Airbus Group SE

Financial Statements 2015

AIRBUS GROUP

1. AIRBUS GROUP SE – IFRS CONSOLIDATED FINANCIAL STATEMENTS

Airbus Group SE
IFRS Consolidated Income Statements
for the years ended 31 December 2015 and 2014

(In € million)	Note	2015	2014
Revenues	10	**64,450**	**60,713**
Cost of sales	10	(55,599)	(51,776)
Gross margin	10	**8,851**	**8,937**
Selling expenses		(1,065)	(1,063)
Administrative expenses		(1,586)	(1,538)
Research and development expenses	11	(3,460)	(3,391)
Other income	13	474	330
Other expenses	13	(222)	(179)
Share of profit from investments accounted for under the equity method	12	1,016	840
Other income from investments	12	54	55
Profit before finance costs and income taxes		**4,062**	**3,991**
Interest income		183	142
Interest expense		(551)	(462)
Other financial result		(319)	(458)
Total finance costs	14	(687)	(778)
Income taxes	15	(677)	(863)
Profit for the period		**2,698**	**2,350**
Attributable to:			
Equity owners of the parent **(Net income)**		2,696	2,343
Non-controlling interests		2	7
Earnings per share		**€**	**€**
Basic	16	3.43	2.99
Diluted	16	3.42	2.99

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus Group SE
IFRS Consolidated Statements of Comprehensive Income
for the years ended 31 December 2015 and 2014

(In € million)	2015	2014
Profit for the period	**2,698**	**2,350**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement of the defined benefit liability (asset)	761	(2,034)
Remeasurement of the defined benefit liability (asset) from investments using the equity method	(36)	(131)
Related tax on items that will not be reclassified to profit or loss	(235)	577
Items that will be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	222	244
Effective portion of changes in fair value of cash flow hedges	(866)	(6,748)
Net change in fair value of cash flow hedges transferred to profit or loss	(3,833)	358
Net change in fair value of available-for-sale financial assets	366	90
Net change in fair value of available-for-sale financial assets transferred to profit or loss	2	(19)
Changes in other comprehensive income from investments accounted for using the equity method	(142)	(22)
Related tax on income and expense recognized directly in equity	1,112	1,961
Other comprehensive income, net of tax	**(2,649)**	**(5,724)**
Total comprehensive income of the period	**49**	**(3,374)**
Attributable to:		
Equity owners of the parent	76	(3,362)
Non-controlling interests	(27)	(12)

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Airbus Group SE
IFRS Consolidated Statements of Financial Position
at 31 December 2015 and 2014

(In € million)	Note	**2015**	**2014**
Assets			
Non-current assets			
Intangible assets	17	12,555	12,758
Property, plant and equipment	18	17,127	16,321
Investment property		66	67
Investments accounted for under the equity method	7	1,326	3,391
Other investments and other long-term financial assets	19	2,492	1,769
Non-current other financial assets	23	1,096	586
Non-current other assets	24	2,166	1,822
Deferred tax assets	15	6,759	5,717
Non-current securities	34	9,851	5,989
		53,438	**48,420**
Current assets			
Inventories	20	29,051	25,355
Trade receivables	21	7,877	6,798
Current portion of other long-term financial assets	19	178	167
Current other financial assets	23	1,402	1,164
Current other assets	24	2,819	2,389
Current tax assets		860	605
Current securities	34	1,788	3,183
Cash and cash equivalents	34	7,489	7,271
		51,464	**46,932**
Assets and disposal group of assets classified as held for sale	6	1,779	750
Total assets		**106,681**	**96,102**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		785	785
Share premium		3,484	4,500
Retained earnings		6,316	2,989
Accumulated other comprehensive income		(4,316)	(1,205)
Treasury shares		(303)	(8)
		5,966	**7,061**
Non-controlling interests		7	18
Total equity	32	**5,973**	**7,079**
Non-current liabilities			
Non-current provisions	22	9,871	10,400
Long-term financing liabilities	34	6,335	6,278
Non-current other financial liabilities	23	14,038	9,922
Non-current other liabilities	24	14,993	12,849
Deferred tax liabilities	15	1,200	1,130
Non-current deferred income		263	267
		46,700	**40,846**
Current liabilities			
Current provisions	22	5,209	5,712
Short-term financing liabilities	34	2,790	1,073
Trade liabilities	21	11,763	10,183
Current other financial liabilities	23	5,021	3,480
Current other liabilities	24	27,037	25,222
Current tax liabilities		908	738
Current deferred income		1,049	1,089
		53,777	**47,497**
Disposal group of liabilities classified as held for sale	6	231	680
Total liabilities		**100,708**	**89,023**
Total equity and liabilities		**106,681**	**96,102**

