inventories with the respective portion of the loss making contracts provision. In Airbus Helicopters, the increase reflects higher inventory associated with the Super Puma programme.

PROVISIONS

	31 December	
(In € million)	**2019**	2018
Provisions for pensions	8,353	7,072
Other provisions	10,561	11,816
Total	**18,914**	**18,888**
thereof non-current portion	*12,542*	*11,571*
thereof current portion	*6,372*	*7,317*

Provisions for pensions – As of 31 December 2019, the changes in actuarial assumptions resulted overall in a total net increase in pension liability of €2,687 million, principally reflecting the weakening of interest rates in Germany, France, Canada and the UK, partly compensated by the contributions made into the various pension vehicles of €1,758 million.

The decrease in **other provisions** is mainly due to the release, utilisation and net presentation of the A380 and A220 programme losses against inventories, partly compensated by the A400M net charge recorded in 2019.

An additional provision of €103 million related to restructuring measures has been recorded at year-end 2019 following the announcement in December 2019 to the Works Council of the main features that will be carried out to increase future competitiveness.

Other Financial Assets and Other Financial Liabilities

OTHER FINANCIAL ASSETS

	31 December	
(In €million)	**2019**	2018
Positive fair values of derivative financial instruments	996	1,031
Others	37	77
Total non-current other financial assets	**1,033**	**1,108**
Receivables from related companies	1,148	1,082
Positive fair values of derivative financial instruments	444	286
Others	468	443
Total current other financial assets	**2,060**	**1,811**
Total	**3,093**	**2,919**

OTHER FINANCIAL LIABILITIES

	31 December	
(In €million)	**2019**	2018
Liabilities for derivative financial instruments	2,434	1,132
European governments' refundable advances	3,725	4,233
Others	1,339	2,644
Total non-current other financial liabilities	**7,498**	**8,009**
Liabilities for derivative financial instruments	1,560	1,623
European governments' refundable advances	552	344
Liabilities to related companies	159	175
Others	**376**	**320**
Total current other financial liabilities	**2,647**	**2,462**
Total	**10,145**	**10,471**

The total net fair value of derivative financial instruments deteriorated by €-1,116 million to €-2,554 million (2018: €-1,438 million) as a result of the strengthening of the US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

The allocation of European governments' refundable advances between non-current and current presented in the Unaudited Condensed IFRS Consolidated Financial Statements ended 31 December 2019 is based on the applicable contractual repayment dates. The European governments' refundable advances decreased by €-300 million to €4,277 million (2018: €4,577 million), primarily related to the payments made on the A380 programme.

Other Assets and Other Liabilities

OTHER ASSETS

	31 December	
(In €million)	**2019**	2018
Cost to fulfil a contract	351	777
Prepaid expenses	86	33
Others	85	78
Total non-current other assets	**522**	**888**
Value added tax claims	1,252	3,255
Cost to fulfil a contract	626	464
Prepaid expenses	147	121
Others	398	406
Total current other assets	**2,423**	**4,246**
Total	**2,945**	**5,134**

OTHER LIABILITIES

	31 December	
(In €million)	**2019**	2018
Others	384	460
Total non-current other liabilities	**384**	**460**
Tax liabilities (excluding income tax)	614	2,706
Others	6,203	2,582
Total current other liabilities	**6,817**	**5,288**
Total	**7,201**	**5,748**

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)	**2019**	2018
Issued at 1 January	**776,367,881**	**774,556,062**
Issued for ESOP	1,784,292	1,811,819
Issued for convertible bond	5,020,942	-
Issued at 31 December	**783,173,115**	**776,367,881**
Treasury shares	(862,610)	(636,924)
Outstanding at 31 December	**782,310,505**	**775,730,957**

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 € 5,975 million (2018: € 9,724 million) representing a decrease of € -3,749 million. This is due to a net loss for the period of € -1,362 million and a decrease in other comprehensive income, principally related to a change in actuarial gains and losses of € -2,345 million and the mark to market revaluation of the hedge portfolio of € -1,048 million, a dividend payment of € -1,280 million (€ 1.65 per share), partly compensated by the decrease of € 1,318 million in the valuation of the puttable liability relating to Airbus Canada Limited Partnership ("**ACLP**").

The **non-controlling interests** ("**NCI**") from non-wholly owned subsidiaries increased to € 15 million as of 31 December 2019 (2018: € -5 million). These NCI do not have a material interest in the Company's activities and cash flows.

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)	**2019**	2018
Cash and cash equivalents	9,314	9,413
Current securities	2,302	2,132
Non-current securities	11,066	10,662
Gross cash position	**22,682**	**22,207**
Short-term financing liabilities	(1,959)	(1,463)
Long-term financing liabilities	(8,189)	(7,463)
Total	**12,534**	**13,281**

The **net cash** position on 31 December 2019 amounted to € 12,534 million (2018: € 13,281 million), with a gross cash position of € 22,682 million (2018: € 22,207 million).

Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In €million)	**2019**	2018
Bank account and petty cash	1,649	1,862
Short-term securities (at fair value through profit and loss)	7,014	6,576
Short-term securities (at fair value through OCI)	652	984
Others	(1)	6
Total cash and cash equivalents	**9,314**	**9,428**
Recognised in disposal groups classified as held for sale	0	15
Recognised in cash and cash equivalents	**9,314**	**9,413**

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 securities portfolio amounts to € 13,368 million and € 12,794 million as of 31 December 2019 and 2018, respectively. The security portfolio contains a non-current portion classified at fair value through OCI of € 11,066 million (2018: € 10,662 million at fair value through OCI), and a current portion of € 2,302 million (2018: € 2,132 million).

Financing Liabilities

	31 December	
(In €million)	**2019**	2018
Bonds and commercial papers	6,491	6,659
Liabilities to financial institutions	244	267
Loans	156	229
Finance lease liabilities	1,298	307
Others [1]	0	1
Total long term financing liabilities	**8,189**	**7,463**
Liabilities to financial institutions	106	86
Loans	127	70
Finance lease liabilities	262	23
Others [1]	1,464	1,284
Total short term financing liabilities	**1,959**	**1,463**
Total	**10,148**	**8,926**

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

Long-term financing liabilities, mostly comprising bonds and lease liabilities, increased by €+726 million to €8,189 million (2018: €7,463 million), mainly due to the application of IFRS 16. It was partly offset by the conversion of the convertible bond issued in 1 July 2015 for an amount of €500 million. The conversion price was €99.54 per ordinary share.

Short-term financing liabilities increased by €+496 million to €1,959 million (2018: €1,463 million). The increase in short-term financing liabilities is mainly related to the application of IFRS 16.

Free Cash Flow

Consolidated **free cash flow before M&A and customer financing** improved by 21% to €3,509 million (2018: €2,912 million), mainly reflecting commercial aircraft deliveries and the earnings performance. Consolidated **free cash flow** was €3,475 million (2018: €3,505 million). The consolidated net cash position was €12.5 billion on 31 December 2019 (year-end 2018: €13.3 billion) after the 2018 dividend payment of €1.3 billion and pension contribution of €1.8 billion. The gross cash position on 31 December was €22.7 billion (year-end 2018: €22.2 billion).

Order Intake and Order Book

Net commercial aircraft orders increased to 768 aircraft (2018: 747 aircraft), including 32 A350 XWBs, 89 A330s and 63 A220s. At the end of 2019, the order backlog reached 7,482 commercial aircraft. Airbus Helicopters achieved a book-to-bill ratio by value above 1 in a difficult market, recording 310 net orders in the year (2018: 381 units). This included 25 helicopters from the Super Puma family, 23 NH90s and 10 H160s. Airbus Defence and Space's order intake by value of €8.5 billion was supported by A400M services contracts and key contract wins in Space Systems.

Consolidated **order intake** in 2019 increased to €81.2 billion (2018: €55.5 billion) with the consolidated **order book** valued at €471 billion on 31 December 2019 (end December 2018: €460 billion).

TABLE 2 – ORDER INTAKE AND ORDER BOOK BY DIVISION [(1)]

	Order Intake (net)			Order Book		
	2019	2018	Change	**2019**	2018	Change
Airbus *(in units)*	768	747	+3%	7,482	7,577	-1%
Airbus *(in €million)*	65,769	41,519	+58%	424,082	411,659	+3%
Airbus Helicopters *(in units)*	310	381	-19%	695	717	-3%
Airbus Helicopters *(in €million)*	7,179	6,339	+13%	16,627	14,943	+11%
Airbus Defence and Space *(in €million)*	8,520	8,441	+1%	32,263	35,316	-9%

(1) The unit backlog reflects the contractual view. The backlog value now reflects the assessment of recoverability and net transaction price on airframe and engine.

5.2 Information on Airbus SE auditors

	Date of first appointment	Expiration of current term of office [(1)]
Ernst & Young Accountants LLP Boompjes 258 3011 XZ Rotterdam Postbus 488 3000 AL Rotterdam The Netherlands Represented by A.A. van Eimeren	28 April 2016	16 April 2020

(1) A resolution will be submitted to the Annual General Meeting of Shareholders in 2020, in order to appoint Ernst & Young Accountants LLP as the Company's auditors for the 2020 financial year.

Ernst & Young Accountants LLP's representative is a member of the NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*).

6. Non-Financial Information and other Corporate Activities

6.1 Non-Financial Information

6.1.1 Airbus's approach to responsibility and Sustainability

Airbus and its main stakeholders

Airbus is an industrial company operating in businesses with long product lifecycles and corresponding returns on investment. There are significant costs and risks in programme development and cyclical markets. These features define the Company and shape its relationships with all stakeholders. For a description of the Company's business model, see section 1, General Overview.

The Company is engaged in stakeholder dialogue at various levels. Thanks to an update to its materiality assessment in 2019 it had a privileged opportunity to capture the voice of 12 key stakeholders as to which environmental, social and governance topics were of most importance for them (see "Materiality Assessment" below). This included the following stakeholder groups: customers, suppliers, partners, NGOs, investors, employees, authorities, governments, industry associations, MRO providers, airports, and the community at large. While such opportunities are run centrally, the responsibility for stakeholder engagement, as a general rule, is decentralised and employees are encouraged to initiate, develop and maintain relationships with their respective stakeholders. The Company often seeks a sectorial approach in order to strengthen the impact.

The Company's main purpose, its missions and the objectives resulting from them, are defined in relation to these stakeholders. The Company has defined the following objectives:

- generate long-term value by developing a sustainably profitable portfolio of aeronautics, helicopter, defence and space businesses. For its shareholders, lenders and other financial counterparts, the Company must meet its obligations and foster its standing of creditworthiness and profitability;
- be a provider of choice, offering superior value-for-money products and services to customers;
- engage employees to share its goals and rise to its challenges. Within the confines of applicable laws and regulations, Airbus must respond to their expectations about development, people management and values;
- build sustainable relationships with its suppliers based on mutual interest to satisfy its customers to encourage responsible practices. The Company promotes the Supplier Code of Conduct as standards consistent with its own code of conduct, and also develops and implements adequate mechanisms to monitor supplier performance;
- play a key role in society and towards local communities. The Company is committed to responsible business practices in terms of respect for human rights, labour, the environment and anti-corruption. In addition, the Company encourages initiatives that contribute to tackling societal challenges whether through its products and services, skills and resources or via key partnerships. In 2019 this has been reinforced with the "Next Chapter" transformation platform, launched by the Company's new CEO, in which one of the six strategic streams is dedicated to the role of Airbus in society, putting responsibility and sustainability ("R&S") at the heart of the Company's priorities.

The Airbus "Next Chapter"

A new team, under the leadership of CEO Guillaume Faury, took the helm of the Company in April 2019. This team is composed of both Airbus veterans and newcomers. Drawing widely on many sources of expertise, it will need to plot the course for the Company over the coming years, ensuring the company is best equipped to overcome intrinsic challenges while navigating a rapidly evolving environment externally (heightened competition, multiple new technologies, geo-political uncertainty, environmental imperatives, etc.). It will be the role of this new team to reaffirm/adapt, formalise and champion a coherent purpose, vision, mission, objectives and culture for the Company and to bring them to life. The Next Chapter team and project has been set up, as a first step, to support the new CEO and team in providing them with input to inform their decisions with a diversity of views and ideas coming from individuals from all parts of the Company.

This company-wide, cross functional transformation platform is designed to support, prioritise, accelerate and connect efforts across the Company. Next Chapter aims to create the right conditions and environment to deliver both short and long-term priorities, with a mind-set of Safety, Quality, Integrity and Compliance and to build a capacity for continuous improvement. It connects employees across Airbus to encourage creativity and answer the simple question: What should Airbus of tomorrow look like and how can we make it a reality?

Ideas and initiatives have been structured around seven main streams:

- Purpose and Story;
- People@Airbus;
- Competitiveness;
- Customer@Heart;
- Governance;
- PeopleSafety@Work;
- Airbus in Society.

As seen in the above streams, R&S is at the core of the next chapter of the Company and with that a unique momentum has emerged. This is most obvious in the "Airbus in Society" stream, which has gathered ideas and projects aimed at ensuring Airbus drives its business in a responsible and sustainable manner and contributes to the UN Sustainable Development Goals (SDGs).

Next Chapter has also led to the reorganisation of the R&S team and governance model that will be taking place in 2020. The changes will reflect the ambition to fully embed R&S into the business and its performance management systems, to engage the most senior leaders of the Company and the Board of Directors, to drive our most material topics, while developing a strong R&S culture across the Company and developing greater engagement with the Company's stakeholders.

Materiality Assessment

In order to update its priorities regarding responsibility and sustainability efforts, in 2019 the Company performed a follow up to the materiality assessment performed in 2017. The exercise, in line with GRI methodology, consists of capturing which environmental, social and governance issues are of the most importance for the Company's main stakeholders and then crossing that with the degree of impact that the Company has on those issues. The results, along with other relevant intelligence, will inform the Company's strategy, targets and reporting.

The issues were developed, consolidated and ranked by the Company's R&S Network in 2017 and updated in 2019 to consider emerging issues most relevant to the Company and the aerospace industry. The R&S Network gathers a group of internal experts advising on the Company's R&S strategy, monitoring progress in their respective areas of responsibility, sharing knowledge and best practices throughout the entire Company. The group is trans-functional, trans-national and trans-divisional and meets on a monthly basis.

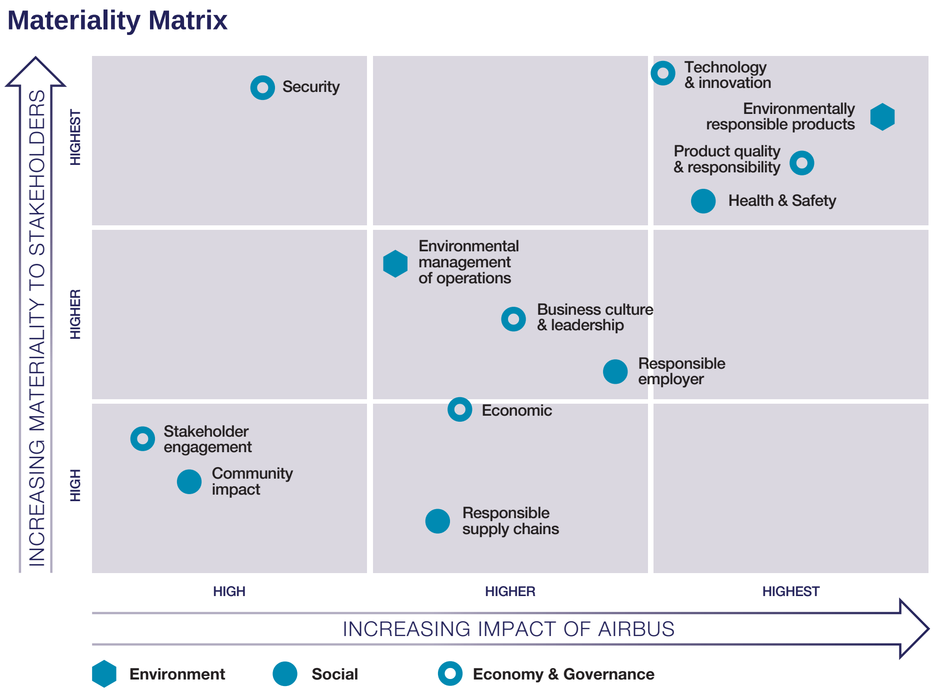
As for stakeholder groups, after solicitation of the R&S Network, airports became the twelfth stakeholder selected, on top of the 11 groups from 2017 (see section above "The Company and its Main Stakeholders").

A major improvement in 2019 was the use of data mining and online survey capabilities of the Datamaran tool, which allowed a more quantitative approach to the assessment, allowing, for example, insights from nearly 40 top suppliers and 30 of the Company's most strategic customers.

As for determining the impact of the Company on the chosen issues, an online survey was answered by 246 of its executives.

The results are captured in the matrix below with the most material issues being captured in the upper-right hand corner.

Materiality matrix 2019



Source: Datamaran.

You will find these issues covered within the following sections of this chapter:

- **Responsible Company** [1]**:**
  - 6.1.2(a) Aviation and Product Safety ("product responsibility" in the matrix);
  - 6.1.2(b) Environment ("environmentally responsible products" and "environmental management of operations" in the matrix);
  - 6.1.2(c) Responsible Defence and Space products ("security" and "product responsibility" in the matrix).
- **Responsible Business:**
  - 6.1.3(a) Ethical business practices ("business culture and leadership" in the matrix);
  - 6.1.3(b) Responsible Suppliers ("responsible supply chains" in the matrix).
- **Responsible Employer:**
  - 6.1.4(a) Workforce and 6.1.4(b) Human Capital Management, Labour Relations and Human Rights ("responsible employer" in the matrix);
  - 6.1.4(c) Health and Safety (same in the matrix);
  - 6.1.4(d) Inclusion & Diversity ("responsible employer" in the matrix); and
  - 6.1.4(e) Community Engagement ("community impact" in the matrix).

(1) See chapter 6.2 for Research & Technology ("technology and innovation" in the matrix).

UN Sustainable Development Goals

Airbus has been a signatory to the UN Global Compact since 2003 and has reached “Advanced Level”.

Airbus adopted the UN SDGs in December 2015 as a framework to align its responsible and sustainable contributions. Over 2016, Airbus performed a mapping of its contributions based on publicly available information which demonstrated that at least eight of the 17 SDG goals are directly relevant to Airbus’ businesses. Combined with stakeholders’ feedback, it was confirmed that Airbus is actively contributing to:

- SDG 4: Quality education;
- SDG 5: Gender equality;
- SDG 8: Decent work and economic growth;
- SDG 9: Industry, innovation and infrastructure;
- SDG 12: Responsible consumption and production;
- SDG 13: Climate action;
- SDG 16: Peace, justice and strong institutions;
- SDG 17: Partnerships for the goals.

This framework also drives the direction of innovation initiatives. As an example, all projects and start-ups selected by Airbus’ in-house business accelerator, Bizlab, must now demonstrate a strong contribution to one of the SDGs as a pre-condition.

Airbus’ Way Forward: Vigilance Plan

The Company is determined to conduct its business responsibly and with integrity. The Company is convinced that promoting responsible business conduct within its value chain is key to sustainable growth. A dedicated programme has been launched by the Procurement function in order to monitor Airbus’ suppliers. For more information on the programme and its implementation, including Airbus’ vigilance plan for suppliers, see section 6.1.3(b) Responsible Suppliers.

As far as its own operations are concerned, Airbus has adopted internal policies and management tools to perform the assessment, monitoring, mitigation, reporting of risk and compliance allegations, which are fully embedded into the Company’s culture and processes. At Airbus, heads of programmes and functions, as well as managing Directors of affiliates, supported by respective specialists, shall ensure proper deployment of the Company’s policies, management of Enterprise Risk Management in their fields or perimeters, as well as duly reporting issues to top management. Airbus’ approach is thus based on its existing strengths, namely strong management process already established and adopted by employees, empowerment of specialists and an industry approach whenever possible.

With regard to risk management, Airbus performed an in-depth review of its ERM system in order to identify potential missing risks related to human rights and fundamental freedoms, health and safety and the environment in 2017. The ERM system was updated to take into account the most significant potential risks related to these areas that Airbus may generate as part of its operations. In 2019, these risks and related action plans were consolidated and are reported to the Company’s top management on a regular basis. For more information on ERM, see section “— 4.5 Enterprise Risk Management System”. For more information on Airbus’ risks, see section “— 4.6 Risk Factors”.

To support our commitment to and promotion of a “Speak-Up” culture, the Company has an “OpenLine” to provide employees with an avenue for raising concerns in a confidential way. In 2018, the Company decided to extend the scope to responsibility and sustainability related topics. For more information on the OpenLine, see section “— 6.1.3(a) Ethical Business Practices”.

