

30. Personnel-Related Provisions

Several German companies provide life-time working account models, being employee benefit plans with a promised return on contributions or notional contributions that qualify as **other long-term employee benefits** under IAS 19. The employees' periodical contributions into their life-time working accounts result in corresponding personnel expenses in that period, recognised in **other personnel charges**.

<i>(In € million)</i>	Balance at 1 January 2019	Exchange differences	Increase from passage of time	Additions	Reclassification / Change in consolidated group	Used	Released	Balance at 31 December 2019
Restructuring measures / pre-retirement part-time work	243	0	0	172	(32)	(97)	(20)	266
Other personnel charges	677	0	4	423	(8)	(371)	(8)	717
Total	920	0	4	595	(40)	(468)	(28)	983

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.

31. Post-Employment Benefits

<i>(In € million)</i>	31 December	
	2019	2018
Provisions for retirement plans	7,286	6,474
Provisions for deferred compensation	1,067	598
Retirement plans and similar obligations	8,353	7,072

31.1 Provisions for Retirement Plans

Plans description

When the Company employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries in which it operates.

France — The French pension system is operated on a “pay as you go” basis. Besides the basic pension from the French social security system, each employee is entitled to receive a complementary pension from defined contribution schemes *Association pour le Régime de Retraite Complémentaire des salariés* (“ARRCO”) and *Association Générale des Institutions de Retraite des Cadres* (“AGIRC”). Moreover, French law stipulates that employees are paid retirement indemnities in the form of lump sums on the basis of the length of service, which are considered as defined benefit obligations.

Germany — The Company has a pension plan (P3) for executive and non-executive employees in place. Under this plan, the employer provides contributions for the services rendered by the employees, which are dependent on their salaries in the respective service period. These contributions are converted into components which become part of the accrued pension liability at the end of the year. Total benefits are calculated as a career average over the entire period of service. Certain employees that are not covered by this plan receive retirement indemnities based on salary earned in the last year or on an average of the last three years of employment. For some executive employees, benefits are dependent on the final salary

of the respective individual at the date of retirement and the time period served as an executive.

In 2018, Airbus introduced the new Airbus Pensions Plan (“APP”) with security-linked benefits in Germany, which all new entrants after 1 January 2018 will join. Accordingly, the existing pension plan has been closed for new entrants. As of 1 January 2019 deferred compensation which is financed by the employees is offered exclusively in APP for all employees.

Parts of the pension obligation in Germany are funded by assets invested in specific funding vehicles. Besides a relief fund (“*Unterstützungskasse*”), the Company has implemented a Contractual Trust Arrangement. The Contractual Trust Arrangement structure is that of a bilateral trust arrangement. Assets that are transferred to the relief fund and the Contractual Trust Arrangement qualify as plan assets under IAS 19.

UK — The Company UK Pension Scheme (“the Scheme”) was implemented by Airbus Defence and Space Ltd., Stevenage (UK) as the principal employer. This plan comprises all eligible employees of Airbus Defence and Space Ltd. as well as all personnel, who were recruited by one of the Company subsidiaries located in the UK and participating in the Scheme. The major part of the obligation is funded by scheme assets due to contributions of the participating companies. The Scheme is a registered pension scheme under the Finance Act 2004. The trustee's only formal funding objective is the statutory funding objective under the Pensions Act part 6 2004, which is to

have sufficient and appropriate assets to cover the Scheme's obligations. Since 1 November 2013, this plan is generally closed for joiners, who participate in a separate defined contribution plan.

Moreover, the Company participates in the UK in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. The Company's most significant investments in terms of employees participating in these BAE Systems UK pension plans is Airbus Operations Ltd. Participating Airbus Operations Ltd. employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between the Company and BAE Systems and a change in the UK pensions legislation enacted in April 2006.

For the most significant of these BAE Systems Pension Schemes, the Main Scheme, BAE Systems, the Company and the scheme trustees agreed on a sectionalisation, which was implemented on 1 April 2016. Although BAE Systems remains the only principal employer of the Scheme, the Company has obtained powers in relation to its section which are the same as if it were the principal employer.

Based on the funding situation of the respective pension schemes, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the schemes. The different UK pension plans in which the Company investments participate are currently underfunded. Airbus Operations Ltd. (for its section of the Main Scheme) and BAE Systems (for the other schemes) have agreed with the trustees various measures designed to make good the underfunding. These include (i) regular contribution payments for active employees well above such which would prevail for funded plans and (ii) extra employers' contributions.