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus Group SE
IFRS Consolidated Statements of Cash Flows
for the years ended 31 December 2015 and 2014

(In € million)	Note	2015	2014
Profit for the period attributable to equity owners of the parent (Net income)		**2,696**	**2,343**
Profit for the period attributable to non-controlling interests		2	7
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(183)	(142)
Interest expense		551	462
Interest received		131	99
Interest paid		(388)	(303)
Income tax expense		677	863
Income tax paid		(595)	(115)
Depreciation and amortization	9	2,466	2,150
Valuation adjustments		487	562
Results on disposals of non-current assets		(234)	(93)
Results of investments accounted for under the equity method		(1,016)	(840)
Change in current and non-current provisions		(54)	415
Reimbursement from / contribution to plan assets		(217)	(462)
Change in other operating assets and liabilities:		**(723)**	**(2,386)**
- Inventories		(4,133)	(3,252)
- Trade receivables		(1,378)	(700)
- Trade liabilities		1,603	130
- Advance payments received		3,752	1,715
- Other assets and liabilities		(417)	(387)
- Customer financing assets		(193)	124
- Customer financing liabilities		43	(16)
Cash provided by operating activities		**3,600**	**2,560**
Investments:			
- Purchases of intangible assets, property, plant and equipment, investment property		(2,924)	(2,548)
- Proceeds from disposals of intangible assets, property, plant and equipment, investment property		78	232
- Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	6	(13)	(47)
- Proceeds from disposals of subsidiaries (net of cash)	6	127	(34)
- Payments for investments in associates, joint ventures, other investments and other long-term financial assets		(258)	(36)
- Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		1,731	1,083
- Dividends paid by companies valued at equity	7	34	143
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated		127	0
Payments for investments in securities		(7,151)	(5,526)
Proceeds from disposals of securities		4,790	3,510
Cash (used for) investing activities		**(3,459)**	**(3,223)**
Increase in financing liabilities	34.3	1,254	2,038
Repayment of financing liabilities	34.3	(262)	(1,108)
Cash distribution to Airbus Group SE shareholders	32	(945)	(587)
Dividends paid to non-controlling interests		(3)	(2)
Changes in capital and non-controlling interests		195	52
Change in treasury shares		0	102
Share buyback	32	(264)	0
Cash (used for) provided by financing activities		**(25)**	**495**
Effect of foreign exchange rate changes on cash and cash equivalents		171	256
Net increase in cash and cash equivalents		**287**	**88**
Cash and cash equivalents at beginning of period		**7,289**	**7,201**
Cash and cash equivalents at end of period	**34.1**	**7,576**	**7,289**
Thereof presented as cash and cash equivalents	34.1	7,489	7,271
Thereof presented as part of disposal groups classified as held for sale	6.3	87	18

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus Group SE

IFRS Consolidated Statements of Changes in Equity
for the years ended 31 December 2015 and 2014

(In € million)	Note	Equity attributable to equity holders of the parent								Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Accumulated other comprehensive income			Treasury shares	Total		
					Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments (1)				
Balance at 1 January 2014		**783**	**5,049**	**2,167**	**625**	**1,101**	**1,189**	**(50)**	**10,864**	**42**	**10,906**
Profit for the period		0	0	2,343	0	0	0	0	2,343	7	2,350
Other comprehensive income		0	0	(1,585)	45	(4,411)	246	0	(5,705)	(19)	(5,724)
Total comprehensive income of the period		0	0	758	45	(4,411)	246	0	(3,362)	(12)	(3,374)
Capital increase	32	2	50	0	0	0	0	0	52	0	52
Capital decrease	32	0	(12)	0	0	0	0	0	(12)	0	(12)
Share-based Payment (IFRS 2)	30	0	0	(5)	0	0	0	0	(5)	0	(5)
Cash distribution to Airbus Group N.V. Shareholders / dividends paid to non-controlling interests		0	(587)	0	0	0	0	0	(587)	(2)	(589)
Equity transaction (IAS 27)		0	0	(3)	0	0	0	0	(3)	7	4
Change in non-controlling interests		0	0	0	0	0	0	0	0	(17)	(17)
Change in treasury shares	32	0	0	72	0	0	0	0	72	0	72
Cancellation of treasury shares	32	0	0	0	0	0	0	42	42	0	42
Balance at 31 December 2014		**785**	**4,500**	**2,989**	**670**	**(3,310)**	**1,435**	**(8)**	**7,061**	**18**	**7,079**
Profit for the period		0	0	2,696	0	0	0	0	2,696	2	2,698
Other comprehensive income		0	0	491	165	(3,554)	278	0	(2,620)	(29)	(2,649)
Total comprehensive income of the period		0	0	3,187	165	(3,554)	278	0	76	(27)	49
Capital increase	32	3	115	0	0	0	0	0	118	24	142
Capital decrease	32	0	0	0	0	0	0	0	0	0	0
Share-based Payment (IFRS 2)	30	0	0	29	0	0	0	0	29	0	29
Cash distribution to Airbus Group N.V. Shareholders / dividends paid to non-controlling interests	32	0	(945)	0	0	0	0	0	(945)	(3)	(948)
Equity transaction (IAS 27)		0	0	61	0	0	0	0	61	(5)	56
Convertible bond	32	0	0	53	0	0	0	0	53	0	53
Change in treasury shares	32	0	0	(3)	0	0	0	(484)	(487)	0	(487)
Cancellation of treasury shares		(3)	(186)	0	0	0	0	189	0	0	0
Balance at 31 December 2015		**785**	**3,484**	**6,316**	**835**	**(6,864)**	**1,713**	**(303)**	**5,966**	**7**	**5,973**