To continuously drive improvements, the Company offers employees over 100 training opportunities, online and in-person, linked to labour relations, diversity, environmental and health and safety matters, as well as R&S and human rights. It continues to deploy programs for specific target groups. One programme targeting all employees worldwide focuses on increasing general awareness on R&S as well as on Airbus’ commitments as outlined in the Charter. A second programme is dedicated to risk-exposed populations, such as buyers and key leaders of affiliates (including managing Directors and heads of finance or board members of affiliates). It aims at developing in-depth understanding of legal requirements with regards to environment, health & safety, human rights, labour relations, anti-corruption within the Company’s operations and supply chain, and promoting the Company’s internal processes to help mitigate potential risks and help prevent violations. The Airbus Leadership University took the lead to embed R&S strategy and commitments into the courses it offers, in order to ensure the Company’s managers are trained and equipped to instil the right behaviours, foster cultural change and encourage the search for innovative solutions to answer societal challenges. For example, the Company launched the day-long “Ethical and Responsible Leadership” MasterClass targeting its Executives in the fall of 2019. As part of the Company’s talent development programme, it offers developing leaders an eight-day, four-module course called “Purpose and Values Driven Leaders”. In addition, the Company also provides training to its employees, including those of affiliates, on the recently updated Airbus Code of Conduct.

CEO Guillaume Faury released the new Airbus Code of Conduct on 2 July 2019. Company-wide communications around the new Code of Conduct demonstrate strong tone at the top. They include: message to all Airbus employees, dedicated article on the HUB, Team Talk communicated to all Airbus Executives, dedicated webinars for the Ethics & Compliance representatives community, e-learning available in four languages. The Code of Conduct was also communicated to Airbus affiliates.

All Airbus affiliates (affiliates where Airbus owns more than one half of the voting rights, or is able to appoint or discharge more than one half of the members of the board) with operational activities are expected to deploy similar internal policies applying Airbus directives. A corporate directive assists Airbus affiliates in effectively fulfilling their responsibilities while assuring Airbus’ ongoing commitment to high standards of corporate governance. In 2018, Airbus, working closely with its two Divisions, approved one single directive on corporate governance for the Company’s affiliates, which defines rules, processes and procedures applicable to Airbus affiliates and their respective boards, Directors and officers. Airbus leveraged this in-depth work to integrate enhanced requirements on labour and human rights, environment, health and safety and procurement matters into the new directive on the basis of related Airbus internal policies including:

- International Framework Agreement;
- Agreement on the European Works Council;
- Supplier Code of Conduct;
- Health & Safety Policy;
- Airbus Code of Conduct (formerly Standards of Business Conduct);
- Environmental Policy;
- Airbus Anti-corruption Policy and related Directives.

Since September 2018, this directive has become a reference for all affiliates from all Divisions, and Airbus is working on a yearly update to constantly improve it. Based on the directive, a newly harmonised questionnaire was sent to all affiliates in 2019 to self-assess their internal controls, including how they relate to the environment, health & safety, human resources and procurement compliance requirements. Regarding the above activities, affiliates were asked to confirm that all relevant Airbus policies were accessible to their employees and duly communicated to them. If that is not the case, affiliates shall take appropriate actions to remediate the gaps.

To verify that the answers provided to the questionnaire are in line with Airbus' expectations, so-called "Fit" checks started to be performed in 2018 on some Finance, Compliance and Governance key controls for affiliates of Airbus and its two Divisions. From 20 Fit checks performed in 2018, Airbus increased to 70 in 2019 and aims to reach 100 Fit checks in 2020.

Since 2019, affiliates are also asked to regularly evaluate risks via the Company's ERM system, as well as to regularly monitor them as part of their risk assessment process. The Company endeavours to ensure that the procedures to assess, investigate and manage allegations are well aligned throughout the Company.

Each affiliate with operational activities has in place a Board of Directors and/or a shareholders' meeting where strategic decisions are made. Each affiliate has an Airbus supervisor who is a member or chairman of the board who ensures that all Airbus requirements are considered by the affiliate's management. At least once a year the agenda of the board will include an update on Ethics and Compliance matters (including training, awareness and any other relevant issues).

For its principal and operational minority joint ventures, the Company will work with the joint-venture partners to ensure the proper application of relevant compliance and R&S policies.

For more information on the Company's approach to the environment, see section 6.1.2(b). For more information on the Company's approach to human rights and health and safety, see sections 6.1.4(a) and 6.1.4(c).

6.1.2 Responsible Company

a. Aviation and Product Safety

I. Introduction

At Airbus, we believe that everyone in our industry has a role to play to further enhance the safety of the air transport system. Flying today is safer than ever before, and collective efforts continue to ensure it will be even safer by anticipating and responding to risks, threats and challenges. Whilst the foundations of safety are built on regulatory compliance, Airbus goes beyond airworthiness requirements to also focus on safety enhancement activities in products and services.

II. Governance

A dedicated safety organisation within the Company acts as an independent voice of safety. The Chief Product Safety Officer for the commercial aircraft activities of Airbus reports directly to the CEO and is the Chairman of the Product Safety Board (PSB). Several Executive Committee Members and senior executives are part of the PSB to ensure proactive safety decision making is based on multidisciplinary assessments at the highest decision level of the Company. The PSB does not only make decisions regarding technical aspects but also safety governance, strategy and performance aspects.

Airbus Safety Management System

Consistent with ICAO Annex 19, the Airbus Corporate Safety Management System (SMS) is based on the four ICAO pillars of safety policy and objectives, safety risk management, safety assurance and safety promotion. The Airbus Corporate SMS principles also integrate the end-to-end approach to safety with the Company's suppliers and operators. This is facilitated by an appointed Corporate SMS Officer and SMS officers per function with support from a network of nominated SMS Representatives throughout the Company.

Airbus Plan for Aviation Safety

The Airbus Plan for Aviation Safety (APAS) defines the Airbus safety strategy by identifying the top safety threats or opportunities and providing their associated key safety objectives for the safe operation of Airbus aircraft. APAS is a five-year projection, which is reviewed and updated annually. APAS is a response to EASA's annual European Plan for Aviation Safety.

Regulatory Compliance

Product certifications are provided by the competent aviation authorities including the main civil aviation authorities and specific military authorities. Within each Division, and according to their respective functions, Airbus works to ensure compliance through design and certification of products under EASA Part 21 Design Organisation Approvals (DOA); ECSS-Q ST-40-C for (Space Products) and Def-Stan 00-56 (Defence Products); manufacturing under Production Organisation Approvals (POA); monitoring of in-service safety through approved EASA Part-M Continuing Airworthiness Management Organisations (CAMO); aircraft maintenance and retrofit operations conducted in line with civil and military EASA Part 145 regulations; and training provided to flight crews, cabin crews and maintenance crews through EASA Part 147 Approved Training Organisations (ATO).

The certified organisations within Airbus where specific approvals are granted by the aviation authorities, are audited and monitored by these authorities to ensure full compliance to regulatory requirements. Additional audits are also conducted by third parties as part of the quality certifications appropriate to each Division, including EN9100, EN9001, EN9110, AQAP 2110, AQAP 2210 and AQAP 2310.

Commitment to Just and Fair Culture

The product safety and quality of the Company's products is its first priority. Each employee of Airbus, at any level, shall do their utmost to ensure that product safety is never compromised and quality is considered in everything they do. This commitment is documented and endorsed with the signature of the CEO, Executive Committee Members and top management in key functions. It also includes the commitment to ensure the appropriate reporting channels are available and known to all employees, providing an atmosphere of trust and empowerment to report product safety and quality related matters.

III. Risk Management

Applying proactive risk management principles has contributed to significant improvements for the safety of flight in recent decades. This risk management approach drives the Airbus Corporate Safety Process, which has been in place for 15 years. It also supports the principles of the Airbus safety enhancement culture, going beyond compliance to certification and airworthiness duties.

IV. Initiatives

Consistent with its end-to-end approach and as part of its safety strategy outlined in the APAS, Airbus has several collaborative initiatives contributing to reinforcing resilience capabilities in the air transport system and enhancing the safety level of its products with all key actors.

For example, Airbus is working with its supply chain to extend its safety enhancement principles with its suppliers. As part of the SMS approach, this includes specific SMS forums with the Company's suppliers and initiatives to reinforce the collaborative approach to optimise responses to in-service feedback and reporting.

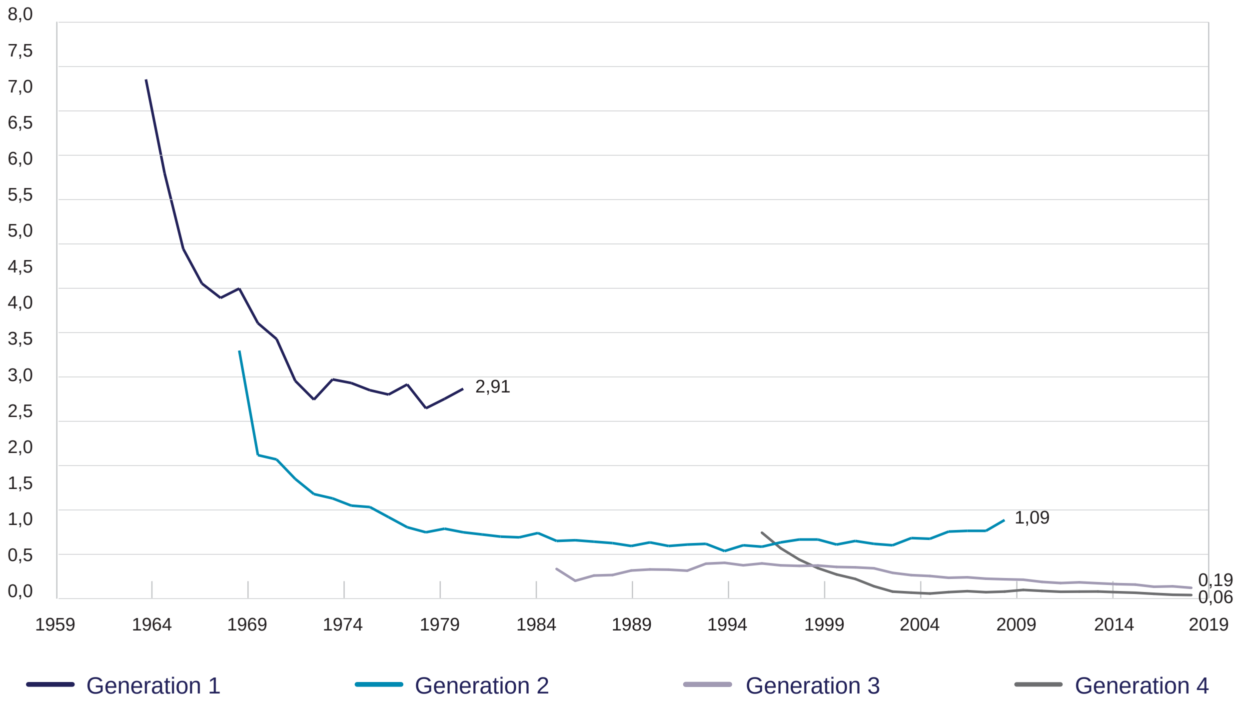
D10X (short for Air Transport Safety, Destination 10X Together) is another collaborative initiative with airlines. The aim of D10X is to propose pragmatic solutions together with operators of Airbus aircraft for the key safety issues identified within this network.

Sharing safety information is a key contributor to increasing the level of safety. First held with Airbus customers in 1994, the annual Flight Safety Conference marked its 25th anniversary in March 2019. Another means of sharing information is through "*Safety first*", the Airbus safety magazine contributing to the enhancement of safety for aircraft operations by increasing knowledge and communication on safety related topics in biannual editions since 2005. It reaches over 50,000 subscribers in the aviation community via the website safetyfirst.airbus.com and the "Safety first" app.

Airbus is committed to the industry's common objective of reinforcing resilience in the air transport system through the RAISE programme with its aim to "Reinforce Awareness In Safety for all Employees". To support this programme, an Airbus Safety Promotion Center will open in 2020, which is a dedicated space to foster a prevention mind-set throughout Airbus and encourage a deeper personal engagement with safety.

All of these initiatives and the safety enhancement culture, combined with the benefits brought by technology, leads to a continuous improvement of the safety records. This is illustrated in statistics showing that the safest aircraft are those of the third-generation and fourth-generation jets. All Airbus Fly-By-Wire family aircraft (including A320, A330/A340, A380, A350, A220 fleets) are the latest fourth-generation aircraft.

Yearly Fatal Accident Rate Per Million Flights



b. Environment

I. Introduction

"At Airbus we believe that by demanding more of ourselves, we can demand less of our planet. We are challenging ourselves to go further when it comes to taking responsibility for the environmental impact of our product throughout its lifecycle, and are investing major efforts into examining and reducing the impact of our products in operation together with all actors within the aviation sector. We not only rigorously track and measure our own impact, in our sites, products and services, but we also collaborate with our worldwide supply chain to drive more effective environmental management and decarbonise our industry. And we place innovation at the core of this effort by investing in research, new technologies, and sustainable solutions to help us reach our vision."

Guillaume Faury, Airbus CEO

II. Governance

New Policy

"Go further" for Airbus means developing products and services taking into consideration current and foreseeable future environmental challenges for future generations and with long-term value creation in mind. This is driven through the Company's environmental policy with strong support from the CEO and Executive Committee.

The policy focuses on three main directions:

- continually improving our manufacturing and site operations by achieving net zero GHG emissions, zero water and air pollution, sustainable energy sources and zero waste to landfill before 2050;
- driving development of eco-efficient products and services, taking into account environmental challenges; and
- working in cooperation with the aerospace sector to develop sustainable operations of air transportation.

The industry faces a variety of environmental challenges, including climate change, and the Company invests and cooperates with stakeholders across the value-chain in researching and implementing innovative ways to meet them.

As aviation represents around 2.5% of global man-made CO_2 emissions, the Company recognises its role in reducing the global environmental footprint of the sector and the importance of respecting the commitments of the Paris agreements. Climate change may also affect the environmental conditions in which Airbus' manufacturing activities and products are operated. Another area of attention is the elimination of substances posing a risk to human health or the environment. The Company is continually seeking technically-feasible sustainable solutions to reduce the environmental impacts of its products and operations, in cooperation with its suppliers and industrial stakeholders.

Organisation around Environmental Affairs Topics

Since September 2019, an Environment Executive Steering Committee has been established. This committee gathers members of the Executive Committee and managers in charge of environmental topics. It meets regularly to review progress and take decisions on all matters related to the environmental strategy of the Company.

An Environmental Coordination Committee on a cross-Divisional level ensures consistency in the operational management of environment throughout the Company and aligns on reduction objectives. The Coordination Committee meets four times a year and is composed of the heads of Environment for Helicopters, Defence and Space and the commercial aircraft activities of Airbus.

The role of the Airbus Environmental Affairs organisation is to guide the business in environmental matters, to set the policy and deploy, drive and improve the Environmental Management System (EMS) throughout the Company to achieve the Company's environmental objectives. The Airbus EMS is based on ISO 14001:2015. Airbus was the first aircraft manufacturer to be ISO 14001 certified, and continues to show its commitment by having been recertified to ISO 14001: 2015 in November 2019.

Airbus also monitors environmental regulatory developments to understand, evaluate and prepare for legal and regulatory evolutions applicable to its activities and products.

On an annual basis, the Company undertakes an extensive exercise to collect, consolidate and report its environmental data. This enables Airbus to measure the environmental impact of its site operations, track its performance and communicate information on environmental matters to internal and external stakeholders. As part of its transparency policy, the Company discloses its GHG emissions to the CDP, providing its investors and other interested parties with the insight they need. Once evaluated by CDP, Airbus' entries to the climate change questionnaire are made available publicly on the CDP website.

Working in Cooperation

Airbus understands the importance of working together with other stakeholders to find solutions.

For instance, Airbus is a Founding Member of the International Aerospace Environmental Group (IAEG) and is actively engaged in all areas of work, such as greenhouse gas emissions, substances management, substitution technologies and supply chain to share practices and promote the development of global standards.

Airbus is also an active board member of the Air Transport Action Group (ATAG) which sets industry goals including CO_2 emission reduction goals, and mobilises action on strategic aviation issues. Aviation is a global industry and requires global solutions. ICAO, a specialised agency of the UN, has a proven track record of delivering robust aviation environmental standards and guidance (*i.e.* air quality, noise, CO_2). Airbus supported the ICAO agreement in 2016 on the CO_2 standard and also the adoption of the new Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) in 2017. Within the framework of this sectoral offsetting scheme, airlines were scheduled to start the monitoring and reporting process of CO_2 emissions as of 1 January 2019. CORSIA is the first global sectorial offsetting scheme.

On space activities, Airbus has worked with the European Space Agency (ESA) in Earth observation for over 25 years. EarthCARE (Earth clouds, aerosols and radiation explorer) and Copernicus, the most ambitious Earth observation programme to date, are two examples.

Recyclability is another important topic that the Company is tackling in cooperation with other entities through TARMAC Aerosave, a joint venture between Airbus SAS, Safran Aircraft Engines and Suez providing state of the art services for the management of an aircraft's end of life.

III. Risk Management

Environmental risk and opportunities are managed following the Company's ERM system and requirements defined within the ISO 14001:2015 certified EMS. Identification of specific environmental risks and opportunities is defined by internal guidance and it notably highlights the Life Cycle Perspective approach to be adopted and the inputs to be considered: environmental aspects and impacts, compliance obligations and other issues and requirements including stakeholders' expectations.

Risks and opportunities are reported quarterly to the Executive Committee of each Division and top risks are consolidated at Company level to be brought to the attention of top management.

1. Climate Change risk on Aircraft and Industrial Operations

The air transport market and Airbus business and operations may be disrupted by climate change, air emissions related impacts and stakeholders expectations including those of society, regulators and customers.

Climate Change Mitigation

Developing lower emission products and services to satisfy those expectations will require breakthrough advances in technology research (*e.g.* development of energy storage for electric aircraft, electrical distribution in the aircraft, power to weight ratio of electrical machines, etc.).

Airbus pursues incremental improvement of its programmes and has developed a dedicated organisation aimed at developing the future technologies that will be required. However, these technologies may not be available on time or may not deliver the required improvements to meet the climate objectives.

The Company's reputation may be affected if its or the sector's expected contributions on GHG emission reduction are not delivered as defined by ATAG to support the Paris agreements. Society's sensitivity to climate change leading to a change in passengers' behaviour including preference for alternative means of transport may change the market and demand for air travel. The Company may face reduced demand for its products and may need to adapt its business model in consequence.

Climate Change Adaptation

The foreseen consequences of climate change include harsher average weather conditions and more frequent extreme weather events, such as hurricanes, hail storms, heat waves or extreme cold spells. To cope with degraded operational conditions, more frequent redesigns may be required to meet more stringent regulation and certification criteria or standards.

Industrial operations and supply chain may also be affected by the consequences of climate change and require specific adaptation measures to remain operational.

2. Chemicals of Concern

Evolution of the hazardous chemicals' regulatory framework may lead to short- and long-term potential bans and result in business disruption across the Company's value chain.

With the aim of protecting human health and the environment, regulators at national and international level have developed a stringent set of legal requirements that are continuously evolving to ensure that hazards related to substances are under control or eliminated.

In order to mitigate the risk of disruption in its operations and supply chain, the Company's policy is to develop safe alternatives to the targeted substances and substitute these as soon as those alternatives have proven reliable enough to meet the stringent airworthiness criteria.

IV. Initiatives

Industrial Operations

The Company is engaged in an industrial transformation to anticipate mid-term evolutions of its industrial systems as well as looking for longer term solutions to build its "factories of the future". This company-wide initiative will support the reduction of Airbus' environmental footprint on air, soil and water quality, climate change, biodiversity and resource availability. An evaluation of hotspots based on life cycle assessment studies of some Airbus products is also ongoing to help focus on appropriate topics.

In 2019, Airbus has rolled out High5+, a 2030 plan to reduce the footprint of all Airbus activities globally and reach out to the supply chain. High5+ engages all sites and functions, making sure that each area plays its part in delivering the global 2030 objectives. These objectives have been set in absolute value compared to 2015 levels to reduce energy consumption, CO_2 emissions, water consumption, VOC emissions and waste production as follows:

- energy and CO_2: Following "Science Based Targets" methodology, reduce energy consumption by 20% and reduce direct (scope 1), indirect (scope 2) and oversize transportation (scope 3) GHG emissions by 40%. Reduction of oversize transportation impact will involve use of carbon offsetting to achieve overall ambition;
- waste and raw materials: divert 100% of the waste from landfilling and incineration without energy recovery, and reducing the amount of waste produced by 20%;
- air emissions: comply with air emissions regulations with 0% increase of air emission by 2030;
- water: develop strong maintenance and rehabilitation programs to improve reliability and lower costs in order to reduce water purchase by 50%, with no increase in water consumption; and
- deploy environmental requirements and risk evaluation across a targeted scope of the supply chain. Enhance the use of environmental risk evaluation for consideration as a quantitative input during selection, contracting and supply chain control phases.