In the event that an employer who participates in the BAE Systems pension schemes fails or cannot be compelled to fulfil its obligations as a participating employer, the remaining participating employers are obliged to collectively take on its obligations.

Main Average Assumptions

The weighted average assumptions used in calculating the actuarial values of the most significant retirement plans as of 31 December 2019 are as follows:

	Pension plans in									
	Germany		France		UK		Participation in BAE Systems Pension Scheme in the UK		Canada	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
(Rate in %)										
Discount rate	1.0	1.7	0.9	1.7	2.2	2.8	2.1	2.7	3.2	3.9
Rate of compensation increase	2.8	2.8	2.5	2.5	2.6	2.6	2.6	2.6	2.8	3.0
Rate of pension increase	1.4	1.6	1.7	1.7	2.8	3.0	2.8	2.9	1.8	2.0
Inflation rate	1.4	1.6	1.7	1.7	2.9	3.1	2.9	3.1	1.8	2.0

Discount rate — For Germany and France, the Company derives the discount rate used to determine the DBO from yields on high quality corporate bonds with an AA rating. The determination of the discount rate is based on the iBoxx € Corporates AA bond data and uses the granularity of single bond data in order to receive more market information from the given bond index. The discount rate for the estimated duration of the respective

The Company considers the likelihood of this event as remote. However, for the Main Scheme the Company considers that its obligation is in principle limited to that related to its section.

Canada — In 2018, Airbus acquired Airbus Canada Limited Partnership ("ACLPL"). ACLPL sponsors defined benefit plans for its salaried, hourly and executive employees.

Actuarial Risks for the Company

The defined benefit obligation ("DBO") exposes the Company to actuarial risks, including the following ones:

Market price risk — The return on plan assets is assumed to be the discount rate derived from AA-rated corporate bonds. If the actual return rate of plan assets is lower than the applied discount rate, the net liability increases accordingly. Moreover, the market values of the plan assets are subject to volatility, which also impacts the net liability.

Interest rate risk — The level of the DBO is significantly impacted by the applied discount rate. The low interest rates, particular in the euro-denominated market environment, lead to a relatively high net pension liability. If the decline in returns of corporate bonds continues, the DBO will further increase in future periods, which can only be offset partially by the positive development of market values of those corporate bonds included in plan assets. Generally, the pension obligation is sensitive to movements in the interest rate leading to volatile results in the valuation.

Inflation risk — The pension liabilities can be sensitive to movements in the inflation rate, whereby a higher inflation rate could lead to an increasing liability. Since some pension plans are directly related to salaries, increases in compensations could result in increasing pension obligations. For the deferred compensation plan P3, which is financed by the employees a fixed interest rate has been agreed.

Longevity risk — The pension liabilities are sensitive to the life expectancy of its members. Rising life expectancies lead to an increase in the valuation of the DBO.

pension plan is then extrapolated along the yield curve. In the UK, it is determined with reference to the full yield curve of AA-rated sterling-denominated corporate bonds of varying maturities. The salary increase rates are based on long-term expectations of the respective employers, derived from the assumed inflation rate and adjusted by promotional or productivity scales.

Rate of pension increase — Rates for pension payment increases are derived from the respective inflation rate for the plan.

Inflation rates — Inflation rate for German plans corresponds to the expected increase in cost of living. In the UK, the inflation assumptions are derived by reference to the difference between the yields on index-linked and fixed-interest long-term government bonds.

Mortality tables — For the calculation of the German pension obligation, the “2018 G” mortality tables (generation tables) as

developed by Professor Dr. Klaus Heubeck are applied, while the disability rates of the Heubeck Tables have been reduced to 30%, to align with actual observation.

For the UK schemes, the Self-Administered Pensions S1 mortality tables based on year of birth (as published by the Institute of Actuaries) is used in conjunction with the results of an investigation into the actual mortality experience of scheme members. In France, Institute for French Statistics (“INSEE”) tables are applied.

