

1.1 Presentation of the Company

1.1.1 Overview

Due to the nature of the markets in which the Company operates and the confidential nature of its businesses, any statements with respect to the Company's competitive position set out in paragraphs 1.1.1 through 1.1.5 below have been based on the Company's internal information sources, unless another source has been specified below.

With consolidated revenues of €70.5 billion in 2019, the Company is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners. The Company 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, the Company provides the most efficient civil and military rotorcraft solutions worldwide. In 2019, it generated approximately 86% of its total revenues in the civil sector (compared to 84.5% in 2018) and 14% in the defence sector (compared to 15.5% in 2018). As of 31 December 2019, the Company's active headcount was 134,931 employees.

Strategy

2019 brought the Company 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. The Company is committed to the sustainability of its business, its products, and the role it wants to play in society.

The Company's strategy is structured around the following three axes:

1. Grow the Company 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 the Company.

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 and Space plays a key role in the Future Combat Air System ("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 the Company's capacity to invest for the future and in a highly uncertain, regulated and competitive environment through the right combination of growth, profitability and resilience

The Company operates in a fast changing environment which is shaped by economic, environmental, industrial, political and societal events. The Company's 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, the Company 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.

The Company 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, the Company 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 the Company 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 and 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.

The Company is convinced it has a leading role to play in shaping a necessary industry transformation. The Company 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 the Company, and it will be the prerequisite to future success: consequently the Company 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 the Company 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, the Company 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, the Company 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 the Company's industrial footprint.

The Company 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

The Company 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, the Company 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.

The Company 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 the Company's staff and skills, develop talents and promote mobility.

3. Environment

While air travel currently contributes to global CO₂ emissions, air quality and noise pollution, the Company believes a future sustainable aviation model is achievable. The Company intends to take a leadership position on answering environmental challenges to ensure future generations will fly without a detrimental impact to the environment.

The Company has developed a clear overall strategy on environment and continued its execution in 2019:

- the first priority of the Company is to progressively decarbonise the fleet and reduce other emissions (noise, NOx, particulates, etc.). The Company has committed to the Air Transportation Action Group (ATAG) industry goals of halving CO₂ 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), optimising the operations and infrastructures, as well as supporting market-based measures. In 2019, the Chief Technology Officers from seven major aerospace manufacturers, including the Company, committed to cooperate to drive the sustainability of aviation;
- in other product areas, the Company 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;
- the Company is working on minimising the impact its sites and supply chain have on energy, CO₂, waste, air and water. The Company launched "High5+" in 2019, a cross-divisional plan to reach the ambitious objectives of its 2030 Vision and prepare the goals for 2050.

4. Ethics, Compliance and Reputation

The ambition of the Company is to be known as a company with "integrity inside": integrity in its people, partners and suppliers. This means that the Company 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 the Company 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. The Company 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 the Company 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 the Company 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 the Company 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, the Company constantly champions safety improvements internally, and beyond with its customers and the industry as a whole; thus the Company 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: (i) continuously enhance product intrinsic safety, (ii) continuously do the utmost to improve proactively the safety of operations of the Company's products, (iii) enhance safety culture within the Company, (iv) take a leading position in air transport system-wide initiatives, and (v) be forward thinking for safety.

In 2019, the Company 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 the Company's strict perimeter, the deployment of the Company's safety principles towards suppliers has been accelerated.

6. Our People

Competences and engagement are the cornerstone of the Company's success and competitiveness. The Company 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 competencies 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 the Company's global workforce to support their industrial cooperation and anticipate and respond to geopolitical changes;
- prepare the Company's 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 the Company's 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 the Company 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 the Company, 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.

The Company 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 the Company.

The Company 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, the Company 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 optimising selected strategic value chain areas and reviewing sourcing strategy;
- leveraging the military portfolio, services, digital, innovation.

9. Technology and innovation

The Company 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

the Company has competitive, mature products that are far from the end of their lifecycle.

The Company 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 CO₂ emissions by 75%, NOx emissions by 90% and noise emissions by 65% compared to levels from the year 2000. The Company 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.

The Company 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:

- Urban Air Mobility: Vahana has flown over 80 full-scale test flights. CityAirbus full-scale demonstrator conducted its first take-off in May 2019;
- Inauguration of the Airbus China Innovation Center in Shenzhen;
- In-flight trials of connected cabin technologies and in-flight demonstration of autonomous take-off;
- 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 CO₂ emissions.

10. Customer Centricity

The Company's 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, the Company 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 the Company's 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.