In order to better embed this ambition into the Company's performance management, the Executive Committee agreed in 2019 to include a CO_2 reduction target for 2020 of 2.7% on the same perimeter as part of the Company's top objectives. As such it will form part of the CEO's and other Executive Committee Members' remuneration in 2020.

	2030 Target	2015	**2019**	2019 v. 2015
Energy *(MWh)*	-20%	2 323 287	2 408 751	3,7%
CO_2e *(tons)*	-40%	934 788	981 985	5,0%
Waste :				
Landfilled and incineration without energy recovery	0%	18%	26%	
Waste produced	-20%	67 115	68 997	2,8%
Air emissions				
VOC *(tons)*	0% increase	1 156	1 208	4,5%
NOX *(tons)*	0% increase	203	237	16,9%
SOX *(tons)*	0% increase	11,6	11,8	1,5%
Water				
Water purchase *(m^3)*	-50%	2 606 859	3 006 246	15,3%
Water consumption *(m^3)*	0% increase	2 944 677	3 454 085	17,3%

Perimeter : Airbus sites w/o subsidiaries. Airbus FAL in Mobile (US) & in Mirabel (Canada) were not operated in 2015 and therefore do not contribute to the baseline.
2017 data used as baseline for Airbus Tianjin & Oversize Transportation

The 2019 status shows a moderate increase compared to the 2015 baseline. This is expected and can be explained by the Company's significant industrial ramp-up over the same period combined with the introduction of the A220 FAL in Mirabel (Canada) in 2019. Compared to previous objectives that were calculated relative to revenue, the High5+ plan targets specific initiatives to achieve the absolute value reduction targets by 2030.

> VOC emissions have been reduced by over 15 tonnes annually in Nantes by switching from liquid cleaning solutions to sprays and wipes.

The Company is also engaged on circular economy. Beyond waste reduction, the Company has been proactive in seeking ways to reuse and recycle materials beyond their initial life. Not only does the Company send nearly 60% of its waste to be recycled, but today, through the TARMAC Aerosave joint venture, more than 90% of an aircraft weight is recycled or reused through a selective dismantling (reverse manufacturing) process. As airplanes manufactured with large volumes of composites start retiring in the next few decades, Airbus is working in cooperation with several specialist companies involved in carbon fibre recycling, as part of an industry goal to determine the best processes and uses for recycled and reused carbon fibre materials.

Wherever its industrial activities have an impact on biodiversity, the Company is engaged with local partners on conservation and remediation projects to preserve the affected flora and fauna and ensure they are not adversely affected by the company's activities.

> In order to promote biodiversity and educate employees on environmental protection, a beehive has been installed on Airbus Helicopters' Marignane site with approximately 15,000 bees and a seedling nursery has produced 300 seedlings of gardening, fruits and native plants on the Itajuba site.

Noise around Airbus sites can also be an important topic for neighbouring communities. The Company is actively engaged with local authorities and the affected population to minimise its impact, by adapting operating times and actively seeking to reduce the noise at the source. In Toulouse, Airbus has launched the Median initiative regrouping actors in charge of flight activities around the airport to find the most effective solution to reduce noise levels.

Light pollution caused by Airbus activities has been deemed to be non-material to the Company's value chain.

The Company monitors and makes available data verified by external auditors, and publishes transparently its industrial performance. Environmental data has been externally audited since 2010. Below is a selection of externally reviewed environmental indicators.

ANNUAL REPORTING OF PERFORMANCE INDICATORS TABLE

Environmental performance	GRI	KPI	Unit	**2019**	2018
Energy	EN3	Total energy consumption (excluded electricity generated by CHP on site for own use) ✔	MWh	4,054,849	4,006,108
		Energy consumption from stationary sources ✔	MWh	1,359,018	1,304,338
		Energy consumption from mobile sources ✔	MWh	1,112,573	1,094,851
		Total electricity consumption, heat & steam consumption excluding CHP for own use ✔	MWh	1,583,258	1,606,919
		Of which purchased electricity from renewable sources (REC)	MWh	101,612	
		Generated electricity from CHP on-site for own use ✔	MWh	187,846	190,287
Air emissions	EN16 EN17	Total Scope 1 + Scope 2 CO_2 emissions ✔	tons CO_2	927,529	959,825
		Total direct CO_2 emissions (Scope 1) ✔	tons CO_2	569,838	553,887
		Total indirect CO_2 emissions (Scope 2) ✔	tons CO_2	357,691	405,938
		Indirect CO_2 emissions Business Travel (Scope 3) ✔	tons CO_2	109,403	111,666
		Indirect CO_2 emissions Oversize Transportation (1) (Scope 3)	tons CO_2	198,526	185,500
	EN20	Total VOC emissions (2) ✔	tons	1,535	1,553
	EN21	Total SOx emissions	tons	15	17
		Total NOx emissions	tons	280	323
Water	EN8	Total water consumption ✔	m^3	3,987,289	3,647,950
	EN22	Total water discharge	m^3	3,740,566	3,338,712
Waste	EN23	Total waste production, excluding exceptional waste ✔	tons	99,280	98,631
		Material recovery rate ✔	%	54.0	57,8
		Energy recovery rate	%	21.2	20,7
EMS certification		Number of sites with ISO 14001 /EMAS certification (3) vs total number of covered by environmental reporting	Unit	62 / 80	60 / 71
		Workforce effectively covered by reporting over workforce subject to reporting according to the environmental guidelines (4)	%	94	89

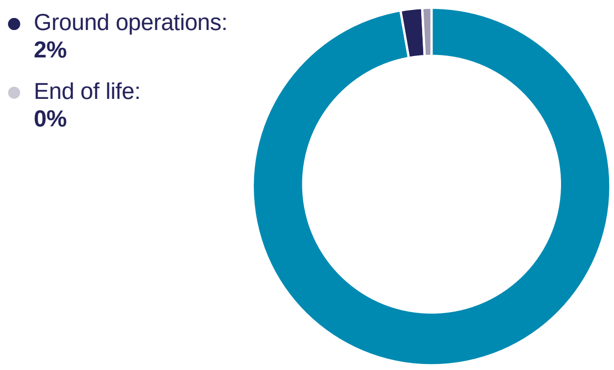
2018 baseline has been recalculated to integrate changes in accounting methodology (emission factors & exclusion of close loop water consumption in Donauworth)
Electricity Emission factors updated according to IEA 2018 v1.01 for 2019 data and IEA 2017 v1.03 for 2018 data
Sites A220 FAL in Mirabel, Canada, Satair Copenhagen, Ashburn & Miami, AH Oxford, ATR Francazal, are included in 2019 according to reporting rules.
✔ 2019 data audited by Ernst & Young. 2019 data covers 92% of total group employees.
(1) Oversize emissions cover transport of large and non standards shipments. Values cover aircraft commercial activities and are estimated.
(2) 2019 VOC emissions data is estimated and 2018 data actualised. The accurate 2019 data will be consolidated and available during March 2019
(3) Number of sites covered by the environmental reporting which are certified ISO 14001.
(4) Airbus environmental reporting guidelines include sites worldwide with a workforce on-site higher or equal to 50 employees. Note that only 100% consolidated entities are taken into account to calculate this 50 employee threshold. Coverage varies from 92% to 93% for waste, water, heat & refrigerants indicators.

As part of its plan to tackle scope 3 emissions, the Company has decided to offset all emissions linked to air business travel. In 2019, the Company has also started compensating emissions of activities for which reduction and use of renewable energy are not sufficient to meet the targets, such as air and sea logistics means.

In 2019, Airbus undertook an initial assessment of its scope 3 "Purchased Goods and Services" impact using a methodology developed by IAEG. The results of this assessment will be used to understand where the main impacts are in the Airbus supply chain in terms of GHG emissions and engage with suppliers on targeted projects to address them in the most effective way.

As can be expected, GHG emissions linked to the operation of Airbus' products are among the areas of particular focus as they represent the main part of the value chain's emissions. Recent internal studies, aiming at understanding the spread of GHG emissions of a commercial aircraft product over its current complete lifecycle, have concluded that over 97% of GHG emissions occur during the flight operations phase. As this phase is influenced by several factors beyond Airbus' direct control and needs to be calculated as a projection of an aircraft's operation over its entire service life, Airbus calls for a sectoral alignment on a methodology providing consistency to the way such impacts are calculated and communicated throughout the air transport sector.

Illustration of a Typical Commercial Aircraft Lifecycle GHG Distribution*



* Initial assessment for illustrative purposes only.

Products in Operation

In the last 60 years, the aviation industry has cut fuel consumption and CO_2 emissions per seat / kilometre by more than 80%, NOx emissions by 90% and noise by 75% of aircraft in operation.

Whilst this performance is impressive, Airbus and the aviation industry recognise the importance to continue improving the sector's environmental performance in all areas – from noise to air quality and GHG emissions, notably CO_2. Due to the industry's short- and mid-term reliance on hydrocarbon fuels as well as potential additional impacts from non-CO_2 factors, the reduction of aviation's impact on climate change remains an environmental challenge.

Airbus, along with airlines, airports, air traffic management and other manufacturers, committed in 2008 to sectoral CO_2 emission goals (ATAG):

- improve fleet fuel efficiency by an average of 1.5% per annum between 2009 and 2020;
- stabilise: from 2020, net carbon emissions from aviation will be capped through carbon neutral growth (CNG); and
- by 2050, net aviation carbon emissions will be half of what they were in 2005.

Airbus is actively working on a greater decarbonisation potential through new fuels and energies, technology and innovations (aiming at zero emissions flights) and carbon offsetting. Meeting these challenging goals will require a truly collaborative approach across the industry, investors and financial institutions, governments and civil society, focused on a combination of improvement measures encompassing technology (including sustainable fuels), operational improvements, infrastructure (including air traffic management) and market based measures.

Sustainable aviation fuels (SAF) are vitally important to the decarbonisation potential of our sector. These are not just "a nice to have" and as such the Company is fully engaged with other industry partners to drive the development of the industry. Airbus is the first manufacturer to offer delivery flights on sustainable fuels and intends to use SAF for test flights and Beluga flights as well as increasing the opportunity for more delivery flights. The first Beluga flight with SAF is an important milestone towards Airbus' decarbonisation strategy. Airbus plans to progressively use SAF in its new fleet of Beluga XLs and plans to deploy this to other operational bases in Europe.

Beyond climate change, the Company also focuses on reducing the other aspects of the environmental impacts of aircraft in operations. For instance, the Airbus Noise Technology Centre based at the University of Southampton is continually modelling and testing to better understand noise, its sources and solutions to be embedded into current and future products.

Substances Roadmap

Many substances used in the global aerospace industry to achieve high levels of product quality, safety and reliability are subject to strict regulatory requirements.

In the aerospace industry, regulations on substances impact key processes and products, such as surface treatments, paints and fire protection. The Company remains committed to move towards replacement of such substances in products and processes. To help achieve this, the Company has put in place a portfolio of activities and projects, working with suppliers to identify, develop, qualify and deploy new technologies and solutions that avoid the use of substances classified as posing a risk to human health or the environment, whilst satisfying airworthiness, certification and performance requirements. The Company also engages with suppliers to promote the adoption of a similar approach through regular communication and, more widely, by working together with the aerospace industry to promote worldwide harmonisation of regulations and ways of working, taking into account the sector's safety and lifecycle specificities.

Using information obtained from its suppliers, Airbus tracks, registers, assesses and declares regulated substances. Since 2011, the Company has analysed the impact of over 1,100 substances and qualified and deployed substitutes for over 100 substances in 300 products. Currently, the Company is actively working to substitute 65 substances in its own design, and an additional 45 in its supply chain, over the next 5 years.

Airbus invests substantial time and resources in research and development for technologies that use alternatives to regulated substances. When it can be demonstrated that these technologies meet the strict safety and reliability criteria required for aviation, Airbus seeks to implement them in its aircraft design and manufacturing.

For example, in 2006, the Airbus Chromate-Free project was launched with the aim of developing, qualifying and deploying chromate-free alternatives to materials containing and processes using chromates in aircraft production and maintenance. Chromate-free external paint systems developed initially for the A380 programme are now used in all Airbus commercial aircraft manufacturing programmes and across the aerospace industry.

Another example is the Airbus Basic Primer project that researches potential alternatives with the aim of phasing out the green chromated primer coat.

Cultural Change

Corporations across industries are increasingly realising how essential their employees are as stakeholders in the conversations driving their business. At Airbus, this is no exception. The people who work here see sustainability in the aerospace industry not as an add-on to the business priorities but as an important part of their personal motivation in everything they do.

According to a 2018 survey, 11% of the Airbus Toulouse-based employees cycle to work. An annual event is organised by the company to spread the initiative.

As part of its roll out plan, high5 + initiated a group-wide communication campaign to engage employees on day-to-day actions in order to reduce their environmental impact.

V. Future Outlook

"By 2050, we have made the commitment to bring CO_2 emissions to half of 2005 levels. A new generation of technology, research and development, and our total respect for the planet lay the foundation for a more sustainable aviation industry. By demanding more of ourselves in the areas of research, supply, production and operations, we can demand less of our planet. This clears the path toward a future in which we can connect more people than ever before, in the most sustainable way possible." Guillaume Faury – Airbus CEO

New technologies

When it comes to research and technology portfolio, the Company's first priorities are set on designing and maturing the technologies, which will then enable us to come to the market with an emission free aircraft.

The E-Fan projects are contributing to illustrate and disseminate the idea that electrically-based propulsion will probably be the next major breakthrough in our industry. So far, the E-Fan programmes have delivered assets and knowledge, but also aim to provide momentum for electrification with Airbus taking a lead in the vision and its drive. E-Fan X is the next step of our electrification journey.

In order to advance aerodynamics research, Airbus has developed a scale demonstrator aircraft with the first inflight, freely flapping wing tips that could revolutionise aircraft wing design through a biomimetic approach. Known as AlbatrossONE, this remote controlled aircraft has already taken its first flights to prove the concept.

Airbus' fello'fly project aims to demonstrate the technical, operational and commercial viability of two aircraft flying together for long-haul flights. Through fello'fly, a follower aircraft will retrieve the energy lost by the wake of a leader aircraft, by flying in the smooth updraft of air it creates. This provides lift to the follower aircraft allowing it to decrease engine thrust and, therefore, reduce fuel consumption in the range of 5-10% per trip.

c. Responsible Defence and Space Products

I. Governance

The Company delivers defence and space products and solutions that enable governments and organisations to protect people and resources, and it aims to do so in a sustainable, respectful and fair manner.

This commitment is defined in terms of two thematic areas:

1. a more secure world: Contributing to protecting citizens and nations' sovereignties, values, and infrastructure in a world of evolving threats; and
2. a healthier environment: Designing products with a smaller eco-footprint and developing solutions to better monitor and manage natural resources.

In 2019, Airbus Defence and Space's R&S Governance Committee set a long-term objective to expand the number of products and services that contribute to its sustainability goals and the eight aforementioned UN SDGs. While inventive solutions are in the pipeline, this section describes solutions that currently contribute to a more secure world and a healthier environment.

II. Initiatives

A. Products for a More Secure World

As long-standing threats to public safety and infrastructure are compounded by emerging risks that take on new forms in our cyber age, the Company aims to increase the safety of communities and protect human lives through its defence solutions, space-based intelligence and communication, and cyber security solutions. Representative contributions include:

Maritime

The Company makes locating, tracking and communicating with seafaring vessels across the globe's vast and remote oceans possible through its optical and SAR satellite imagery. Its Ocean Finder solution allows customers to monitor ships and activity at sea, which may be at risk due to illegal activities, hijacking or hostile waters and can assist with search and rescue efforts.

On the dock, ports need software to enable the secure and efficient movement of levied goods, and in the water they need to monitor incoming sea vessels to ensure safe movement among cruise ships, freight liners, private vessels and tankers. The Company provides real-time maritime information to help organise port traffic, provide navigation assistance to vessels and ensure smooth goods operations on land. Australia, with one of the largest harbours in the world with 1.6 million passengers passing through its Port Authority, depends on Airbus' STYRIS® system to manage Sydney Harbor and Port Botany.

Public Safety

The Company helps to protect societies and cities by providing communication and collaboration solutions to government authorities, law enforcement agencies, emergency services, healthcare providers and other public safety organisations. Their solutions enable authorities to respond to, and collaborate on, multiple simultaneous missions, often in emergency or high-security scenarios, through the sharing of high-value information (voice and data). The Company has equipped 19 nationwide networks for public safety forces (of which 13 are in Europe) and more than 30 networks for local authorities and defence forces.

When security threats arise at large events or gatherings of people, the Company offers real-time secure data and surveillance, cyber security, secure connectivity and situational awareness.

Critical Infrastructure Protection

The Company protects government installations, air bases and military sites, ports and airports, sensitive industrial sites and civil infrastructure. The focus of our critical infrastructure portfolio is to provide operators of protected facilities with situational awareness of that site, as well as with actionable intelligence and command and control systems that enable them to respond to threats and manage incidents when they do occur. For example, Airbus communications solutions help to secure over 100 metro lines, 20 airports and 11,000 km of pipelines.

Secure Connectivity for Transportation

With the growth of large urban areas around the world, efficient but safe transportation is vital. The Company provides some of the busiest airports, train stations and underground train systems in Europe and China with its Tetra system, a secure radio communication network, allowing hundreds of users to securely communicate in real time. These operators rely on Airbus' secure communications to relay urgent and confidential messages in emergency situations.

Cyberspace Protection

Airbus CyberSecurity's Orion Malware solutions provide businesses with the ability to detect malware in their networks and investigate emerging threats. In the past when the French TV channel (TV5 Monde) suffered an unprecedented cyber-attack, taking the station offline, Airbus CyberSecurity provided a fast and satisfactory resolution of this crisis.

Defence and Security

The Company works with the EU, NATO and other governments to supply the necessary equipment to support their efforts to make the world a safer place. Nations need defence systems and equipment to guarantee sovereignty, security and human rights. The Company's military aircraft, satellites and security technologies help protect democratic values around the globe. A partnership with the Company also helps them to protect their nations from the changing nature of terrorism threats and cybercrime.

Airbus Defence and Space does not produce nuclear weapons. Through its 50% share in ArianeGroup, there is a connection to the French Nuclear Deterrence Programme as ArianeGroup produces the M-51 launcher. However, the warhead is exclusively built by France's Directorate General of Armaments (DGA).

B. Products for a Healthier Environment

The Company has been a trusted provider of governmental space capability since the birth of European space 50 years ago, delivering satellites as well as data solutions that inform decision making on significant environmental issues. Its aerial imagery of climatic and environmental changes around the planet reveal the scale of change and dependencies at work, deepening understanding of Earth's systems and enabling smarter responses.

Earth Monitoring

Copernicus, the EU's Earth Observation programme, is the biggest provider of Earth observation data in the world. Its images are vital to managing the health of our planet. The Company contributes to all the Copernicus Sentinel satellites and its SpaceDataHighway, a near-real time laser communication relay, is used to transmit data from the Sentinel-1 and -2 satellites. Airbus satellites include:

- Sentinel-2, which circles the Earth's landmasses every ten days, delivering data for agriculture, forestry, natural disaster monitoring and humanitarian relief efforts;
- Sentinel-5 Precursor, which provides critical insights in helping to understand and mitigate the effects of climate change.

Other Airbus satellites in orbit include:

- ADM-Aeolus provides global observations of atmospheric modelling and analysis techniques, which are used in weather forecasting and climate research;
- the MetOp satellites. Since their launch, errors in one-day weather forecasting have been reduced by 27%. The MetOp mission provides meteorological observations from polar orbit and contributes to long-term climate monitoring;
- Twin Grace-FO satellites are mapping the Earth's gravitational field to better understand movement of water, ice and land masses.

Agriculture

Satellite and drone imagery integrated with Airbus digital platforms enable agricultural stakeholders to understand and monitor crop growth. Platform solutions include:

- Verde helps farmers optimise crop scouting, irrigation, seeding, fertilisation, and crop detection, to improve practices over the long run to get more out of fields in a sustainable way;
- Farmstar supports French farmers to improve their harvest quality with plot-specific accuracy, offering a complete range of information on the condition of crops (stand counts, nutritional condition, risk of disease, etc.) in order to rationalise fertiliser input and safeguard the environment;
- AgNeo provides agribusinesses with an innovative and reliable decision support platform to drive greater efficiency. It provides in-season actionable information utilising imagery, field data and weather insights.