The development of the provision is set out below:

	DBO			Plan assets			Total provisions
	Pension plans of the Company	Participation in BAE Systems Pension Scheme in the UK	Total	Pension plans of the Company	Participation in BAE Systems Pension Scheme in the UK	Total	
<i>(In € million)</i>							
Balance at 1 January 2018	11,299	3,571	14,870	(4,911)	(2,832)	(7,743)	7,127
Service cost (including past service cost)	381	84	464	0	0	0	464
Interest cost and income	202	85	287	(97)	(68)	(165)	123
Remeasurements: actuarial (gains) and losses arising from							
changes in demographic assumptions	112	(24)	88	0	0	0	88
changes in financial assumptions	(35)	(152)	(187)	0	0	0	(187)
changes in experience adjustments	117	48	165	0	0	0	165
plan assets	0	0	0	398	105	502	502
Changes in consolidation, transfers and others	247	0	247	(209)	0	(209)	38
Benefits paid	(380)	(115)	(495)	148	115	262	(233)
Contributions by employer and other plan participants	3	5	8	(1,281)	(335)	(1,616)	(1,608)
Foreign currency translation adjustments	(14)	(27)	(40)	11	25	36	(5)
Balance at 31 December 2018	11,932	3,475	15,407	(5,941)	(2,990)	(8,933)	6,474
Service cost (including past service cost)	443	63	506	0	0	0	506
Interest cost and income	206	94	300	(105)	(79)	(183)	117
Remeasurements: actuarial (gains) and losses arising from							
changes in demographic assumptions	1,011	(32)	979	0	0	0	979
changes in financial assumptions	1,446	310	1,756	0	0	0	1,756
changes in experience adjustments	105	(4)	102	0	0	0	102
plan assets				(538)	(128)	(667)	(667)
Changes in consolidation, transfers and others	(88)	0	(88)	(13)	0	(13)	(101)
Benefits paid	(403)	(106)	(509)	151	106	257	(252)
Contributions by employer and other plan participants	5	2	7	(1,590)	(91)	(1,681)	(1,674)
Foreign currency translation adjustments	92	189	280	(77)	(161)	(235)	46
Balance at 31 December 2019	14,749	3,991	18,740	(8,113)	(3,343)	(11,455)	7,286

The funding of the plans is as follows:

(In € million)	31 December			
	2019		2018	
	DBO	Plan assets	DBO	Plan assets
Unfunded pension plans	2,530	0	2,157	0
Funded pension plans (partial)	16,210	(11,455)	13,250	(8,933)
Total	18,740	(11,445)	15,407	(8,933)

As of 31 December 2019, the change in financial assumptions mainly due to the further weakening of interest rates in Germany, France, Canada and the UK resulted in a total net increase in pension liability of € 1,756 million.

In light of the prolonged decline in interest rates and without any sign of change in this trend in a foreseeable future coupled with experience gained over recent years, management revised its demographic assumptions related to the behaviour of beneficiaries under the German pension plan. This resulted in a net increase in pension liability of € 1,793 million as of 30 June 2019, shown as part of the total changes in actuarial assumptions. These changes in accounting estimates have been recognised through other comprehensive income.

In 2019, the amount of contributions for retirement plans amount to € 1,674 million. This consists of:

- payments made to the pension plans of the Company of € 1,585 million (2018: € 1,278 million), mainly relating to the Contractual Trust Arrangement in Germany of € 1,509 million (2018: € 1,159 million) as well as to the Company UK scheme € 59 million (2018: € 104 million);
- payments made to the participation in BAE Systems Pension Scheme in the UK of € 89 million (2018: € 330 million).

Contributions of approximately € 1,040 million are expected to be made in 2020.

The weighted average duration of the DBO for retirement plans and deferred compensation is 18 years at 31 December 2019 (31 December 2018: 16 years).

Pension obligations by countries and type of beneficiaries

The split of the DBO for retirement plans and deferred compensation between active, deferred and pensioner members for the most significant plans is as follows:

	Active	Deferred	Pensioner
Germany	54%	8%	38%
France	99%	0%	1%
UK	67%	14%	19%
Participation in BAE System Pension Scheme (Main Scheme)	61%	16%	23%
Canada	92%	0%	8%

Pension obligations sensitivity to main assumptions

The following table shows how the present value of the DBO of retirement plans and deferred compensation would have been influenced by changes in the actuarial assumptions as set out for 31 December 2019:

	Change in actuarial assumptions	Impact on DBO	
		Change at 31 December	
		2019	2018
Present value of the obligation		21,013	17,037
Discount rate	Increase by 0.5%-point	(1,807)	(1,204)
	Decrease by 0.5%-point	2,074	1,338
Rate of compensation increase	Increase by 0.25%-point	184	136
	Decrease by 0.25%-point	(160)	(130)
Rate of pension increase	Increase by 0.25%-point	443	316
	Decrease by 0.25%-point	(425)	(302)
Life expectancy	Increase by 1 year	629	428

Sensitivities are calculated based on the same method (present value of the DBO calculated with the projected unit method) as applied when calculating the post-employment benefit obligations. The sensitivity analyses are based on a change of one assumption while holding all other assumptions constant.