Organisation of the Company's Businesses

The Company has organised its businesses into the following three operating segments: (i) Airbus (formerly Commercial Aircraft), (ii) Helicopters and (iii) Defence and Space. Beginning in 2017, the Company merged its Group structure with its largest division Commercial Aircraft. The merger provided the opportunity to introduce a single Airbus brand for the Company and all its entities, effective since January 2017. The segment formerly known as “Airbus Commercial Aircraft” is referred to as “Airbus”. The Company retains Airbus Defence and Space and Airbus Helicopters as Divisions. The chart set out in “— General Description of the Company and its Share Capital — 3.3.6 Simplified Group Structure Chart” illustrates the allocation of activities.

Airbus (Commercial Aircraft)

Airbus is one of the world's leading aircraft manufacturers of passenger airliners. Across all its aircraft families Airbus' unique approach ensures that aircraft share the highest commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines.

Since it was founded in 1970 and up to the end of 2019, Airbus has received net orders for 20,108 commercial aircraft from 421 customers around the world. In 2019, Airbus delivered 863 aircraft (compared to 800 deliveries in 2018) and received 1,131 gross orders (compared to 831 gross orders in 2018), or 82% of the gross worldwide market share (in terms of units) of aircraft with more than 100 seats (compared to 43% in 2018). After accounting for cancellations, net order intake for 2019 was 768 aircraft (compared to 747 aircraft in 2018). As of 31 December 2019, Airbus's backlog of commercial orders was 7,482 aircraft (compared to 7,577 aircraft in 2018).

In 2019, Airbus (Commercial Aircraft) recorded total revenues of €54.77 billion – representing 77% of the Company's revenues. See “— 1.1.2 Airbus”.

Helicopters

Airbus Helicopters is a global leader in the civil and military rotorcraft market, offering one of the most complete and modern ranges of helicopters and related services. This product range currently includes light single-engine, light twin-engine, medium and medium-heavy rotorcraft, which are adaptable to all kinds of mission types based on customer needs.

Airbus Helicopters delivered 332 helicopters in 2019 (356 in 2018) and received 310 net orders in 2019 (compared to 381 net orders in 2018). Order intake amounted to €7.18 billion (2018: €6.33 billion). Civil contracts accounted for 45% of this order volume, with military sales representing the remaining 55%. At the end of 2019, Airbus Helicopters order book stood at 695 helicopters (2018: 717 helicopters).

In 2019, Airbus Helicopters recorded total revenues of €6.01 billion, representing 8% of the Company's revenues. See “— 1.1.3 Helicopters”.

Defence and Space

Airbus Defence and Space is Europe's number one defence and space enterprise, one of the world's leading space companies and among the top 10 global defence enterprises. Defence and Space puts a strong focus on core businesses: space, military aircraft, missiles and related systems and services.

Airbus Defence and Space is organised in four Programme Lines: Military Aircraft; Space Systems; Connected Intelligence and

Unmanned Aerial Systems. Airbus Defence and Space develops, produces and maintains cutting-edge products, systems and services, enabling governments, institutions and commercial customers to protect people and resources.

In 2019, Airbus Defence and Space recorded total revenues of €10.9 billion, representing 15% of the Company's revenues. See "— 1.1.4 Defence and Space".

Summary Financial and Operating Data

The following tables provide summary financial and operating data for the Company for the past three years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

REVENUE BY BUSINESS SEGMENT

<i>(In € million)</i>	2019	2018	2017 ⁽¹⁾
Airbus	54,775	47,970	43,486
Airbus Helicopters	6,007	5,934	6,335
Airbus Defence and Space	10,907	11,063	10,596
Subtotal segmental revenue	71,689	64,967	60,417
Transversal / Eliminations ⁽²⁾	(1,211)	(1,260)	(1,395)
Total	70,478	63,707	59,022

(1) 2017 figures are restated due to the application of IFRS 15.

(2) "Transversal / Eliminations" comprises activities not allocable to the reportable segments, combined together with consolidation effects.

ORDER INTAKE BY BUSINESS SEGMENT

	2019		2018		2017 ⁽¹⁾	
	<i>(In € billion)</i>	<i>(In percentage)⁽²⁾</i>	<i>(In € billion)</i>	<i>(In percentage)⁽²⁾</i>	<i>(In € billion)</i>	<i>(In percentage)⁽²⁾</i>
Airbus	65.8	80.7%	41.5	73.7%	143.4	90.3%
Airbus Helicopters	7.2	8.8%	6.3	11.3%	6.5	4.1%
Airbus Defence and Space	8.5	10.5%	8.4	15.0%	8.9	5.6%
Subtotal segmental order intake	81.5	100%	56.3	100%	158.8	100%
Transversal / Eliminations	(0.3)		(0.8)		(1.1)	
Total	81.2		55.5		157.7	

(1) 2017 figures have not been restated to reflect the application of IFRS 15.