Forest Management

Airbus' Starling is a private and independent tool that allows companies to monitor the implementation of their "No Deforestation" policies by tracking land cover change over time. Nestlé is using the Starling system to monitor its entire palm oil supply chain. Starling helps Nestlé understand better where deforestation occurs, what drives it and who is involved.

Sustainable Space

The Company is working to ensure a sustainable space environment to prevent space debris and protect valuable national assets, such as satellites in orbit around the globe. For example:

- Airbus is the first company to test technologies to clear out space junk and avoid spacecraft collisions. Three main debris removal technologies have been tested in orbit: harpoon, net and vision-based navigation. In addition, active debris capture using robotic arms is being developed on the Airbus site in Stevenage;
- Airbus also participates in research collaboratives that harness corporate and university know-how to work towards preventing space collision (*e.g.*, RemoveDEBRIS and Technology for Self-Removal of Spacecraft (TeSeR));
- the ground-based Airbus Robotic Telescope (ART) is a test-bed which performs automated tracking and surveillance of satellites and debris in space. This is important to prevent satellites or the International Space Station from colliding with debris or each other.

The Company is wholly committed to ensuring its products meet space debris mitigation regulations as it believes in the importance of promoting sustainable space. Specifically, it is already aligning with the French Space Operations Act and the ISO standard 24113:2019 to avoid generation of debris in orbit and ensure safe removal of spacecraft from useful orbit at the end of life. Moreover, the Company is involved in task forces on Space Traffic Management, aimed at organising sustainable use of outer space as massive constellations become a reality.

Last but not least, as part of the advisory group of the World Economic Forum (WEF), the Company has also been promoting the Space Sustainability Rating (SSR) eco-label for space missions.

6.1.3 Responsible Business

a. Ethical Business Practices

I. Introduction

The Airbus Ethics & Compliance programme seeks to ensure that the Company's business practices conform to applicable laws, regulations and ethical business principles, as well as developing a culture of integrity and speak-up. In 2019, Ethics and Compliance continued to be a top priority for the Company as for 2018 and 2017. In its list of priorities for the year, the Company set the objective to: "Enforce respect of Airbus ethics & compliance standards and principles".

The Company has worked over the past several years to develop an Ethics & Compliance programme that is structured around the following key risk areas: Business Ethics/Anti-Corruption Compliance, Export Compliance and Data Protection Compliance. Each of these areas is, in turn, supported by dedicated compliance policies and a team responsible for their implementation, together with the identification and proposal of new measures to adapt to a constantly evolving regulatory landscape.

Improving the Ethics & Compliance programme remains a constant and ongoing process, in cooperation with other functions within the Company, in order to sustain and capitalise on our values.

II. Governance

The Ethics & Compliance organisation is part of the Legal Department under the ultimate responsibility of the Airbus General Counsel. The aim is to provide strong governance throughout the Company with the global presence of qualified compliance officers who ensure the Ethics & Compliance programme is implemented consistently in the different functional and operational areas.

The Airbus Chief Ethics & Compliance Officer, who reports to both the General Counsel and the Ethics & Compliance Committee of the Board of Directors, leads a dedicated team of Compliance professionals who are responsible for supporting and advising across the Company on compliance related topics, performing risk assessments, drafting policies, conducting third party due diligence, investigating compliance allegations, implementing tools and controls and delivering compliance training.

The Ethics & Compliance Committee of the Board of Directors also plays a key role in the oversight and continued development of Airbus' Ethics & Compliance programme, organisation and framework for the effective governance of Ethics and Compliance.

In addition to the dedicated Compliance professionals, the Company re-launched a network of part-time Ethics & Compliance Representatives (ECRs) in 2019, spanning all divisions, functions, and regions. Although the ECR network members are not compliance experts, they play an important role in promoting the Ethics & Compliance programme and culture and serve as points of contact for any employee who has questions about the Ethics & Compliance programme or wishes to raise an Ethics and Compliance concern, including but not limited to bribery or corruption.

Likewise, the network of Data Protection focal points in the business (functions and affiliates) grew considerably in 2019.

III. Risk Management

The Company is required to comply with numerous laws and regulations in jurisdictions around the world where it conducts business. This includes countries perceived as presenting an increased risk of corruption.

Accordingly, since 2017, the Company has been conducting a thorough bribery and corruption risk assessment across its different Divisions and businesses. The results of this risk assessment are embedded and monitored within the Company's Enterprise Risk Management framework and highlight, among others, the risk of improper payments being made to or via third parties such as business partners, lobbyists and special advisors, suppliers, distributors and joint venture or offset partners. Further corruption risks include the use of sponsorships, donations, or political contributions to improperly benefit decision-makers, or the provision of excessive or overly frequent gifts and hospitality by Airbus employees.

In order to ensure its compliance with Export Control regulations and laws in the EU, US and internationally, the Company has also initiated a review of its Export Control compliance programme. Where risks are identified, the Company will implement corrective actions to mitigate these risks which are embedded and monitored within the Company's ERM framework.

Regarding Data Privacy, the Company systematically undertakes Privacy Impact Assessment for applications meeting the criteria (nature of the personal data processed or scale of the processing, etc.) as defined by the General Data Protection Regulation (GDPR). In addition, risks derived from GDPR are also assessed in the context of the ERM and kept updated.

Specific directives have been adopted to address the key compliance risk areas at Airbus. These include among others:
- Requirements for Gifts & Hospitality;
- Requirements for Sponsorships, Donations and Corporate Memberships;
- Requirements for the Prevention of Corruption in the Engagement of Business Development Support Initiative Third Parties (BDSI);
- Requirements for the Prevention of Corruption in the Engagement of Lobbyists & Special Advisors;
- Requirements for Supplier Compliance Review;
- Requirements for Preventing and Declaring Conflicts of Interest;
- Requirements for the Prevention of Corruption related to Mergers & Acquisitions, Joint Ventures and similar Transactions;
- Method for the Prevention of Corruption in the Context of International Cooperation & Offset Activities;
- Requirements for Anti-Money Laundering/Know your Customer;
- Export Compliance Directive;
- International Trade in Arms Regulations (ITAR) Part 130 Directive;
- Data Protection Directive, Method and Binding Corporate Rules.

The Ethics & Compliance organisation is charged with oversight and monitoring of these directives to ensure that they are being implemented effectively. Periodic controls on key processes are performed and reports provided to the Airbus Executive Committee and the Ethics & Compliance Committee of the Board of Directors, including recommendations to strengthen the Ethics & Compliance programme where necessary.

In addition, the Corporate Audit & Forensic Department conducts periodic, independent audits of Airbus compliance processes to assess the effectiveness of internal controls and procedures and allow the Company to develop action plans for strengthening such controls.

IV. Initiatives

Awareness and Training

All Airbus employees are required to undergo a minimum amount of compliance training via e-learning. Additionally, depending on the function, the country and the level of risk implied by their role, some employees may be selected to attend face-to-face training as well. Attendance in such cases is mandatory, and managers have a responsibility to ensure that their team members do so.

From 1 October 2018 to 30 September 2019, the Company's employees followed 185,365 Ethics & Compliance, including on corruption and bribery, digital training sessions. Furthermore, 3,020 employees attended face-to-face HR catalogue trainings on different E&C topics in 2019.

Last but not least, Ethics & Compliance led a series of E&C symposia targeting Executives and Senior Managers in 2019, aimed at raising awareness on Ethics and Compliance issues.

Speak-Up Channel: OpenLine

The Company recognises that the Code of Conduct cannot address every challenging situation that may arise. The Company therefore encourages its employees to speak-up through various channels, including through OpenLine (available at **https://www.airbusopenline.com**). The OpenLine enables users to submit an alert securely and confidentially, and also to ask questions related to Ethics and Compliance. In 2019, the Company decided to further improve the accessibility and use of the OpenLine by extending its coverage to third parties and by offering an anonymous option when authorised by law.

In addition, the dataprotection@airbus.com mailbox is systematically published in the Airbus data protection policies and information notices specific to the various apps, for the purpose of exercising data subjects rights and /or lodging complaints.

The Company protects those who speak up and raise concerns appropriately and in good faith. The Company does not retaliate against anyone who raises a concern, or against those who assist in investigations of suspected violations.

2019 Initiatives

The foundation for integrity at Airbus is the Code of Conduct. In 2019, the Company restructured and re-issued the Code, which is intended to guide daily behaviour and help employees resolve the most common ethical and compliance issues that they may encounter. The Code of Conduct applies to all employees, officers and Directors of the Company as well as entities that the Company controls. Third-party stakeholders with whom the Company engages are also expected to adhere to the Code of Conduct in the course of performing work on Airbus' behalf.

In addition to the Code, the Company also updated its policy related to Gifts & Hospitality in 2019, and issued new policies related to the management of conflicts of interest and the due diligence screening and on-boarding process related to new suppliers.

V. Future Outlook

An effective Ethics & Compliance programme is one that, by definition, continuously adapts to changes and improves over time. Going forward, the Company will continue to assess its risks and monitor and test the implementation of mitigation measures at all levels: corporate level, divisions, regions and local entities.

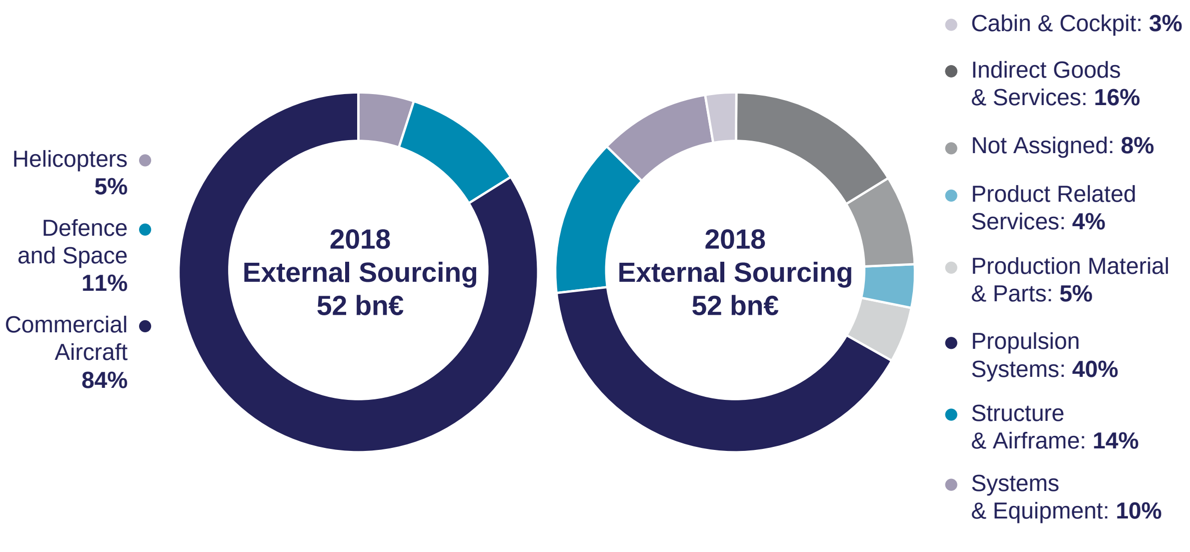
When misconduct reveals a gap in compliance policies, procedures or tools, the Company undertakes revisions to its Ethics & Compliance programme commensurate with the wrongdoing and in light of lessons learned. While compliance at Airbus will therefore always be a work in progress, the Company is committed to this endeavour, as it aims to make its Ethics & Compliance programme sustainable over time.

b. Responsible Suppliers

I. Introduction

Approximately 24,000 suppliers from more than 100 countries supply parts, components, systems and services to the Company.

In 2018, the overall external sourcing volume of the Company was valued at around €52 billion and shared between Divisions and purchasing commodities as follows:

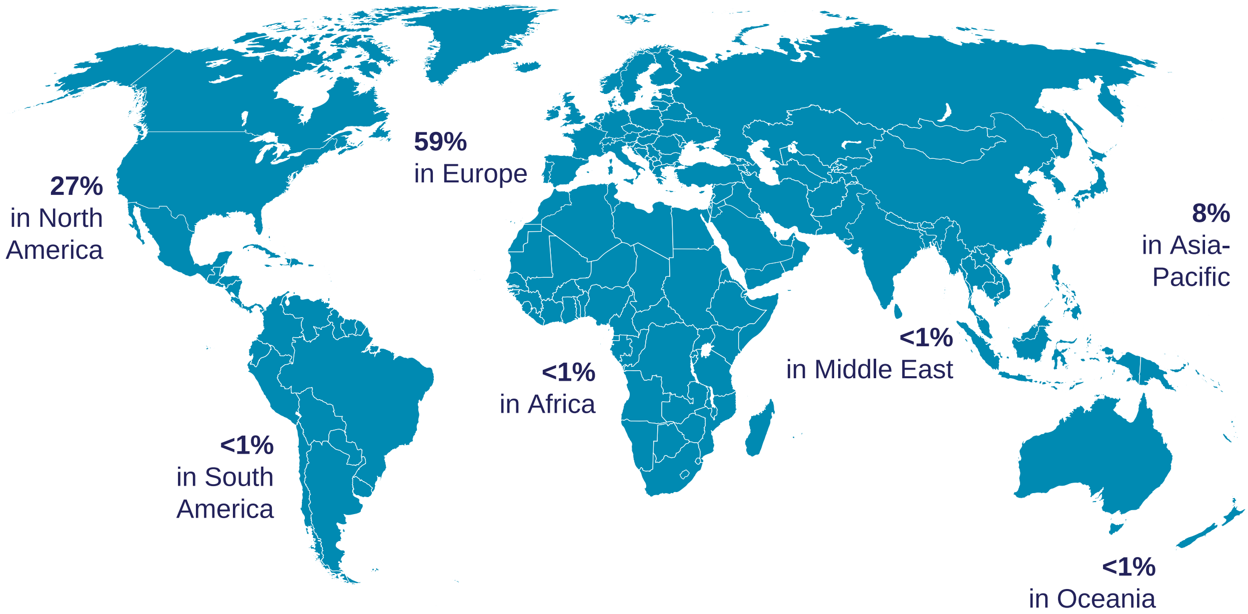


Source: PYDAP Procurement Performance & Reporting Services; Airbus Sourcing Report 2018

Whilst the Company's products and services are sold all over the world, the majority of its supply chain is based in Europe and OECD countries.

However, in the past few years, the supply chain has become concentrated and more international. The Company has identified local sourcing in Asia as one of its leading long-term objectives. In addition, and due to increasing consolidation within the aerospace and defence sector, larger work packages are being placed with a smaller number of lead suppliers.

The Company's global sourcing footprint is represented as follows based on Tier 1 and subtiers data:



To promote further globalisation of its sourcing footprint, Airbus has established regional sourcing offices in North America, China & East Asia and India.

For the sourcing of indirect Goods and Services, the Airbus General Procurement function is represented in the three core regional sourcing offices. Throughout China, India and North America, Airbus General Procurement has over 50 employees managing "Local for Local" activities across 18 sites. Airbus General Procurement will continue to grow the global footprint by implementing new developments within Asia Pacific (Singapore and Malaysia) and the Middle East throughout 2020.

Airbus and its Divisions being certified ISO 14001, the Procurement function is acting in adherence with ISO 14001 requirements.

II. Governance

Responsible sourcing and supplier management

The Company strives to make environmental and societal responsibility a core element of its procurement process, managing the relationships with suppliers through sourcing strategy, supplier selection, contract management, supplier monitoring and development.

The Company's suppliers must comply with all applicable laws and regulations of the countries in which operations are managed or services provided. In addition, wherever suppliers are located, all business should be conducted in compliance with the Airbus Supplier Code of Conduct.

The Airbus Supplier Code of Conduct is the document of reference for Airbus' responsible supplier management (available at https://www.airbus.com/content/dam/corporate-topics/corporate-social-responsibility/ethics-and-compliance/Supplier-Code-Conduct-EN.pdf).

This Supplier Code represents the group-wide values and principles in line with internationally recognised standards and conventions (such as OECD and ILO). It has been developed with the International Forum on Business Ethical Conduct (IFBEC).

Responsibility and sustainability activities in the supply chain are managed by the Procurement R&S department together with divisional representatives and a network of focal points from the different purchasing commodities. The Head of Procurement R&S department is part of the Procurement Leadership Team (PLT).

The central Procurement R&S department manages integrity topics and awareness within the Procurement function and deploys the corporate Supplier R&S programme with related supplier due diligence actions. The Supplier R&S Programme Manager is also part of the corporate cross-functional group, the R&S Network.

In response to legislative developments and new regulatory requirements, Airbus launched in 2017 the Supplier R&S programme, a transverse governance structure for environmental, human rights, health and safety issues. It is based on the following key elements and principles of due diligence following the OECD framework on responsible business conduct:

– Supply base risk mapping;
– Supplier assessment/audits and development plans;
– Supplier engagement and contractual requirements;
– Policies, tools and reporting.

For anti-corruption topics in the supply chain, the Procurement department cooperates closely with the Legal & Compliance department.

III. Risk Management

The Company's direct procurement-related risks are embedded into the Company's ERM system. A specific risk category regarding R&S-related risks in the supply chain has been integrated into the risk management plan.

a) Regulatory Non-Compliance

The Company may not obtain sufficient visibility and information from its supply chain in regards to compliance with environmental, human rights, health and safety laws and regulations and a supplier's adaptation of international sustainable development goals.

In the event of an industrial accident or other serious incident in the supply chain, or any problems of the supplier to fulfil its operational or product compliance, this may also have a significant adverse effect on the reputation of the Company and its products and services. The Company's reputation may also be affected by the public perception of social and/or environmental impacts of its supply chain's industrial operations on local environments, communities, biodiversity and the general public's health.

b) Supplier's Impact on Local Environment

From the extraction of raw materials to the manufacturing of parts delivered to the Company, a supplier's industrial operations may have significant environmental impacts on the local environment where the activity is performed, with possible impacts on air, water, soil, biodiversity, workers' occupational health and safety and on the general public's health.

c) Disruption Risk

In the event that a supplier fails to comply with environmental, human rights, health and safety laws and regulations, even if caused by factors beyond its control, that failure may result in the levying of civil or criminal penalties and fines against the supplier. Regulatory authorities may require them to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks.

In response to above a) to c), the Company deploys responsible sourcing activities and specific supplier due diligence actions in frame of the corporate Supplier R&S programme.

d) Risk of Product Non-Compliance

The various products manufactured and sold by suppliers must comply with relevant environmental, human rights, health and safety laws and regulations, for example those designed to protect customers and downstream workers, and those covering substances and its contents, in the jurisdictions in which they operate. Even if a supplier seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the REACH regulation) may force it to adapt, redesign, redevelop, recertify and/or remove its products from the market. Seizures of defective products may be pronounced that could prevent delivery to Airbus.

In response, a Procurement Task Force has been established in order to have a group-wide governance for supplier management and assessment of chemical regulations and obsolescence impact.

IV. Initiatives: Airbus Supplier Vigilance Plan

The Company requires commitment to responsible business practices and sustainable development from all suppliers of its entities and strives to make environmental and social responsibility a core element of our sourcing and supplier management process. This joint commitment is a key element in securing success, conformance to applicable laws and a sustainable future of the aviation industry.

1. Supply Base Risk Mapping

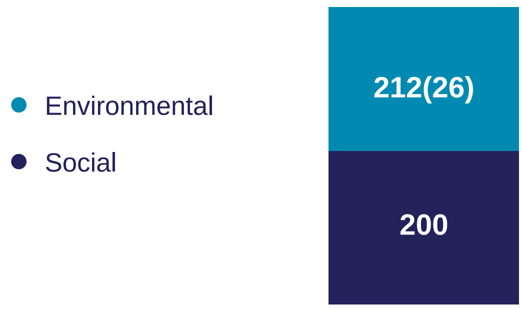
Social Compliance Risks

Since 2018, the Procurement R&S department has performed a proactive social risk mapping in line with international guidance, internal commodity expertise and externally available country indices. The risk mapping resulted from both a country risk and a purchasing category perspective considering indices like child labour, modern slavery/forced labour, recruitment practices, working time, wages, people safety at work and freedom of association. In 2019, the methodology has been formalised and published in an internal commodity guide and applied to the entire Company.

Environmental Compliance Risks

In addition, an environmental risk mapping has been performed, taking into consideration categories such as the existence of hazardous substances, energy consumption, CO_2 emissions, water usage, waste management, air pollution and specific local Chinese environmental regulations. In 2020, environmental risk mapping will be included in the above methodology.