This is unlikely to occur in practice and changes of more than one assumption may be correlated leading to different impacts on the DBO than disclosed above. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

Plan assets allocation

The fair value of the plan assets for retirement plans and deferred compensation can be allocated to the following classes:

<i>(In € million)</i>	2019			2018		
	Quoted prices	Unquoted prices	Total	Quoted prices	Unquoted prices	Total
Equity securities						
Europe	1,095	0	1,095	1,061	0	1,061
Rest of the world	429	0	429	361	0	361
Emerging markets	535	0	535	359	0	359
Global	1,816	177	1,993	1,355	0	1,355
Bonds						
Corporates	1,828	242	2,070	1,570	71	1,642
Governments	2,010	0	2,010	1,451	0	1,451
Pooled investments vehicles	415	0	415	491	0	491
Commodities	0	0	0	0	98	98
Hedge funds	0	265	265	0	269	269
Derivatives	0	58	58	0	207	207
Property	0	563	563	0	494	494
Cash and money market funds	1,875	58	1,933	1,103	96	1,199
Others	0	1,296	1,296	0	976	976
Balance at 31 December	10,003	2,659	12,662	7,751	2,211	9,962

The majority of funded plans apply broadly an asset-liability matching framework. The strategic asset allocation of the plans takes into account the characteristics of the underlying obligations. Investments are widely diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2019

consists of fixed income and equity instruments, although the Company also invests in property, commodities and hedge funds. The Company reassesses the characteristics of the pension obligations from time to time or as required by the applicable regulation or governance framework. This typically triggers a subsequent review of the strategic asset allocation.

Provisions by Countries

The amount recorded as provision for retirement plans can be allocated to the countries as follows:

<i>(In € million)</i>	Pension plans of the Company				Participation in BAE Systems Pension Scheme in the UK	Total
	Germany	France	UK	Canada		
DBO	10,813	2,017	1,492	427	3,991	18,740
Plan assets	6,497	23	1,319	273	3,343	11,455
Recognised at 31 December 2019	4,317	1,994	173	154	648	7,286
DBO	8,660	1,756	1,205	311	3,475	15,407
Plan assets	4,646	23	1,083	189	2,992	8,933
Recognised at 31 December 2018	4,014	1,733	122	122	483	6,474

Contributions to Defined Contribution Plans

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2019 amounted to €853 million (2018: €811 million).

31.2 Provisions for Deferred Compensation

This amount represents obligations that arise if employees elect to convert part of their remuneration or bonus into an equivalent commitment for deferred compensation which is treated as a defined benefit post-employment plan. The development for the DBO and plan assets is as follows:

<i>(In € million)</i>	2019			2018		
	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance at 1 January	1,630	(1,032)	598	1,362	(150)	1,212
Service cost (including past service cost)	0	0	0	118	0	118
Interest cost	25	0	25	23	0	23
Interest income	0	(15)	(15)	0	(6)	(6)
Remeasurement: actuarial (gains) and losses arising from						
changes in demographic assumptions	254	0	254	(2)	0	(2)
changes in financial assumptions	322	0	322	8	0	8
changes in experience adjustments	22	0	22	33	0	33
plan assets	0	(77)	(77)	0	44	44
Changes in consolidation, transfers and others	(44)	0	(44)	(20)	1	(19)
Benefits paid	(13)	0	(13)	(11)	0	(11)
Contributions	80	(84)	(4)	119	(921)	(802)
Balance at 31 December	2,275	(1,208)	1,067	1,630	(1,032)	598

The funding of the plans is as follows:

<i>(In € million)</i>	31 December	
	2019	2018
Provisions	1,067	598
Non-current and current other assets	0	0
Total	1,067	598

In the trust arrangements between the trust and the participating companies a minimum funding requirement is stipulated for the portion of the obligation, which is not protected by the pension guarantee association or Pensions-Sicherungs Verein in case

of an insolvency of the subsidiaries concerned. Some portions of the obligation must be covered with securities in the same amount, while other portions must be covered by 115%.