(1) In 2015, €1 million are reclassified from currency translation adjustments to profit or loss.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

2. NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS

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BASIS OF PRESENTATION

1. The Company

The accompanying IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus Group SE**, the "Company" or "Airbus Group", (formerly Airbus Group N.V.) and its subsidiaries (the "Group"), legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands). On 28 May 2015, the legal form of the Group has changed from a Dutch public limited company (N.V.) to a European company (SE) and is consistently subject to the laws of the Dutch Civil Code. Airbus Group is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Consolidated Financial Statements were authorised for issue by the Group's Board of Directors on 23 February 2016. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately.

2. Significant accounting policies

Basis of preparation — The Group's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code. When reference is made to IFRS, this intends to be EU-IFRS. The Consolidated Financial Statements have been prepared on a historical cost basis, unless otherwise indicated.

Airbus Group describes the accounting policies applied in each of the individual notes to the financial statements and avoids repeating the text of the standard, unless this is considered relevant to the understanding of the note's content. The most significant accounting policies are set out below:

Revenue recognition – Revenue is recognised to the extent that it is probable that the economic benefit arising from the ordinary activities of the Group will flow to the Group, that revenue can be measured reliably and that the recognition criteria, for each type of revenue-generating activity (sales of goods and services and construction contracts), have been met. Revenue is measured at the fair value of the consideration received or receivable.

Revenues from the sale of commercial aircraft are recognised when the aircraft is delivered, risks and rewards of ownership have been transferred to the customer and revenues can be measured reliably except for launch customer contracts (see "Revenue from construction contracts" below). Revenues from sales of aircraft (and related cost of sales) always include the engine component. Customers will generally benefit from a concession from the engine manufacturer, negotiated directly between the customer and the engine manufacturer. When reliable information exists, the engine prices considered in our revenues (and cost of sales) reflect the effect of the concessions.

Revenue from construction contracts - Construction contract accounting is applied for military programmes, space projects as well as for launch customer contracts in the civil aircraft business if customers have significantly influenced the structural design and technology of the aircraft type under the contract. As a result of certain airline customers' increasing involvement in the development and production process of the A350 XWB programme, the Group applies IAS 11 to a fixed number of launch customer contracts of the A350 XWB programme. When the outcome can be estimated reliably, revenues and contract costs are recognised as revenue and expensed respectively by reference to the percentage of completion of the contract activity at the end of the reporting period ("PoC method"). Contract revenues include the purchase price agreed with the customer considering escalation formulas, contract amendments and claims and penalties when assessed as probable. The PoC method used depends on the contract. The method is based either on inputs (*i.e.* costs incurred for development contracts) or outputs (*i.e.* contractually agreed technical milestones, delivered units).
Whenever the outcome of a construction contract cannot be estimated reliably – for example during the early stages of a contract or during the course of a contract's completion – all related contract costs that are incurred are immediately expensed and revenues are recognised only to the extent of those costs being recoverable (the "early stage", also called "zero profit margin" method of accounting) (see Note 3 "Key estimates and judgements").

Provision for loss making contracts – The Group records provisions for loss making contracts when it becomes probable that the total contract costs will exceed total contract revenues. Before a provision for loss making contracts is recorded, the related assets under construction are written-off. Loss making sales contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which requires significant and complex assumptions, judgements and estimates related to achieving certain performance standards as well as estimates involving warranty costs (see Note 3 "Key estimates and judgements", Note 10 "Revenues, cost of sales and gross margin" and Note 22 "Provisions, contingent assets and contingent liabilities").