Number of business-relevant external risk suppliers identified in 2019 (thereof lower tiers)



Source: Procurement Responsibility & Sustainability Risk mapping methodology and Airbus Sourcing Report 2018

Supplier Factory Visits

Related to the commercial aircraft activities of Airbus, the Gemba Walk pocketbook is a practical and visual guideline for Airbus employees visiting a supplier's shopfloor, which supports the identification and reporting of risks or improvement opportunities observed during factory visits.

A dedicated pocketbook on environment, health & safety and human rights risks has been developed in 2019 and published on the Airbus intranet.

2. Supplier Assessment / Audit and Development

In 2019, the Company has worked with external expert companies for the performance of R&S related desktop assessments and specific on-site audits. The assessments cover social compliance criteria such as human rights, labour practices, health and safety and anti-corruption as well as environmental regulations and sustainability criteria based on the environmental questionnaire developed by the IAEG.

All business relevant external risk suppliers are eligible to an R&S assessment by an external expert company. By end of January 2020, the Company had launched approximately 55% of such assessments with a target to reach 100% by end of 2020.

Specifically on environmental matters, the Company further fostered REACH awareness in the supply chain and engaged with suppliers to accelerate the substitution and manage the use of the most hazardous substances. In particular, regarding the REACH EHS readiness of suppliers, the Company focused on:

- engagement with 223 *in situ* suppliers through webinars and supplier conferences to develop their readiness to comply with enhanced REACH EHS conditions when working on Airbus sites. Further direct exchanges with AIRBUS EHS experts has been organised with 25% of them;
- evaluation of the maturity of external suppliers in Airbus qualified processes in regards to the future enhanced protection requirements that are being defined by the European Commission. Out of 357 suppliers of Airbus qualified processes using chromates in industrial processes, the 80 most impacting suppliers have been assessed on-site in 2019 by a third party on behalf of Airbus.

3. Supplier Engagement

Contractual Requirements

The Company's standard procurement contract templates have evolved over the last few years to reinforce R&S related clauses that require suppliers to:

- comply with all applicable laws and regulations relating to production, products and services;
- provide information on substances used in manufacturing processes and contained in the product itself;
- provide information on environmental, health and safety matters such as safe usage and management of products across its lifecycle (including waste management);
- implement an Environmental Management System based on ISO 14001 or equivalent;
- comply with the Company's anti-corruption and bribery requirements; and
- comply with the Airbus Supplier Code of Conduct, including with regard to environment, human rights, labour practices, responsible sourcing of minerals and anti-corruption.

In 2019, the full scope of clauses were included in new contracts by default and the implementation in existing contracts has started according to the contractual roadmap of each purchasing commodity.

During the 2019 Annual Supplier Conference for the commercial aircraft business of Airbus, for the first time an award was presented to two suppliers with regard to responsibility & sustainability. This award recognised these suppliers for their efforts to drive sustainability within the Airbus supply chain.

4. Training & Awareness

Throughout 2019, the Procurement R&S department supported both internal awareness sessions and workshops as well as external supplier meetings on responsibility & sustainability in the supply chain.

The Company's internal Procurement Academy provides training on core competences and skills to develop procurement expertise and prepare employees within the Procurement department for the challenges of the future. R&S modules are embedded in Procurement's newcomer induction path and manager development programme.

The e-learning specifically developed for the Procurement population on environmental issues has been updated in order to reflect the latest status of laws, regulations and Airbus internal processes. This training targets supply chain quality managers, ordering officers and buyers.

5. Policies & Tools

The Company is currently assessing all Procurement processes and tools in order to integrate R&S-related requirements, where relevant, on top of environmental requirements, which are already largely considered. This will lead over the next years to the adaptation of Procurement process & tools managed by the Procurement strategy teams and creation of specific guidelines and/or commodity awareness.

Grievance Mechanism

Since 2019, the Airbus OpenLine is available to external stakeholders, such as suppliers and their employees, as a secure and confidential channel through which they may, on a voluntary basis, raise alerts related to Airbus in the areas of bribery, human rights, environment and health and safety. This medium is available through the Airbus OpenLine website (**www.airbusopenline.com**) in 13 languages. For more information on OpenLine, see "Ethical Business Practices" in section 6.1.3(a).

6. Work with External Stakeholders

As mentioned under "Environment" in section 6.1.2(b), Airbus is a founding member of IAEG, which is working on common aerospace industry standards and tools to manage environmental obligations.

More specifically, for supply chain the IAEG has developed:

- a Supply Chain Environmental Survey, which has been implemented in 2019 at Airbus and will be used as the environmental assessment module as mentioned in paragraph 2 above;
- an EMS implementation guideline to encourage a wider up-take of environmental management systems as appropriate for each company in a phased approach and cost effective, consistent and supportive manner;
- a GHG Reporting Guidance, including a parametrical approach to evaluate emissions.

IAEG has also set-up a working group in 2019, to define an Environmental Qualification Program to assess and develop the environmental maturity of suppliers.

In October 2019, the Company joined the Responsible Business Alliance's Responsible Mineral Initiative (RMI), in order to further enforce activities of responsible sourcing while applying industry standards for supplier due diligence and data management in accordance with the OECD framework.

7. Promoting Disability Friendly Companies

Since 2011, Airbus in France has been promoting employment of disabled people by its suppliers. Concretely, a specific mention is integrated into all relevant calls for tender that are launched, requesting bidding suppliers to propose a partnership with a disability friendly company.

At the end of 2019, the global volume of business with disability friendly companies in France was €50 million with an increase of 20% compared to 2018 for Airbus in France. At the end of 2019, 60 disability friendly companies are working with Airbus compared to 10 in 2010.

In November 2019, the Company organised its first (Dis)Ability Forum in Hamburg to increase its cooperation with disability friendly companies in Germany.

8. Conflict Minerals

The Company places great importance on the responsible sourcing of materials used in manufacturing. Some minerals including 3TG (tin, tungsten, tantalum and gold) are necessary for the proper functioning of components within its products.

The Company largely does not directly import minerals but these minerals are found in certain products the Company procures.

In that context, the Company requires from all suppliers to comply with applicable laws and regulations on conflict minerals, including 3TG.

For the small portion of direct procurement of minerals in Airbus Defence and Space, the Company has established a dedicated Conflict Mineral Management System. This document describes the necessary activities needed to monitor potential future legal obligations linked to the upcoming EU regulations on the importation of 3TG.

To outline the Company's commitment to responsible business, the Responsible Mineral Policy was released in 2019 (available at **https://www.airbus.com/company/sustainability/human-rights.html**), which details its engagement to improve safety and human rights conditions in the mineral supply chains.

9. Plastic-Free Supply Chain

Aligned with the R&S Charter and SDG 12 (responsible consumption & production), a dedicated project has been launched at Airbus Defence and Space with the aim of reducing, reusing and recycling plastic waste and packaging in Airbus area of involvement by 2025. This includes the following initiatives in relation to Airbus products, logistic flow and the supply chain:

- implementation of optimised processes for inter-site/supply chain deliveries;
- review of specification and contractual requirements of packaging;
- review of the current take-make-waste extractive industrial model and promotion of the circular economy approach towards a sustainable way to use plastic.

Discussions to extend this project to both Divisions and to enlarge to packaging at large have started in 2019 and will continue in 2020.

10. CO_2 Emissions

In 2019, Airbus undertook an initial assessment of its scope 3 "Purchased Goods and Services" impact using a methodology developed by IAEG.

V. Future Outlook

The Supplier R&S programme activities will evolve to actively mitigate R&S risks in the supply chain, adapt to evolving R&S requirements and our ambition as a sustainable company.

From 2020 onwards, Airbus will conduct R&S-related on-site assessments and specific development plans with a certain number of risk suppliers identified during the self-assessment campaigns that were launched in 2019.

The Company aims to embed R&S assessments systematically in the supplier approval, monitoring & control process to assess in the future not only suppliers in specific R&S risk countries and activities but all suppliers that are strategic and critical to business.

Specific R&S training modules and solutions will be developed for both internal use and awareness in purchasing commodities and some specifically to be made available to suppliers through the supplier portal and online.

Regarding environmental sustainability and substance management, the Company will focus on the following in 2020:

- monitoring of the mitigation action plan to close the findings of the REACH readiness assessment conducted in 2019;
- identification of Airbus suppliers contributing the most to VOC emissions, water or energy consumption in order to request from them a regular monitoring and continuous improvement of their operational performance;
- identification of the key contributors to CO_2 emissions in the supply chain and engagement in a supplier dialogue, to evaluate opportunities for GHG emission reduction and ways to monitor the progress.

6.1.4 Responsible Employer

a. Workforce

As of 31 December 2019, the Company's workforce amounted to 134,931 employees (compared to 133,671 employees in 2018), 95.54% of which consisted of full-time employees. These statistics take into account consolidation effects and perimeter changes throughout 2019. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

Entries & Leaves	**2019**	2018	2017
Newcomers	**11,270**	**10,959**	**7,318**
Core division	6,643	5,246	3,900
Subsidiaries	4,627	5,713	3,418
Leavers *(including partial retirement)*	**5,842**	**6,198**	**5,151**
Core division	2,902	3,245	2,646
Subsidiaries	2,940	2,953	2,505

In terms of nationalities, 35.6% of the Company's employees are from France, 31.6% from Germany, 8.5% from the UK and 10.1% from Spain. US nationals account for 2.1% of employees. The remaining 12.0% are employees coming from a total of 142 other countries. In total, 90.1% of the Company's active workforce is located in Europe on more than 100 sites.

Furthermore, Airbus expects its workforce to evolve naturally to support the business.

Workforce by Division and Geographic Area

The tables below provide a breakdown of Airbus' employees by Division and geographic area, including the percentage of part-time employees.

Employees by Division	**31 December 2019**	31 December 2018	31 December 2017
Airbus Commercial Aircraft [(1)]	80,985	80,924	74,542
Airbus Helicopters	20,024	19,745	20,161
Airbus Defence and Space	33,922	33,002	32,171
Airbus (former HQ)	0	0	2,568
Group Total	**134,931**	**133,671**	**129,442**

(1) Airbus Commercial Aircraft includes population of Airbus Former HQ since 1 January 2018.

Employees by geographic area	**31 December 2019**	31 December 2018	31 December 2017
France	49,143	48,144	47,865
Germany	45,638	45,387	44,214
Spain	12,637	13,684	13,177
UK	11,109	11,214	11,304
US	3,151	2,489	2,707
Other Countries	13,253	12,753	10,175
Group Total	**134,931**	**133,671**	**129,442**

% Part time employees	**31 December 2019**	31 December 2018	31 December 2017
Group Total	**4.46%**	**4.22%**	**4.20%**

Active Workforce by contract type	**31 December 2019**	31 December 2018	31 December 2017
Unlimited contract	130,591	130,131	126,534
Limited contract > 3 months	4,340	3,540	2,908

Airbus' attrition rate is 4.4% overall (incl. subsidiaries) and 8.43% in subsidiaries only.

Airbus' headcount reporting includes all consolidated companies worldwide. The internationally comparative figures are based on the active workforce, *i.e.* the number of permanent and short-term employees, irrespective of their individual working times. The headcount is calculated according to the consolidation quota of the respective companies. The scope for HR structure reporting covers about 99.9% of Airbus' total active workforce from consolidated companies. In total, about 0.1% of Airbus' employees are not included in the scope, as no detailed employee data is available at group level for some companies belonging to Airbus, usually recently acquired.

For more details on Scope and Methodology, please refer to the Airbus website at **www.airbus.com**.

b. Human Capital Management, Labour Relations and Human Rights

The Company's workforce is managed by the HR function thanks to a set of HR policies and a strong labour structure. HR policies are discussed and agreed with social partners through continuous and regular meeting at global and local levels. The current priorities of the Company's HR function are:

– to ensure that the Company can attract, develop and retain a world-class competent, motivated and flexible workforce, which fits current and future business requirements;
– to facilitate diversity, continuous integration and internationalisation of the Company and contribute to a common culture based on strong company values;
– to be a global employer of choice and an innovative, inclusive and engaging place to work for all employees.

Training & Mobility

In 2019, Airbus provided 1.5 million training hours and more than 12,000 participants took part in learning within the leadership domain.

	2019 (1)	2018 (1)
Number of Classroom Training	129,296	114,327
Number of Digital Training	397,938	248,448

(1) Change of reporting period since 2018: from 1 Oct. to 30 Sep.

The training KPIs in this report are provided for the legal entities in which at least one employee followed a training during the year. These entities' headcount represents 97.6% of the total active workforce from full consolidated companies. Some entities may monitor local trainings outside of the group's centralised training tool MyPulse, the corresponding additional trainings are not included in the KPIs above.

In addition, in 2019 more than 37,900 employees benefited from other developments and transformation solutions proposed by the Airbus Leadership University. The purpose of the university is to strengthen the Company's approach to leadership, offering equivalent opportunities for all leaders to drive their development one step ahead, while accelerating the cultural evolution and human transformation of the Company.

Mobility of employees within or across Airbus and its Divisions is one of the main priorities for the overall benefit of the company. In 2019, as of end of December, more than 12,000 employees changed jobs cross-divisionally and cross-country.

Labour Relations

I. Introduction

Wherever it operates, the Company wishes to grow its economic success in consideration of common principles and standards consistent with International Labour Organisation (ILO) conventions, the OECD Guidelines for Multinational Enterprises and the principles laid down by the UN Global Compact, which the Company has adopted. The principles are in compliance with the Airbus Code of Conduct and with the International Framework Agreement signed in 2005.

II. Governance

In the International Framework Agreement, the Company reaffirms its willingness to respect the regulation regarding fundamental human rights, equal opportunities, free choice of employment, as well as prohibition of child labour and respect and ensuring the conditions for industrial dialogue.

The Company in particular intends, via its agreements, to respect the disposition of the following ILO conventions: numbers 111 (discrimination – employee and occupation), 100 (equal remuneration), 135 (workers' representatives), 29 (forced labour), 105 (abolition of forced labour), 182 (child labour), 138 (minimum age), 87 (freedom of association and protection of the right to organise) and 98 (right to organise and collective bargaining).

The head of each business is responsible for ensuring compliance with these principles.

The provisions of this framework agreement define the Company's standards to be applied wherever Airbus operates provided they are not in contravention of local law, insofar as more favourable conditions do not exist already. Monitoring will be defined to ensure that the provisions of this agreement are not breached wherever Airbus operates, insofar as more favourable conditions do not exist already.

The Company is in continuous dialogue with social partners on its sites in Europe, principally through meetings with management at the European Committee level but also through meetings and negotiations at national or local level. Sites outside Europe are covered by Airbus' ILA framing the social dialogue and social culture in line with local labour legislation, culture and practices of respective countries and by the newly installed Airbus Global Forum – see below.

Regular social dialogue is ensured as per ILO requirements and local legislation thanks to Airbus' Societa Europea Work Council (SEWC) agreement in 2015 and reshaped in 2018.

Industrial relations and social dialogue are fully part of Airbus' DNA and, therefore, its continuous evolution and improvement are embedded in the Company's Human Resources strategy supporting Airbus' business challenges. Strengthening the role of industrial relations and social dialogue is an enabler of shaping the future of work through workplace cooperation, collective bargaining by enhancing cooperation between employees' representatives and top management.

III. Initiatives

Airbus joined the Global Deal for Decent Work and Inclusive Growth initiative ("Global Deal"). The engagement letter was signed conjointly by Airbus' Chief HR Officer, Head of Group Social Policies & Industrial Relations and Head of Responsibility & Sustainability. Developed in cooperation with the ILO and the OECD, the Global Deal is a multi-stakeholders' partnership that seeks to address two of the greatest challenges of our time: to reduce high and rising inequalities in opportunities and outcomes and to restore fading trust in the ability of governments and institutions to make economic growth work for all against a backdrop of rapid changes in the world of work. The Global Deal's founding principles aim at encouraging action through voluntary commitments, increasing knowledge base about social dialogue and sound industrial relations and providing platforms for sharing experiences and best practices. Airbus' active representation demonstrates that social dialogue's globalisation is rooted in Airbus' R&S strategy and commitments reflecting Airbus being an employer of choice.

In line with its commitments, the Company demonstrated its engagement through the following significant initiatives in 2019:

- in June, the first Airbus Global Forum (AGF) was held chaired by Airbus Chief HR Officer in presence of Airbus European Select Committee and Airbus Staff Representatives from Airbus main operating regions: Africa/Middle East, Asia Pacific, India, China, Latin America and North America. The AGF was launched with the aim of piloting constructive exchange of information with staff representatives at a global level, in line with responsibility and sustainability policies to further engage the social dialogue towards Company globalisation;
- in Spain and in France professional elections took place. For the first time, all French Airbus companies have voted between November and December;
- the main French entities of Airbus have signed beginning of March a group agreement with four representative unions (FO, CFE-CGC, CFTC and CFDT) about Employment and Career Paths Management. This new agreement is part of the Airbus "Future of Social Dialog" approach, which consists, in particular, of coordinating and simplifying the implementation of the new social norms that come out of most of the French government reforms (*Loi "Avenir professionnel"*). Employment and Careers Paths Management incorporates all processes and tools, in association with economic, technological, social and demographic changes and with respect to Airbus' strategy, which enables:
  - for the Company to improve its ability to anticipate its future competences and employment requirements, and to meet these by putting in place appropriate actions and mechanisms,
  - for employees to better manage their individual career paths and develop their competences and employability;
- New Gender Neutral Family Leave Policies and improved suite of family leave policies were implemented on 1 June 2019 in the UK. Airbus believes that these policies provide equal opportunities by ensuring they are accessible and equitable to all. Through thorough benchmarking, Airbus is confident that its policies compare well to other organisations and that Airbus is taking a lead in supporting cultural change. The aim is to help improve recruitment and retention and contribute towards closing the gender pay gap. The policies have been well received by employees so far and, in particular, Airbus has seen an increased interest in requests for information about Shared Parental Leave;
- programme for "Continuous Development for social partners" with social partners started. The implementation of modernised career management arrangements for mandated representatives to strengthen the attractiveness of union careers, enhance experience, sustain the link with business competencies and promote return to work:
  - training courses, access to the Airbus Leadership University,
  - dedicated budgets,
  - GEPP (job description database),
  - "Anti-discrimination" measures, wage development guarantees;
- new union communication terms adapted to our increasingly digitalised world (*i.e.* relaxation of the use of e-mail towards members, more visibility on the Airbus Intranet, establishment of "communities" shared with Management during main negotiations). Strengthening the rules on confidentiality and data protection and complete overhaul of the use of the Airbus database to share compulsory social and economic information.

IV. Future Outlook

In France, concrete and significant changes will come from the new metallurgy branch agreement that should be deployed in 2020. It will give Airbus the opportunity to re-negotiate all its company agreements, creating a "new social contract". This broad re-negotiation will also help us ensure the deployment of our HR strategy especially on New Remuneration Scheme. Anticipating this coming negotiation, a preliminary phase is currently ongoing to review our existing agreements and define our target.

In Spain, a three-year cross-Divisional intercompany agreement ("CBA") regulates social policies and has to be renewed for the period 2020-2022. For Airbus' commercial aircraft activities in Germany, the "Collective Agreement for the Future" will expire end of 2020. Main objectives of the future negotiation for both new agreements are:

- competitiveness (cost contention + flexibility): in order to improve our competitiveness, we should not increase any labour cost. In relation to the flexibility that is a key topic to react against picks and deeps by the use of proper temporary contracts and new ways of working;
- proximity: we need to be a customer-centric organisation that meets Business needs. CBA should be a valuable tool and not an obstacle for the Business development;
- empowerment of Managers: managers should be empowered in order to give them flexibility to drive their business. Provide managers a framework to take decisions that fit with their own reality. Try to remove blocks points from the CBA that limit the decision capability of managers.

Human Rights

The Company has a zero tolerance approach to all forms of human rights abuse, including modern slavery, within its business, its operations and within its supply chain.

Salient areas of potential human rights risks:

- Impact of products and services on the right to life and liberty (passengers and citizens)
- Privacy (individuals and their personal data)
- Impact of climate change on livelihoods (climate vulnerable communities)
- Forced and child labour (contractors and supply chains)
- Diverse and inclusive workplaces (Airbus workforce and contractors)

During 2019, the Company undertook a human rights impact and gap analysis across its global business to understand more fully its positive and potential negative human rights impacts. This analysis, conducted with the help of external consultants, considered current and upcoming regulatory requirements and international best practice as well as growing human rights requirements linked to the UN Guiding Principles for Business and Human Rights (UNGPs) within standards such as the UN Global Compact.