(2) Before "Transversal / Eliminations".

ORDER BACKLOG BY BUSINESS SEGMENT

	31 December					
	2019		2018		2017 ⁽¹⁾	
	<i>(In € billion)</i>	<i>(In percentage)⁽²⁾</i>	<i>(In € billion)</i>	<i>(In percentage)⁽²⁾</i>	<i>(In € billion)</i>	<i>(In percentage)⁽²⁾</i>
Airbus	424.1	89.7%	411.7	89.1%	950.4	95.1%
Airbus Helicopters	16.6	3.5%	14.9	3.2%	11.2	1.1%
Airbus Defence and Space	32.3	6.8%	35.3	7.7%	37.4	3.8%
Subtotal segmental order backlog	473.0	100%	461.9	100%	999.0	100%
Transversal / Eliminations	(1.5)		(2.4)		(2.1)	
Total	471.5		459.5		996.8	

(1) 2017 figures have not been restated to reflect the application of IFRS 15.

(2) Before "Transversal / Eliminations".

Relationship between Airbus SE and the Company

Airbus SE itself does not engage in the core aerospace, defence or space business of the Company but coordinates related businesses, sets and controls objectives and approves major decisions for the Company. As the parent company, Airbus SE conducts activities which are essential to the Company's activities and which are an integral part of the overall management of the Company. In particular, finance activities pursued by Airbus SE are in support of the business activities and strategy of the Company. In connection therewith, Airbus SE provides or procures the provision of services to the subsidiaries of the Company. General management service agreements have been put in place with the subsidiaries and services are invoiced on a cost plus basis.

For management purposes, Airbus SE acts through its Board of Directors, Executive Committee, and Chief Executive Officer in accordance with its corporate rules and procedures as described below under “— Corporate Governance — 4.1 Management and Control”.

Within the framework defined by Airbus SE, Airbus, each Division, Business Unit and subsidiary is vested with full entrepreneurial responsibility.

1.1.2 Airbus (Commercial Aircraft)

Airbus is one of the world's leading aircraft manufacturers of passenger airliners. In order to help shape the future of air transportation and drive steady growth around the world, Airbus seeks incremental innovative technological solutions and the most efficient sourcing and manufacturing possible – so airlines can grow and people can connect. Airbus' comprehensive product line comprises successful families of jetliners ranging in capacity from 100 to more than 600 seats: the A220 Family; the A320 Family, which is civil aviation's best-selling product line; the A330 Family, including the advanced A330neo; the new-generation widebody A350 XWB; and the double-deck A380. Across its aircraft families Airbus' solutions ensure that aircraft share high commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines. See “— 1.1.1 Overview” for an introduction to Airbus.

Airbus' global presence includes activity in Europe (France, Germany, Spain and the UK), as well as in Canada, and more globally at fully-owned subsidiaries in the US, China, Japan, India and in the Middle East, and spare parts centres in Hamburg, Frankfurt, Washington, Beijing, Dubai and Singapore. Airbus 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. Airbus also relies on industrial co-operation and partnerships with major companies and an extensive network of suppliers around the world.

Strategy

Airbus' primary goal is to deliver strong results in a sustained manner, while commanding a further increased share of the worldwide commercial aircraft market over the long-term and expanding its customer services offering. To achieve these goals, Airbus is actively:

Developing the Most Comprehensive Line of Products in Response to Customer Needs

Airbus continuously seeks to develop and deliver new products to meet customers' evolving needs, while also improving its existing product line. Programme highlights for 2019 included:

- launch of increased range capability for the A220 to over 6,000 km from 2021;
- first flight of the ACJ319neo in April;
- delivery of the 12,000th Airbus aircraft in May;
- launch of the A321XLR variant to meet the needs of the rapidly developing mid-capacity, mid-range market;
- launch of high-density A330neo variant, offering over 440 seats;
- delivery of the first A350-900 Domestic variant;
- delivery of the 1,000th A320neo Family aircraft in October.

To support the A350 XWB ramp-up and other production increases, a new super transporter has been developed, with the first of six Beluga XL aircraft entering into service in January 2020.

Airbus remains at the forefront of the industry by expanding its customer services offering – see Customer Services.

Building a Leaner, More Fully Integrated Company

In order to build a leaner, more fully integrated company and thereby bolster its competitiveness, Airbus is adapting its organisation to foster an entrepreneurial spirit and empower more teams, while maintaining harmonised processes across all sites. For series programmes, additional responsibilities and means have been delegated to plants for delivery at increased rates. Airbus also has become a more integrated company, working towards one common culture across its global workforce, as well as aligning processes and planning with the global supplier base.