The analysis also included an initial identification of Airbus' salient areas of potential human rights risks (see box with impacted groups in parenthesis). This identification was based on benchmarking of industry peers and companies in similar industries and analysis of stakeholder expectations. As they are subject to change over time, Airbus is committed to review these issue areas on a regular basis. Specific action plans based on these identified potential risks, as well as key recommendations from the analysis, are currently under consideration.

During 2019, Airbus started to identify potential KPIs related to human rights which could be used to measure progress. The following annual KPIs have been identified and will be reviewed on a regular basis:

- number (or%) of assessments of Airbus' business relevant external risk suppliers (target to be determined in 2020);
- number of due-diligence assessments carried out on Airbus sites, including subsidiaries and affiliates (target to be determined in 2020);

- number of human rights concerns linked to modern slavery/ fundamental freedoms reported via OpenLine and escalated for further investigation (0 in 2019);
- number of participants who have completed e-learning modules on human rights and modern slavery (3,400 completed in 2019 – 8,372 in total to date).

UK Modern Slavery Act:

As part of its obligations under the UK Modern Slavery Act (MSA), the Company published its third statement in recognition of the global aim of this legislation. Human Rights, including modern slavery, continues to be a focus area for Airbus and during 2019 we continued the roll-out of our e-learning modules focused on helping employees identify the signs of human rights abuse and modern slavery, including raising awareness of what to do if they have concerns.

At the end of 2019, 8,372 participants had completed this e-learning, which is available in four languages and forms part of the Ethics and Compliance catalogue of learning. The Company is also committed to promote awareness through internal communication initiatives and awareness sessions.

A link to Airbus' latest Modern Slavery Statement can be found on the front page of the Airbus website.

c. Health & Safety

I. Introduction

The Company is committed to pursuing the highest standards of health and safety. The Company's health and safety priorities are the following:

1. protecting our people and the business from health and safety risks that could arise from our work activities;
2. fostering a health and safety culture in which we all accept appropriate responsibility for ourselves and others;
3. ensuring good management of work-related health, safety, and well-being as an ethical and commercial imperative, and
4. Business sustainability and compliance with the UN Global Compact

These priorities are expressed in the newly issued Airbus Code of Conduct.

II. Governance

The company-wide Occupational Health and Safety Policy, issued in 2018 is the foundation of the Company's system for management of health and safety at work. It applies company-wide: to Airbus' commercial aircraft activities, Airbus Helicopters and Airbus Defence and Space Divisions including affiliates.

The policy principles, mission and vision, and key initiatives continue to apply:

Policy principles:
- responsible management of health and safety;
- all employees accepting appropriate responsibility for themselves and others;
- a health and safety management system that drives continuous improvement and compliance;
- a preventative approach.

Health and safety mission and vision:
- our mission is to deliver a culture and management system that promotes health and safety at work, related compliance, and the sustained reduction of health and safety risks related to Airbus work activities;
- our vision is that the Company has world class health and safety risk management and is known as a company where safety, health and welfare are valued as an integral part of our success. The Company aspires to zero work related injuries and ill-health.

Key initiatives:
- a health and safety management system based on the principles of the ISO Standard 45001;
- the implementation of a company-wide health and safety software platform (Federated information for Safety, Health and environment called FISH);
- the reinforcement of a company-wide health and safety function by the harmonisation of health and safety philosophy and methodology.

This report further details the application of the policy principles and status of key initiatives.

Centres of Expertise are being developed within the health, safety and operational environment "Centre of Excellence". These Centres of Expertise address the various specialised disciplines of health and safety and environment, and engage the necessary key skills and competences. In addition, they are able to embark "Communities of Practice" where needed to work on particular topics. These Communities of Practices are the evolution of the former transversal expert groups, providing advice and helping to improve management of risk control work, on the domains of industrial hygiene, occupational health and wellbeing, and safety management.

III. Risk Management

The Company continues structuring its corporate health and safety management framework based on the principles of the international standard – ISO 45001. Airbus sites either are pursuing systems based on the ISO 45001 principles, or are already ISO 45001 certified, or are OHSAS 18001 certified and progressively transferring to ISO 45001.

The Company is reinforcing its health and safety risk management process by building a standardised and company-wide method for risk assessment and control. The escalation process for significant health and safety top risks has also been further developed to raise such risks to top management, using the Company's ERM system. In common with many manufacturing organisations, main risks remain the possibility of injury, ill-health, asset damage, business interruption and regulatory action. In 2019, main causes of injury that could arise from work activities included slip, trip and fall, ergonomics and the use of hand tools and equipment. These represent the majority of injuries recorded using the FISH platform.

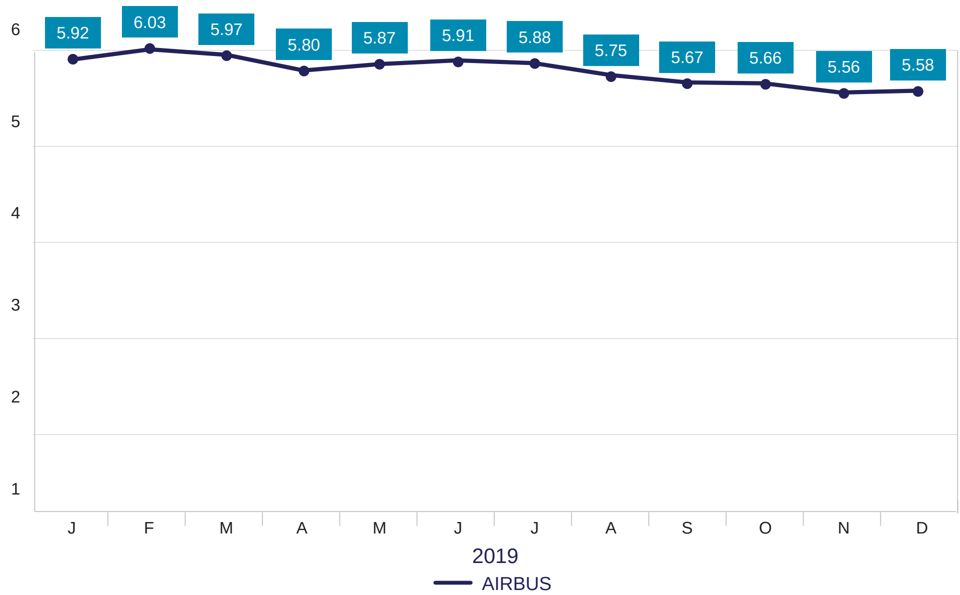
Since 2018, the FISH platform has been supporting the company-wide management framework for health and safety at work. The Company continued the development of the platform in 2019, enhancing the Company's incident, risk, health and safety capability.

The incident management module of the platform has now been deployed in Airbus and its Divisions in France, Germany, Spain and the UK, as well as the Airbus commercial aircraft plants in Mobile, USA and in Tianjin, China. The module supports the investigation, evaluation and analysis of work-related incidents and the development of risk mitigation actions. The deployment of the incident management module and the overall harmonisation process have allowed improvement in the production and collection of the overall company-wide key performance indicator, detailed below (rolling year average of the Lost Time Injury Frequency Rate).

The FISH platform will progressively improve the Company's ability to collect, analyse and report on work-related health and safety information, continuously improving the identification and mitigation of risk.

Collection of health and safety data has allowed Airbus to produce and publish an accident indicator at a company-wide level. The reporting scope of this harmonised health and safety data (reflected in the table below) covers Airbus and its Divisions for the four home countries as well as the Airbus commercial plants in Mobile, USA and Tianjin, China, and continues to be progressively extended. The table below represents the rolling year average of the Lost Time Injury Frequency Rate.

Airbus and its Divisions - Rolling 12 Months Employee Lost Time Injury Frequency Rate



The People Safety@Work project was launched for Airbus' commercial aircraft activities in mid-2018. This project has the motto "Nearly Safe is Not Safe", and it aims to improve the management of work-related injuries in operational areas and drive a safety mind-set. The project purpose is to embed a culture of excellence and a mind-set where risk prevention is core. The project is structured through a multi-functional team involving all impacted functions (*e.g.* Human Resources, Industry, Final Assembly Line, Facility Management, Procurement). The project has been extended company-wide in 2019. Actions from the People Safety@Work project are detailed in the Initiatives section, together with other health and safety actions, and have been included in the Next Chapter initiatives company-wide.

Since 2018, the particular focus on health and safety has been strongly supported by the Airbus Executive Committee, the roll out of the FISH reporting platform and the implementation of dedicated safety projects such as People Safety@Work, have reinforced the need to report incidents. This resulted in an increase of the Lost Time Injury Frequency Rate in 2018. In 2019, the rate slightly decreased.

IV. Initiatives

Dedicated initiatives, either local or company-wide focussing on occupational safety have been launched in 2019:

- safety rules have been harmonised company-wide, by the creation of "6 Primary Safety Rules";
- various communication campaigns have been run to remind workers of common health and safety issues, such as holding the handrail, being attentive and not focussed on mobile phone, wearing their safety cap;
- safety days focusing on topics such as chemical hazards, road risk prevention, first aids;
- "Safety Labs" have been installed in most of the Airbus' commercial aircraft sites. The Safety Labs are places to meet and exchange on safety subjects;
- the Airbus Helicopter "Safety Boxes" concept has been adopted for Airbus commercial aircraft activities to reduce accidents and incidents by gaining employee commitment to safety rules. The Safety Boxes consist of a number of different activities which help to trigger discussion on safety matters between participants in an informal way. So far, ten Safety Boxes have been deployed for Airbus' commercial aircraft activities and more are planned for 2020.

As part of the continuous improvement objective, the "REACH-IT" project within Airbus' commercial aircraft activities has pursued its initiatives to review Airbus manufacturing processes, tools and workstations in light of the REACH authorisation application measures for environment, health and safety protection. Similar initiatives are ongoing in the Divisions.

A review of on-site sub-contracting processes has been performed for Airbus' commercial aircraft activities and a project has been launched in order to harmonise the on boarding process of our on-site sub-contractors.

Employees' health is protected by programmes that include mandatory and voluntary health checks, health campaigns such as flu vaccination campaigns, stress or addictions guides, skin, vein or cardiovascular screenings and well-being management. Wellbeing weeks have been organised company-wide focusing on topics such as mindfulness, sophrology, harassment prevention.

The Company continues to use learning to support the integration of health and safety into the business culture, and has worked on the harmonisation of employees' training to ensure consistently high standards of delivery.

- From October 2018 to September 2019, the Company delivered over 148,000 hours of dedicated health and safety training to approximately 20,900 individual employees.

- Executives and managers have been encouraged to focus on health and safety, supported by a dedicated leadership development strategy.
- Executives are provided with an “Environment and Health and Safety Masterclass” to enable their visible and active commitment. In 2019, over 70 executives attended the Environment and Health and Safety Masterclass.
- Additionally, the executives are offered practical training, “Back To The Floor”, to enable hazard-spotting and employee engagement during tours of factory floor. Over 200 executives have attended Back To The Floor since launch in May 2019.
- Managers at all levels attend the new “Airbus Environment and Health and Safety Leadership Certificate”. This intensive course has four modules, which, if completed within a certain period, lead to an externally validated “Environment, Health and SafetyCertificate”. Over 300 managers have attended the Environment, Health and Safety Certificate first modules since launch in September 2019.

V. Future Outlook

The reinforcement of the health and safety organisation will be pursued in 2020 to continuously enhance the health and safety management system with the aim to sustainably reduce risk to people, the environment and the business.

d. Inclusion & Diversity

The Company is convinced that diversity helps foster innovation, collective performance and engagement. Harnessing everyone’s unique potential while ensuring an inclusive workplace is what it takes to succeed together. At Airbus, we live diversity as a core part of our identity: Airbus is proud of its European roots and passionate about its achievements around the world. More than 135 nationalities are represented and more than 20 languages are spoken within the Company.

The Company’s approach to Inclusion & Diversity (“I&D”) takes different forms including: I&D Advisory Board composed of Airbus executives and facilitated by the Head of I&D, dedicated training and awareness, internal incentives for international mobility, initiatives to attract women, flexible work-life solutions. In fact, the Company strives to ensure I&D is embedded in all it does, serves business purposes and benefits all employees worldwide. With full support of the entire HR function, I&D initiatives are run and coordinated by a dedicated team of experts worldwide. The Company’s efforts are supported by platforms for exchange like “Knowing Me, Knowing You” and “Disability Community”.

The company’s efforts towards more inclusion and diversity are also supported by Employee Resource Groups (ERGs) through Balance For Business, the federating platform of Airbus ERGs. These are employee-led groups that foster a diverse, inclusive workplace aligned with organisational mission, values, goals, business practices and objectives. To date, this platform brings together over 11,000 volunteers, followers and allies. It is a group-wide business focused platform seeking to harness everyone’s potential in a more responsible, safe, inclusive and balanced Airbus environment.

In line with its aspiration for a more diverse workplace, the Company is working to increase the number of applications from areas that are currently under-represented in its workforce, including but not limited to women, nationalities, age groups, disability and social backgrounds to ensure a broader range of candidates for open positions.

In order to support recruitment of women in all areas, the Company has entered into partnerships to increase the number of women starting a career in the aeronautical industry – for example with Capital Filles, Women in Aviation and IAWA. Internally, an I&D network of over 4,000 employees work on how to attract, develop and retain diverse profiles, especially women, in the Company. In parallel, the Company strives to increase the number of women in leadership positions, including through dedicated coaching and training such as “I Unleash My Potential” as well as by fighting stereotypes in internal conferences or workshops. In terms of internationalisation of profiles, Airbus facilitates the attraction of talents from around the world to Airbus’ traditional home countries (France, Germany, Spain, the UK) through an International Graduate Programme enabling talents from all around the world to come and work on their development over one year at Airbus sites in Europe. In addition, Airbus also put in place several actions to boost mobility from other regions to the home countries. In regards to differently-abled profiles, Airbus has developed several partnerships to increase the number of applications from people with disabilities, like “Atout pour tous”, “Handisup” and “Handi Pro Conseil”. Airbus has created as well the “Club Handilink” in France, a club composed by aeronautical and aerospace companies to federate and foster best practices sharing about disability inclusion.

Although the Company welcomes many forms of diversity, it measures the evolution of the diversity of its workforce with a specific focus on gender diversity, internationalisation and disability with key KPIs such as: proportion of women promoted to a position of senior manager or above, proportion of women among white collar external hires, gender pay gap at all levels between women and men, and the number of moves from the key countries (including India, China, US) to the home countries and disability employment rates.

The Company has launched several actions to embrace other forms of diversity, including:
- reverse mentoring to connect all generations in the Company;
- accompany the creation of Employees Resource groups like Pride@Airbus (LGBT+ network);
- develop a world-wide strategy together with local initiatives towards disability, with several thousand differently abled employees all around the world, that boosts best practices sharing and awareness towards disability inclusion.

For example, promoting the people-centric approach, a specific focus on the competences of and support to differently-abled candidatures to boost their access to employment at Airbus. This process was created at Airbus in France and thanks to it, Airbus has succeeded in doubling its disability recruitment objectives in 2019. Based on its success, Airbus is extending this people-centric approach to other countries like Spain, and business units, such as Airbus Defence & Space and Airbus Helicopters in France.

Another example is the Airbus Ability Weeks campaign, a three weeks world-wide awareness campaign in which Airbus hosts many activities with the objective of challenging the way we think about disability inclusion, promoting an “all concerned” philosophy towards disability inclusion.

As far as the Airbus SE Board of Directors is concerned, the Company is moving in the right direction with 3 women since 2017 compared to not a single woman on the Board in 2013.

For a description of the diversity policy of the Airbus Board of Directors, see section 4.1.2 Composition, Powers and Rules and section 4.3 Dutch Corporate Governance Code under the heading “Gender Diversity”.

	31 December 2019	31 December 2018	31 December 2017
Women in active workforce	18.0%	17.7%	17.5%
Women in management positions	13.1%	12.6%	12.4%

The reference to “management positions” in the figure above only applies to the top 4% of the active workforce.

e. Community Engagement

The Company recognises the importance of contributing to the development of the communities where it operates. Airbus was created by establishing a European partnership for a long-term industrial project and this same spirit of cooperation drives the development of the Company’s international footprint. Its approach to community engagement is driven by the willingness to develop a win-win cooperation with the local eco-system and often materialises through partnerships with local NGOs, institutions and other companies.

Economic and Social Impact

Air transport industry is a major contributor to global economic prosperity: supporting a total of 65.5 million jobs globally, its economic impact is valued in $2.7 trillion (equivalent to 3.6% of world GDP). By facilitating tourism and world trade, it generates economic growth and jobs, improves living standards, alleviates poverty and increases revenues from taxes. But above all, aviation enables connectivity, a key element to ensure participation in a global economy, to encourage investments and innovation and to attract talent.

Airbus has a significant economic impact at a country level. In the UK, the last report of the Oxford Economics estimated that Airbus contributed £ 7.8 billion to the GDP, while its worldwide activities were estimated to sustain 117,400 jobs in the UK, counting 15,000 people directly employed by Airbus at UK sites and supporting another 64,000 jobs through its supply chain (in 2015).

Local Involvement

On a regional level, Airbus continued to support economic, academic and institutional players to create the conditions for long-term sustainability and innovation development. In Toulouse, Airbus is the largest employer in the region with 26,000 direct employees and having created 80,000 indirect jobs across the region in 2019. It also had a regional economic impact with purchases from local suppliers totalling € 5 billion.

In 2019, Airbus worked with its stakeholders in the areas of:

– Artificial intelligence. Airbus supported the creation of the Artificial and Natural Intelligence Toulouse Institute (ANITI). It aims at making of Toulouse one of the world leaders on the topic in research, education, innovation and economic development;
– Urban mobility: Following a public survey, a new line of the Toulouse metro was approved. All Airbus sites in Toulouse will be served, which is expected to reduce traffic in town;
– Quality of life: the Company works with its stakeholders to decrease nuisances from airports’ activities in neighbourhoods.

Bringing industry and education together, the Airbus Global University Partner Programme connects a network of 26 universities from 13 countries to develop the engineering and technology specialists of the future. Sponsorships and donations provided meaningful positive impact to communities around the world. With its company-wide framework, the Company’s local contributions are aligned with global strategy, priorities and values, encouraging initiatives around:

– education and youth development;
– innovation & digitalisation;
– aerospace & defence community relationships;
– corporate citizenship and/or local community engagement;
– environment / sustainability.

In addition, Airbus is an active member in several industry associations and national or international advocacy organisations, such as GIFAS, World Economic Forum and Advanced Robotics for Manufacturing – ARM institute.

Volunteering at Airbus

The Company encourages and facilitate employees’ initiatives to contribute to societal challenges in the communities around their workplaces.

In 2019, more than 5,000 Airbus employees were involved in volunteering for 97 initiatives.

The Humanity Lab, from Airbus ProtoSpace, offers employees an opportunity to develop initiatives with a societal purpose. Over 90 employees created innovative equipment (prosthesis, wheelchairs, baby weighing scales) responding to NGO’s needs.

Airbus ProtoSpace, for example, supported by the Airbus Foundation, established the “Humanity Lab” as an opportunity for employees to volunteer their time, skills and knowledge to develop initiatives with a societal purpose. Responding to NGOs’ needs, over 90 employees have created solutions such as dynamic prosthesis, an optimised wheelchair, or a portable and durable baby weighing scales to tackle malnutrition in developing countries.

“Airbus Balance for Business”, an employee platform with more than 10,000 followers, covers outreach projects like “Fly with me”, a mentorship programme of Airbus Africa Community to raise awareness of STEM education in Africa.

The Airbus Foundation

Since its renewal in 2018 for a further five years, the Airbus Foundation has significantly ramped up activities across its two strategic pillars: youth development and humanitarian emergency response. With 38 partnerships in place with non-profit and social enterprises, the Foundation seeks to undertake sustainable and impactful actions for the communities it supports.

The Foundation’s goal is to support international aid organisations, using its products and services to help alleviate some of the world’s challenges. Through its Humanitarian Flights Programme, the Foundation coordinates relief flights using Airbus test aircraft to transport emergency goods to support disaster relief, as well as offering customer to use the delivery of their aircraft to transport cargo for humanitarian organisations. It brokers the use of Airbus helicopters for emergency aerial assessment and cargo transportation, reaching isolated inaccessible communities; and the Foundation now provides dedicated satellite imagery to its selected partners enabling them to make rapid assessments of areas affected by disaster and aiding quicker, more informed decision making.

At the request of its partners, the Foundation extended its portfolio to include capacity-building activities to help those organisations strengthen their workforce in terms of knowledge, expertise and innovation, providing trainings on helicopter evacuation, medical services or satellite imagery analysis and opening the doors of the Airbus Leadership University for leadership and personal development courses.

Across its youth programs, the Foundation has engaged over 14,100 young people across the globe since 2012, and leveraged the support of more than 2,000 passionate employee volunteers. The Flying Challenge programme operates on 25 sites in 10 countries inspiring young people to pursue their studies, promoting social inclusion and access to training and employment.

Through its STEM programmes, Airbus Little Engineer and Discovery Space, thousands of students from 15 countries have participated in hands-on robotics workshops. The Discovery Space digital platform encourages space exploration, to support children's discovery of 3D design software, tutorials and design competitions in collaboration with ESA.

Successfully bringing together employees, products and services from across all divisions, the Foundation remains at the "heart" of the business, generating pride by employees; achieving long-lasting impact for its partners and beneficiaries; and supporting the wider responsible image of aerospace.

6.2 Other Corporate Activities

Digital transformation at Airbus

Overview

In just over three years, digital transformation at Airbus has moved from peripheral, non-core, exploratory projects, to being at the very heart of the company.

Delivering on its promises, 2019 has been a year where digital transformation has become more concrete: Skywise, the open aerospace data platform, outperformed its 100 airline customer targets in a viral growth, two years after launch, while ramping up to 18,000 users of applications on the platform, bringing value inside Airbus, at customers' and in the supply chain. The Artificial Intelligence team demonstrated an impressive € 150 million savings by applying AI to Airbus business challenges, in areas as diverse as procurement, flight test or engineering. Internet of Things ("IoT") solutions and use cases have been defined and industrialised in the Saint Eloi plant, one of many more in the pipeline. Connectivity is operating a worldwide communication network connecting Airbus' aircraft and is getting closer to "aircraft as a platform" concept with the launch of AIRSPACE Link. The Airline Science team has delivered, after two years of development, an industrial grade, fine grain, digital twin of an airline, opening the way to aircraft and airlines operations simulation and optimisation. Last but not least, the DDMS plateau has been ramping up to an impressive 3,000 people across the company laying the foundations of native digital continuity solutions for the next aircraft programme.

This has been made possible by putting in place strong and modern digital foundations: Information Management ("IM"), Security, Data Governance and skills. IM is well on track in 2019 with its five year workforce transformation strategy, having hired more than 250 people and established a captive offshore centre in India, and over 100,000 people are now deployed on G suite as part of the digital workplace initiative. Security has also transformed along the year, transitioning to a modern holistic risk management approach of the cyber security risk across the whole company, ramping up security governance and architecture capabilities. A Data Governance function was created from nil to reach 350 people today across all Airbus functions. Eventually, digital skills increased through recruitment and upskilling with more than 500 Airbus employees graduating from an in-house degree to be data analysts – and the number of digital-related training completions more than tripled in three years.

All of these tangible achievements are the result of the strategy being deployed since 2016, when the Digital Transformation function was created. These achievements are regularly benchmarked with other companies and have attracted marked interest from financial markets, international consulting and industry alike when it comes to digital transformation in the industrial sector.

As digitalisation made its way from the outskirts of the company to its core, the opportunities appeared increasingly huge, and so did the need to change our mind-set: facing and embracing risks instead of fearing new technologies, truly empowering people by democratising access to data through mature platforms, advocating for new relationships and networks based on collaboration across the industry.

Creating Digital Continuity to become a Data Driven Company

Skywise

Skywise has been the first building block to create digital continuity by making the data locked in our discrete legacy systems, accessible and actionable by those who need it in operations. Quickly adopted by its users internally, it has grown to become an airline favourite and is now the flagship platform of the aerospace industry's digital transformation, linking OEMs, airline customers and aerospace suppliers alike. In 2019, Airbus' open aerospace data platform reached critical mass and proved how Airbus' strategy to place data at the heart of the transformation was a successful bet. With data unlocked across previous siloes, a virtuous circle has been primed, with in-service data flowing back into operations and aircraft design, delivering incremental ameliorations and improvements. Data architecture ensures that data becomes the single source of truth powering Airbus' operations and products, transforming Airbus to a more fact based, agile, empowered, data driven company. Every airline or supplier reported improvement to their workflows and operations after on boarding on Skywise. Based on airline testimonials we can say that Skywise brought 200 Mio USD savings to the airline industry.

This exponential growth was sustained by the fact that Skywise was designed with the right framework and industrial scalability in mind from the start. This made it possible to start small and scale up. The technology partner's world-leading capabilities in data integration played a key role in the adoption; yet this exponential growth was driven by the value creation focus and engagement model with the business more than by the technology itself.

DDMS

Going one step further, Digital Design Manufacturing and Services ("DDMS") is taking this transformation to another level by building-in native digital continuity, end-to-end. The expected benefits are immense and require building a new worldwide industrial ecosystem, systems and processes to design, produce and maintain aircraft. DDMS' ambition is no less than to achieve a native digital continuity for 3D Design, engineering, manufacturing, services, simulation and artificial intelligence activities, with the mandate to be ready for the next aircraft programme.

Major contributions have been made to the current programmes this year:

- Single-Aisle Ramp-up: Customisation: DQN reduction by 50% achieved, increased use of the DMU (cabin design done in 3D context), demonstration via proof of concept of how to minimise variability at product and production level, etc.;
- XLR: lead time reduction on safety (Particular Risk) analysis, multi-physics simulations (from part manufacturing via assembly up to structural behaviour) for the RCT;
- Nacelle Innovative Solution (NIS): New configuration management principles implemented, Extended Enterprise integrated in the platform;
- A350 digital continuity: Proof of concept done, development of the solution achieved.

Ensuring State Of The Art, Future-Ready Foundations

As part of a transformational organisation, IM and Security are finding their balance between flawlessly ensuring standard operations and business continuity while preparing the backbones and roadmaps for the future. Both departments are key enablers to make the most of the opportunities brought about by the current digital revolution, by taking a renewed approach on collaboration, risk assessment, customer and employee experience, and decentralisation of knowledge. Data governance expertise put in place two years ago continues to strengthen and support this.

To continue the transformation of a complex environment of over 6,000 business applications, IM has established 11 digital technology platforms as reusable assets (API, Cloud & DevOps, Big Data, IoT, ITSM, Monitoring, Mixed reality, Big Data, Mobile Apps, UI/UX). These platforms are managed by empowered, agile teams as part of a larger change towards more effective ways of working.

A systematic identification of technology risk is reducing the risks in business continuity for single-aisle ramp-up (100 critical risks mitigated, 50 FTEs recruited, 300+ critical applications monitored). Application teams have decommissioned more than 500 applications to drive simplification.

A major cyber security transformation is underway in Airbus that extends the existing cybersecurity capabilities to:

- accelerate the time to detect cyber incidents and the robustness of the business response;
- prioritise and track cyber security investments by adopting an industry standard risk-based approach;
- transform security operations: *e.g.* by increasing the number of assets monitored from 5,000 to 130,000 while increasing the make or buy ratio from 5% to 40%;
- protect critical Airbus information assets (*e.g.* through the rollout of data loss protection to 68k Airbus employees);
- deploy "Multi Factor Authentication" to 42,000 supplier employees;
- re-insource key roles and skills from 29 to 81 FTE in 2019.

Continued Exploration to be Ready for Future Step Change Technologies

Exploration continues and accelerates on other fronts too with the Digital office. Major progress has been made in understanding how artificial intelligence, IoT and connectivity will truly benefit our industry. For the latter, we are getting closer to achieving the same level of connectivity in the air as we do in a hotel room.

Wrap-up and 2020 Challenges

In 2019, we reached a pinnacle point in terms of co-existence of the old and the new. The big challenge of 2020 will be to even this out: taking a bold look at what needs to be decommissioned and completing organisational transition in order to fully reap the financial benefits of optimisation.

As we tackle this new challenge, the efforts and energy put into having a digital ready workforce will pay off. The digital expertise is disseminating through the organisation via value adding projects and "franchises" spread and embedded within business functions (as opposed to being only centrally held as at the very beginning of this journey). The Digital Academy will further support employees in their digital savviness, with both basic and in-depth digital knowledge and upskilling.

2020 will be a year of strong execution and further acceleration for digital transformation. Speed, agility and change management, more than ever, will be key. For the DDMS programme, it will be a year of stabilisation. IM will have another challenging year in attracting and retaining talents while completing its transformation. Security will further test its ability to treat future threats, by putting in place a cutting edge organisation, resources, and sustain efforts on measures to prevent incidents, group wide. We will also see continued efforts to upskill all employees and managers across the company to embed digital transformation in everyday ways of working.

The potential of digital still hasn't been fully reaped. We progressed a lot in leveraging the cloud and in better understanding how our already efficient industry can be improved even further, by taking an even closer, more granular and holistic view at the entire ecosystem for a global optimal. There are more margins to be tackled (in particular in terms of aircraft operations and ATC), and digital has a major role to play in there. In 2020 more than ever, Digital transformation will be about taking the "margins" out of operations.

These initiatives will continue to succeed if they are addressed in a transverse, open and bold way. All building blocks are in place – what will make the difference is our readiness to take a pragmatic look at them and take strong decisions to deploy transverse backbones.

Research and Technology

The Airbus Technology Department, led by the Chief Technology Officer, is responsible for defining, delivering and protecting all Airbus Research and Technology ("**R&T**"), enabling technology synergies across the group, federating innovation activities of the Company and ensuring expertise in breakthrough technologies. The Department applies a lean project-based approach, tracked and managed using earned value management processes. Technological collaboration with external research communities and partners is encouraged and coordinated through the department with technical and scientific experts. These duties are delivered through the following capabilities.

The Company-wide integration of R&T technology is achieved through cross-portfolio Technology Planning and Roadmapping giving an exhaustive view of technology targets and investments across the Company. In addition, companywide engagement with institutional and commercial partners and public agencies is achieved through common R&T Co-operations.

Central R&T ("**CRT**") is the cross-divisional R&T organisation aimed at preparing the Airbus' long-term technological capabilities. CRT leads specific investigations in emerging areas of research and conducts ambitious research projects while leveraging leading academic, scientific and research institutions to best utilise their expertise for achieving the company's ambitions.

Development of selected breakthrough technologies are accelerated through Airbus Demonstrators by employing rapid maturation methods. This function delivers flight demonstrator projects that drive collaborative new ways of working, provide the highest level of transparency and challenge the status quo by embedding Airbus Technology DNA in a live environment.

Each Airbus Division has its own R&T function defining and delivering the divisional projects. The Divisional R&T functions are primarily planning, decision making and arbitration teams accountable within their perimeters to both Technology, Divisional Engineering and Product Strategy. Their responsibilities include securing continuous improvement in Divisional competitiveness and ability to develop business. Within Airbus commercial specific priority is placed on next generation aircraft, single-aisle replacement, small green aircraft and bringing together product, production system and services.

In order to maximise the Company's R&T activities, the Divisions leverage the external ecosystem utilizing the portfolio of projects for funding opportunities and engagement with global partnerships, research institutes and universities. This ensures efficient R&T portfolio execution and benefits from new ways of working including agile way, minimum viable product demonstration strategy and skunk works. Responsibilities include securing continuous improvement in Divisional competitiveness and ability to develop business by establishing and chairing the Airbus R&T governance.

Fast Track roadmap owners serve as principal advisors to the CTO on technical vision and roadmaps for associated Technology areas. Fast Tracks ensure coherency in the portfolio of activities and to rapidly advance strategic priorities. Today the Fast Tracks cover:

- Electrification,
- Industrial Systems and Manufacturing,
- Connectivity,
- Autonomy,
- Materials,
- Artificial Intelligence.

Airbus' intellectual property is protected, secured and defended through a central IP function responsible for patent applications, portfolio investigations and portfolio defence.

Technological innovation and outreach to expertise in specific regions is delivered through three units, Acubed in Silicon Valley, Airbus Innovation Centre in China and start-up engagement and development through BizLab.

Key progress in 2019

Airbus Demonstrators

Airbus Demonstrators use flying demonstrators to evaluate, mature and validate new technological breakthroughs for the R&T portfolio. They invent and accelerate aerospace research and prototype developments to achieve proof of concepts at scale and speed.

The **E-Fan family** of technology demonstrators aims to demonstrate all-electric and hybrid-electric flight. In 2019 E-FAN X marked the stabilisation of the design baseline and the start of the identification of the unmodified aircraft in flight.

The **Autonomous Taxi, Take-off and Landing** ("**ATTOL**") demonstrator works to leverage computer vision technologies and techniques to enable commercial aircraft to navigate and detect obstacles during taxi, take off, approach and landing.

In 2019, the first automated take-off on Airbus products was performed on an A350, first ILS/GLS (1) based then vision based. The first Auto Taxi based on GPS positioning was achieved.

The **Fello'Fly** demonstrator aims to prove the technical, operational and economic viability of wake-energy retrieval for commercial aircraft. In 2019, the first automated control laws and test means were developed. Two airlines and numerous Air Navigation Service Providers ("**ANSPs**") were on-boarded for demonstration. An ICAO working group was established for operations and standards.

The **TELEO** demonstrator aims at providing seamless smart routing in satellite constellations (LEO and GEO). In 2019 the test bed was secured and the design of the end-to-end communication chain for the optical link was confirmed.

A3

A3 (Acubed), is Airbus' innovation center in the Silicon Valley with the mission to provide a lens into the future for the industry, transforming risk into opportunity to build the future of flight now:

- Airbus UTM (previously Altiscope) helps integrating Unmanned Aircraft Systems ("UAS") into the airspace with the aim to service all forms of airborne traffic;
- Vahana is an electric urban air mobility vehicle designed to carry a single passenger or cargo. The objective is to fly at full scale an all-electric, self-piloted VTOL aircraft and discover the core set of requirements and technologies to enable self-piloted operations. The Vahana full-size prototype successfully completed over 13 flight hours in 2018 and 2019 and a 20 minutes, 50 km final flight in November 2019. The technology bricks and lessons learned will be included into Airbus portfolio.

The Advanced Digital Design and Manufacturing Adam ("**ADAM**") aims to develop methods and tools to drastically reduce development lead-time and production cost by leveraging emerging digital technologies. In 2019, ADAM successfully demonstrated its added-value through several use cases, working collaboratively with Airbus Americas Engineering, SATAIR and Airbus in Europe and China. Use cases include project EVE to dramatically reduce the time needed for wing rib stressing on the A321ULR, and a project with SATAIR to use AI to better predict the optimum deployment of spares inventories worldwide based on advanced data analytics.

(1) ILS is an Instrument Landing System for landing approach allowing an aircraft to land aircraft under low visibility conditions. It is based on a VHF/UHF radio-electric signal emitted by two ground stations installed on the runway. GLS is GBAS Landing System, a system based on GPS augmented by a ground station located at the airport, using GPS differential techniques, which improves the performance of GPS (improving accuracy and integrity). It is providing a new type of precision approach that is similar to ILS.

Wayfinder develops a scalable and certifiable platform for Autonomy and Machine Learning to enable future autonomous flight projects. In 2019, Wayfinder successfully delivered algorithms for detection of runway features to the ATTOL demonstrator, started Drone Collision Warning system sub-project, delivered Verify Landing Clear system to UAM.

Monark was officially launched in April 2019. Monark is working to scale up weather-related measurements using commercial aircraft, weather balloons, and autonomous flying platforms for weather forecasting and commercial aviation. Monark has successfully developed weather tools for improved forecasts and deployed within several groups across Airbus (including the Zephyr and icing teams) gaining internal customers and demonstrating the project's added-value.

Airbus China Innovation Center (ACIC)

ACIC, based in Shenzhen, is the first Innovation Centre set up by Airbus in Asia. The main pillars for the ACIC activities are:

– **Hardware Lab**
  In 2019 ACIC entered into discussion with Airbus Defence and Space to develop a 2nd source of battery. The first non-functional prototype for ultra-thin antennas for satellite constellations was made available. ACIC launched the project AIRBRIGHT, to project airline logo onto "VTP" with a first demonstrator planned in mid-2020.
– **Manufacturing Innovation**
  In 2019, the first intelligent cabinet order was placed by FAL-Asia (15 ship-sets). This was the first local-to-global deliveries to Hamburg and Toulouse.
– **Cabin Experience**
  The Flexible Displays flammability and toxicity tests were passed successfully in 2019. A control panel for digital galley was installed on A350 MSN early December 2019. The cabin Wi-Fi APP integration lab went live in the Airbus China Innovation Centre.
– **Connectivity**
  In December 2019, ACIC concluded an agreement with Upgrades Services on the development of a 5G Air-To-Ground ("**ATG**") prototype with a target to fly in the second half of 2020.
– **Artificial Intelligence**
– ACIC is developing a shop floor video analysis system to help improve management efficiency in factories. For this project, ACIC will develop a set of software including algorithms. The software will be able to automatically anonymise individuals to protect privacy. Airbus will smoothly expand the applications for other scenarios.

BizLab

Airbus BizLab is the aerospace accelerator where start-ups and the Company's intrapreneurs speed up the transformation of innovative ideas into valuable businesses. The "cohort" of start-ups and intrapreneurs must quickly identify an internal Airbus customer, develop the terms for a proof of concept and deliver all within a six-month period. Start-ups and internal projects benefit from access to the Company's coaches and experts in various domains, and participate in events such as a "demo-day" with the Company's decision makers, customers and partners.

In 2019, Airbus BizLab has signed a contract with the Indian start-up "Traxof Technologies" to automate the talent acquisition process for Airbus' Information Management organisations in India and Europe and the VR-Pilot Flight Training Solution ("**VRnam**") was acquired by Airbus. The solution allows pilot trainees to learn and practice flows and procedures in an immersive 3D cockpit. Complemented by Airbus simulation competencies it replaces cockpit simulator time and offers remote training based on an hourly-rate business model.

The internal project "Geotrend" was spun out is now a start-up with more than 25% of CAC 40 companies are customers of the service. Geotrend is a market and competitive intelligence solution based on AI that originated within Airbus Defence and Space.

Internal project in 2019 included "F!t", a software solution that provides insight on the future of air traffic using big data, AI and scenario based models. The platform was launched with the Strategy department as product owner. Crowdcraft project implemented by the Airbus General Procurement department is a crowdsourcing & crowd staffing platform that rapidly finds solutions to technical challenges leveraging worldwide talent. The solutions reduced cost and work time through more efficient and compliant means for procurement buyers to access goods and services. The "Flight Operations Data 2.0" project has been transferred to "NavBlue" for commercialisation of the end-to-end solution for flight operation data.

Airbus Helicopters

Safety remained the 2019 priority. Throughout 2019 significant progress was made on components architecture and development of advanced usage and health systems. Three tests performed to allow the certification of defects diagnostic system based on accelerometers with satisfactory results. The 4th test planned in Q1 of 2020 will allow to fully validate the advanced algorithms to provide specific, early and reliable damaging diagnostic on crack initiation to provide H225 customers with maintenance credit. The detection is aimed to come 10 hours before full defect propagation.

"City Airbus", a three-to-four passenger autonomously piloted electric vehicle demonstrator for unmanned air mobility, was a top priority of 2019 to gain experience and expertise on urban air mobility and vehicle requirements. It has successfully entered the flight campaign phase in early 2019 and performed it first flights from May to December 2019.

Autonomous landing on H225 flying test bed was successfully performed using on-board image processing system coupled with automatic flight control system in the frame of the Eye for Autonomous Guidance and Landing Extension project ("**EAGLE**"). This technology opens the door for autonomy for helicopters and UAM.

The urban last mile delivery solution, Skyways, was fully transitioned to UTM team in 2019 and carried out flight tests for UTM (feasibility of UTM concepts in urban area, test of comms systems, real-life demonstration of UTM services).

Airbus Defence and Space

In 2019 sustained focus remained on enhancement and acceleration of digitalisation and automation of products and processes for production and assembly in aircraft and satellite development. Related product developments deploy artificial vision, augmented reality and enhanced use of robots in collaborative ways in specific production processes as well as test facilities.

Significant effort has also been put in delivering technologies related to automatic image processing and enhanced high-resolution satellite image processing and data analytics, which are key techno-bricks for "One Atlas Service" and Pleiades Neo. Also have Telecom-Satellite related Technologies on Secure Modem Developments now allowed further functional development of SkyNet6 / 6A enhancements.

Key technologies for demonstration aiming at new combat systems in the future military operational environment around FCAS have been and are still being prepared. The most relevant example in 2019 was the cloud-based networking operation simulation across our Airbus Def & Space products (Ground / Sea, Air, Space) successfully demonstrated at System-of-System-Level in a maritime functional demonstrator (MASADA).

The accelerated introduction and delivery of further 3-D manufactured parts into flyable products (aircraft and satellites) remains a continuous element of this Technology Acceleration Roadmap.

Central Research and Technology ("CRT")

The CRT operates in concert with technology fast tracks and roadmaps to meet strategic objectives and with divisional R&T to ensure the continuation of CRT activities. CRT has 55 concurrently running projects across its 6 domains. Highlights from these activities include:

- **Blue Sky**: in tandem with Airbus Engineering, Blue Sky (on behalf of the CTO) sponsored the Airbus Quantum Computing Challenge launched in January 2019. The worldwide competition was the first of its kind led by a large end-user. It made news around the globe and led to 1000+ people from across 70+ countries registered for details about the challenge. Over 36 proposals were received by the deadline. Winners will be announced in 2020;
- **Communications**: successful in-flight demonstrations pioneering new communication technologies for future Airbus products including UAM, UAVs and HAPS, including an optical Quantum Key Distribution (QKD) link between a UAV and ground during daylight; as well as a live 5G Air-to-Ground link demo for the German Minister of Transport and Digital Infrastructure;
- **Materials**: 3D-Surfin, an electro-chemical grading technique for surface topology optimisation of powder bed additive manufacturing parts, a technology invented and developed at CRT, won the German Aerospace Industry's Innovation Award in 2019. A heat exchanger prototype made of multi-material printed ceramic "SiC" (Silicium Carbide) was developed for very high temperature parts (~1,400°C) as needed for aircraft electrification. A fully naturally sourced sandwich composite has been demonstrated within a European-Chinese Research Programme "ECOCompass". The first artificial intelligence use in materials analytics has been successfully demonstrated;
- **Electrics**: successful demonstration of a high-voltage cable prototype capable of sustaining the required performances in voltage (3 kV), weight and flexibility for installation. The E-FAN-X demonstrator made use of the expertise gained;
- **Virtual Product Engineering**: out of cycle Model Based System Engineering ("MBSE") proof of concept demonstrated to DDMS for preliminary modelling of product (Cabin & Cargo of Future) and Industrial system (A350 wing assembly). The out of cycle MBSE methodology is a key technology block for reduction of product development lead time and co-design of product and industrial system;
- **Data Science**: in tandem with DTO Analytics Accelerator, the domain organised the first Airbus "Data Days" event, gathering more than 300 AI scientists from the company. In addition, the "ADVISED" project has brought together an Company-wide community interested in the treatment of historical data and delivered "advisedlib", a common time-series-analysis tool created for all divisions (in particular anomaly detection). The tool was transferred to DTO Analytics Accelerator for deployment.

7. Airbus Strategy

7.1 Commercial leadership, value creation and profitability

2019 brought Airbus the foreseen changes at top management level, as well as throughout the organisation. The group started to lay the foundations of its next chapter to shape the future: A stronger, more competitive company that meets customer commitments and delivers value to its many different stakeholders. Airbus is committed to the sustainability of its business, its products, and the role it wants to play in society.

Airbus Strategy is structured around the following three axes:

1. Grow Airbus as an Aerospace leader, leveraging its European roots while pursuing a global vision through local actions

The commercial aircraft business continued its focus upon on-time, on-cost and on-quality deliveries and reached in 2019 a new delivery record with 863 aircraft. The entry into service of the A321LR and the launch of the A321XLR will further strengthen the market position of Airbus.

Airbus Defence and Space maintained its leadership position, and demonstrated, through milestones reached in the Future Combat Air System and Eurodrone, that it could shape and deliver European power ambitions by providing military platforms, space assets, associated services, as well as missiles and launchers through its participations (JVs).

For example, Airbus Defence & Space plays a key role in the FCAS, which successfully obtained Framework Arrangement signature from Germany, France, and Spain during the Paris Air Show (17 June 2019). FCAS will include technology developments for a New Generation Fighter (NGF), Remote Carriers (RC) and an Air Combat Cloud (ACC). The first flight of the NGF demonstrator is targeted for 2026, and the Company will co-prime the first Demonstrator Phase of the programme between 2019 and mid-2021.

Airbus Helicopters retained its leadership in civil and parapublic segment, managed to keep its market share in the military segment stable, in a challenging market environment, and tested new VTOL solutions.

The target of Airbus Helicopters is to secure a leadership position in vertical lift solutions and services by capturing long-term growth in the conventional helicopter market, by building end-to-end solutions, and addressing the new VTOL businesses, while being financially sound.

2. Increase Airbus capacity to invest for the future and in a highly uncertain, regulated and competitive environment through the right combination of growth, profitability and resilience

Airbus operates in a fast changing environment which is shaped by economic, environmental, industrial, political and societal events. Airbus' financial strength is key to ensure an adequate latitude to invest in its future and to meet its challenging environment, while remaining attractive for investors.

Thus, Airbus needs to continue its growth, improve its profitability and strengthen its capacity to withstand external and internal events.

Boosting leadership in all aerospace and defence domains through the continued ramp-up of production, the development of new commercial and governmental products and systems, as well as services will secure the Company's organic growth. In addition, opportunities for mergers and acquisitions are considered in selected value chain areas to strengthen the market position and secure competitive advantages.

Airbus focuses on the continuous improvement of margins of aircraft programmes, product competitiveness, and is strengthening its Services and Digital businesses to increase its profitability.

Finally, Airbus becomes more resilient to the ever faster changing world by deliberately balancing its growth across the aerospace and defence business portfolio, between products and services and throughout regions world-wide. Keeping the strong attention to product (and services) quality and safety, in combination with its well-established risk management, allows Airbus to anticipate and adapt as and if required.

Airbus Helicopters is a typical example of a well-balanced business mix between platform manufacturing and services, civil and military markets.

3. Lead the transformation of the Aerospace & Defence industry to meet the emerging Environmental, Social and Governance standards

The world is currently facing tremendous global challenges: climate change, severe weather patterns, deforestation, political instability, increasing population to name a few. Environmental, social and governance standards are high on the Company agenda in response to these challenges. ESG is now considered critical by investors, shareholders, customers and employees.

Airbus is convinced it has a leading role to play in shaping a necessary industry transformation. Airbus supports the global UN Sustainable Development Goals and aims at setting ambitious standards for a better and more connected world.

Fulfilling societal expectations is a top priority for Airbus, and it will be the prerequisite to future success: consequently Airbus has launched in 2019, as an integral part of Airbus Next Chapter, a project with the goal to reinforce and embed into its culture, responsible and sustainable behaviours and actions.

Key Enablers

The three strategic axes of Airbus are supported by the following ten Enablers:

1. Europe

Airbus is THE European company: The European leader in Aerospace and Defence, with around 130,000 employees and a strong industrial footprint in France, Germany, Spain and the UK. At the same time, Airbus is a key enabler to European sovereignty through its defence and space solutions.

To successfully address the future challenges of the global Aerospace and Defence industry, Airbus needs to retain and boost its role as trusted supplier and partner to its European Home Nations France, Germany, Spain and the UK. Despite Brexit, the UK is key to Airbus' industrial footprint.

Airbus supports the launch and development of European Air and Space programmes, such as FCAS or Eurodrone, the cooperation with industrial partners and competitors on those programmes and facilitates potential further industry specialisation and consolidation.

2. Globalisation

Airbus connects people with its aircraft and digital communication solutions around the world. It is a globally-operating company with more than 15,000 employees outside its Home Nations.

In 2019, Airbus has further strengthened its world-wide industrial presence. In the US and Canada, the Single Aisle production ramp-up continued, while the A220 FAL in Mobile (US) was set-up and aircraft assembly commenced. The signature of a Memorandum of Understanding with the Chinese government on Single Aisle and A350 will further develop the industrial cooperation with China.

Airbus pursues an international development to get closer to its customers and markets, and to leverage best resources world-wide by:

- focusing on dedicated countries, depending on the target and asset for the country: market size, local industrial capabilities or innovation resources;
- re-assessing and re-designing the activities, globally and locally in each function, including industrial footprint for more coherence;
- diversifying Airbus staff and skills, develop talents and promote mobility.

3. Environment

While air travel currently contributes to global CO_2 emissions, air quality and noise pollution, Airbus believes a future sustainable aviation model is achievable. Airbus intends to take a leadership position on answering environmental challenges to ensure future generations will fly without a detrimental impact to the environment.

Airbus has developed a clear overall strategy on environment and continued its execution in 2019:

- the first priority of Airbus is to progressively decarbonise the fleet and reduce other emissions (noise, NOx, particulates, etc.). Airbus has committed to the Air Transportation Action Group (ATAG) industry goals of halving CO_2 emissions by 2050, in line with the 2°C Paris objective. This will be achieved by: developing more efficient technologies (in 2019, the A321XLR was launched, bringing 30% lower fuel burn per seat than previous-generation aircraft), supporting the deployment of Sustainable Aviation Fuels (SAF), optimizing the operations and infrastructures, as well as supporting market-based measures. In 2019, the Chief Technology Officers from seven major aerospace manufacturers, including Airbus, committed to cooperate to drive the sustainability of aviation;
- in other product areas, Airbus is actively contributing to enable actions against climate change. The development of detailed earth observation satellites and geospatial solutions provides highly sophisticated monitoring capabilities for climate change, agriculture, deforestation or natural disasters;
- Airbus is working on minimizing the impact its sites and supply chain have on energy, CO_2, waste, air and water. Airbus launched "High5+" in 2019, a cross-divisional plan to reach the ambitious objectives of its 2030 Vision and prepare the goals for 2050. In 2019, Airbus Commercial sites emitted approximately 4.3% less CO_2 than in 2018.

4. Ethics, compliance and reputation

The ambition of Airbus is to be known as a company with "integrity inside": integrity in its people, partners and suppliers. This means that Airbus does business in the right way to ensure its stakeholders have confidence in its activities and to protect the company's reputation. Consequently, Ethics and Compliance are at the heart of what Airbus does across all operations, businesses and continents. This means that the company constantly improves its Ethics and Compliance Programme to ensure effective processes and procedures are in place to manage business ethics / anti-corruption compliance, export control compliance and data protection. Airbus is also strengthening the related culture throughout the Company in line with its values.

Against the backdrop of today's challenging geopolitical environment, throughout 2019 Airbus has in particular focused on enhancing its internal processes and processes to ensure that its business activities comply with the ever changing sanctions and embargo legislation.

More generally, in 2019 Airbus launched its new Code of Conduct across the company which is designed to be one single reference document embedding the Airbus Values and reaffirming its responsibility to doing business with integrity.

5. Safety and security

The number one priority at Airbus is product (& services) safety to ensure the continued safe transport of everyone, and everything, that flies aboard an Airbus product. This is supported by the Airbus Product Safety Vision: "In order to achieve the company's permanent duty of prevention, Airbus constantly champion safety improvements internally, and beyond with its customers and the industry as a whole; thus Airbus will be recognised as a reference in safety at the air transport system level".

The Company's policy identifies axes of permanent safety enhancement activities: 1/ Continuously enhance product intrinsic safety, 2/ Continuously do the utmost to improve proactively the safety of operations of Airbus products, 3/ Enhance safety culture within Airbus, 4/ Take a leading position in air transport system wide initiatives, and 5/ Be forward thinking for safety.

In 2019, Airbus has continued reinforcing the resilience capability of its products against abnormal conditions taking into account industry lessons learnt; as well as launching dedicated initiatives to continue its journey of permanently enhancing its internal safety culture. Beyond Airbus' strict perimeter, the deployment of Airbus safety principles towards suppliers has been accelerated.

6. Our people

Competences and engagement are the cornerstone of Airbus' success and competitiveness. The Group is committed to attracting and retaining engaged people, with the right skills, mind-set and behaviours.

The following priorities are set:

- provide a safe and inclusive working environment, living strong values, improving employee experience;
- anticipate, secure and develop competences through systematic knowledge management and access to life-long learning for all;
- develop a culture that sets its foundations in integrity and compliance and fosters collaboration, empowerment and accountability;
- reinforce diversity, mobility, multicultural teams and integration of Airbus global workforce to support their industrial cooperation and anticipate and respond to geopolitical changes;
- prepare Airbus leaders for what's next, boosting their resilience.

Highlights of key programmes and achievements in 2019 include the following topics:

– the "PeopleSafety@Work" initiative, as well as a comprehensive action plan on Ethics and Compliance have put Safety, Integrity and Compliance at the centre of discussions for all Airbus employees;
– over 86,000 employees joined in the worldwide survey on working environment while hundreds of teams chose to boost their engagement levels by taking action on themes most relevant to them;
– the 2019-2029 edition of the Airbus Global Workforce Forecast was released on the dedicated app, giving unique transparency on the way Airbus is handling challenges related to megatrends, demographic changes through its competence strategy;
– the "myPULSE" solution was implemented and is the globally deployed solution all across Airbus, covering since September 2019 more than 127,000 employees and more than 119 subsidiaries in 41 different countries in all divisions, being the main and central source of information for HR core data.

7. Exploit digitalisation to enhance our current business as well as pursue disruptive business models

Digitalisation will support Airbus' transformation by focusing on five main axes: (i) enabling high employee engagement, (ii) digital operational excellence, (iii) mastering its product data value chain and turning product data into insight, (iv) capturing the end-user experience and (v) driving its business agility.

Airbus launched Skywise, a data platform in collaboration with pioneers in data integration and advanced analytics. Skywise has established an early lead in the race to connect the aviation industry since its launch in 2017 at the Paris Air Show. Skywise aims to become the single platform of reference used by all major aviation players to improve their operational performance and business results and to support their own digital transformation.

In 2018, Airbus Defence and Space together with Airbus Helicopters launched the SmartForce suite of services to enable military operators to exploit the data gathered by their aircraft to enhance operational safety, boost mission availability and reduce maintenance support costs.

8. Competitiveness

The design, development, manufacturing, marketing and servicing of large-scale aeronautics / space platforms and integrated systems is at the core of the competences of Airbus.

Airbus performs a strong role as prime integrator managing the supplier base to ensure the on-time and on-quality delivery of a product to the final customer. To provide best value to its customers and face strong competition, Airbus is permanently boosting its competitiveness by:

– sustainably improving current programme margins;
– further preparing its short-, mid- and long-term industrial transformation, in particular through the implementation of Digital Design Manufacturing and Services (DDMS);
– strengthening and optimizing selected strategic value chain areas and reviewing sourcing strategy;
– leveraging the military portfolio, services, digital, innovation.

9. Technology and innovation

Airbus innovates every day to ensure that its products are at the forefront of aerospace technology.

After many new product developments in recent years (A320NEO, A321LR, A321XLR, A350), the majority of the company's revenues are generated today in segments where Airbus has competitive, mature products that are far from the end of their lifecycle.

Airbus prepares for the future by creating more sustainable and environmentally sound products that will use modern Unmanned Traffic Management / Air Traffic Management (ATM) systems and respond to new challenges, such as for example a potential pilot shortage. Innovation has as an underlying target to respond to the Flight Path 2050 targets cutting CO_2 emissions by 75%, NOx emissions by 90% and noise emissions by 65% compared to levels from the year 2000. Airbus is committed to these targets and will contribute to transforming the aerospace industry, its business conduct and pursue its ambition to build the future of flight.

Airbus is excelling in innovation and exploring cutting-edge technologies enabling to create platforms that are easy to manufacture, more automated and more connected:

– easy to manufacture: Define new ways of working, switching from product performance to industrial performance;
– more automated, with state of the art computer vision techniques for taxi, take-off and landing;
– more connected: anywhere, anytime, at the gate and in the air, and over oceans, via satellite and direct air-to-ground link, enabling enhanced passenger experience and more efficient operations and maintenance.

2019 set the technical foundations for neutral / zero emission commercial aviation led by the inauguration of the E-Aircraft System facility and working with European industry on shaping the next EU Aviation research programme. 1/ Urban Air Mobility: Vahana has flown over 80 full-scale test flights. CityAirbus full-scale demonstrator conducted its first take-off in May 2019. 2/ Inauguration of the Airbus China Innovation Center in Shenzhen. 3/ In-flight trials of connected cabin technologies and in-flight demonstration of autonomous take-off. 4/ Launch of "fello'fly" flight demonstrator project inspired by nature to flying in "V" shape to save energy and benefit from the "air up wash" of the leader to reduce fuel consumption and CO_2 emissions.

10. Customer centricity

Airbus platforms, product solutions and services are designed with the customers in mind, helping them operate their products more efficiently and serve new markets, providing the best experience for their end users.

Throughout the Company, Airbus continuously focuses on enhancing customer trust and loyalty, concentrating on both performance and behaviours leading to:

– improving customer satisfaction before, at, and after delivery;
– putting customer intimacy (understanding) at the centre of Airbus strategy and actions;
– delivering increased support and service offering.

In 2019, Airbus' transformation initiative Next Chapter helped to sharpen the Company's focus on end-to-end delivery and value creation, including customer value.

Taking advantage of digital technologies, Airbus streamlined its ways of working, thus improving transparency to the customers during the delivery process and In Service operations.

Airbus' exchange programme with customers ensured that the products and services address needs of customers and generate value for the business.

The focus was on sharing (promoting) the voice of the customer inside Airbus, giving its employees a better understanding of customer operations and needs.

7.2 Top Company Objectives 2020

Customer

– Strengthen customer trust.

Sustainability

– Continue progress on environmental roadmap and Sustainable Development Goals.

Industrial Performance

– Improve operational efficiency and performance.

Financial Performance

– Deliver financial KPIs, support competitiveness and profitability initiatives and improve linearisation.

People

– Provide a safe and inclusive working environment.

Growth & Innovation

– Further refine industrial and technology strategy and prepare future generation products in line with markets of tomorrow.

The information contained in this Board Report will enable you to form an opinion on the situation of the Company and the operations, which are submitted to you for approval.

For further information and detail regarding the Company's activities, finances, corporate governance and in particular risk factors, the reader should refer to the Company's website **www.airbus.com**.

The Board of Directors hereby declares that, to the best of its knowledge:

– the financial statements for the year ended 31 December 2019 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company and undertakings included in the consolidation taken as a whole; and
– this Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2019 financial year of the Company and undertakings included in the consolidation taken as a whole, and the principal risks facing the Company have been described herein.

8. Financial targets for 2020

As the basis for its 2020 guidance, the Company assumes:
- the world economy and air traffic to grow in line with prevailing independent forecasts, which assume no major disruptions, including from the coronavirus;
- the current tariff regime to remain unchanged.

Airbus' 2020 earnings and Free Cash Flow guidance is before M&A.

Airbus targets around 880 commercial aircraft deliveries in 2020. On that basis:
- Airbus expects to deliver an EBIT Adjusted of approximately € 7.5 billion; and
- Free Cash Flow before M&A and Customer Financing of approximately € 4 billion before:
  - € -3.6 billion for the penalty payments, and
  - a negative mid-to-high triple digit million euro amount for the consumption of compliance-related provisions for tax and legal disputes.

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The Board of Directors

Denis Ranque, Chairman

Guillaume Faury, Chief Executive Officer

Victor Chu, Director

Jean-Pierre Clamadieu, Director

Ralph Dozier Crosby, Jr., Director

Lord Drayson (Paul), Director

Catherine Guillouard, Director

Hermann-Josef Lamberti, Director

Amparo Moraleda, Director

Claudia Nemat, Director

René Obermann, Director

Carlos Tavares, Director

Leiden, 12 February 2020

Useful Information

ANNUAL GENERAL MEETING 2020 DOCUMENTATION

Agenda, Text and Presentation of the proposed resolutions

Included in the AGM 2020 Information Notice.
For information purposes, translations into French, German and Spanish are only available on our website.

Audited Financial Statements 2019

The financial information for 2019, as set forth below, forms part of the Documentation for the Annual General Meeting, and is incorporated by reference herein:

- Airbus SE IFRS Consolidated Financial Statements;
- Notes to the IFRS Consolidated Financial Statements;
- Airbus SE IFRS Company Financial Statements;
- Notes to the IFRS Company Financial Statements;
- Other supplementary Information including the Independent Auditor's report.

Report of the Board of Directors

Issued as of
12 February 2020

ONLINE

www.airbus.com

Annual General Meeting 2020

The Annual General Meeting 2020 documentation is available on the Airbus website (Investors > Annual General Meetings).
https://www.airbus.com/investors/annual-general-meetings.html

Governance

More details on Airbus Governance structure, Board Members and rules and regulations are available on the Airbus website (Company > Corporate Governance).
https://www.airbus.com/company/corporate-governance.html

PRINT

Addresses for consultation of AGM Documentation

- in **The Netherlands**, Mendelweg 30, 2333 CS, Leiden;
- in **France**, 2 rond-point Dewoitine, 31700 Blagnac;

or at:

- **Airbus Securities Department**.

Airbus Securities Department

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Service Assemblées Générales
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HOW TO ATTEND THE MEETING

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By car

20 minutes by car from Schiphol International Airport.

By public transport

15 minutes walk from Amsterdam Rai Station.

Notes

Notes

Shareholder Information

www.airbus.com
Investors > Annual General Meetings

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