Research and development expenses **–** Research and development activities can be either contracted or self-initiated.

The costs for contracted research and development activities, carried out in the scope of externally financed research and development contracts, are expensed when the related revenues are recorded.

The costs for self-initiated research are expensed when incurred. The costs for self-initiated development are capitalised when:

- the product or process is technically feasible and clearly defined (*i.e.* the critical design review is finalised).
- adequate resources are available to successfully complete the development.
- the benefits from the assets are demonstrated (a market exists or the internal usefulness is demonstrated) and the costs attributable to the projects are reliably measured.
- the Group intends to produce and market or use the developed product or process and can demonstrate its profitability.

Income tax credits granted for research and development activities are deducted from corresponding expenses or from capitalised amounts when earned.

Development costs which are capitalised, are recognised either as intangible assets or, when the related development activities lead to the construction of specialised tooling for production ("jigs and tools"), or involve the design, construction and testing of prototypes and models, as property, plant and equipment. Capitalised development costs are generally amortised over the estimated number of units produced. If the number of units produced cannot be estimated reliably, capitalised development costs are amortised over the estimated useful life of the internally generated intangible asset. Amortisation of capitalised development costs is recognised in cost of sales.

Inventories are measured at the lower of acquisition cost (generally the average cost) or manufacturing cost and net realisable value. Manufacturing costs comprise all costs that are directly attributable to the manufacturing process, such as direct material and labour, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs to complete the sale. Inventories include work in progress arising under construction contracts for which revenues are recognised based on output methods.

Transactions in foreign currency, *i.e.* transactions in currencies other than the functional currency of a Group entity, are translated into the functional currency at the foreign exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are remeasured into the functional currency at the exchange rate in effect at that date. Except when deferred in equity as qualifying cash flow hedges (see Note 35 "Information about financial instruments"), these foreign exchange remeasurement gains and losses are recognised, in line with the underlying item:

- in the profit before finance costs and income taxes if the substance of the transaction is commercial (including sales financing transactions), and
- in the finance costs for financial transactions.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into functional currency at the foreign exchange rate in effect at the date of the transaction. Translation differences on non-monetary financial assets and liabilities that are measured at fair value are reported as part of the fair value gain or loss. However, translation differences of non-monetary financial assets measured at fair value and classified as available for sale are included in Accumulated other comprehensive income ("AOCI").

***Hedge accounting* –** Most of the Group's revenue is denominated in US dollar ("US$"), while a major portion of its costs is incurred in euro. The Group is significantly exposed to the risk of changes in US$/€ exchange rates. Furthermore, the Group is exposed, though to a much lesser extent, to foreign exchange risk arising from costs incurred in currencies other than the euro and to other market risks such as interest rate risk, commodity price and equity price risk.

In order to manage and mitigate those risks, the Group enters into derivative contracts. The Group applies cash flow hedge accounting to its derivative contracts whenever the relevant IFRS criteria can be met. Hedge accounting ensures that derivative gains or losses are recognised in profit or loss (mainly as part of the revenue) in the same period that the hedged items or transactions affect profit or loss.

The major portion of the Group's derivative contracts is accounted for under the cash flow hedge model. The fair value hedge model is used only for certain interest rate derivatives. Derivative contracts which do not qualify for hedge accounting are accounted for at fair value through profit and loss, any related gains or losses being recognised in financial result.

The Group's hedging strategies and hedge accounting policies are described in more detail in Note 35 "Information about financial instruments".

3. Key estimates and judgements

The preparation of the Group's consolidated financial statements requires the use of estimates and assumptions. In preparing these financial statements, management exercises its best judgement based upon its experience and the circumstances prevailing at that time. The estimates and assumptions are based on available information and conditions at the end of the financial period presented and are reviewed on an ongoing basis. Key estimates and judgements that have a significant influence on the amounts recognised in the Group's Consolidated Financial Statements are mentioned below:

***Revenue recognition on construction contracts* –** The PoC method is used to recognise revenue under construction contracts. This method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements.

The management of the operating Divisions continually review all estimates involved in such construction contracts and adjusts them as necessary (see Note 21 "Trade receivables and trade liabilities" for further information).

***Provisions* –** The determination of provisions, for example for contract losses, warranty costs, restructuring measures and legal proceedings is based on best available estimates. Loss making contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which also requires significant judgement related to achieving certain performance standards as well as estimates involving warranty costs. Depending on the size and nature of the Group's contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. In particular, the introduction of new commercial or military aircraft programmes (such as the A350 XWB and the A400M) or major derivative aircraft programmes particularly involves an increased level of estimates and judgements associated with the expected development, production and certification schedules and expected cost components.

The Group makes estimates and provides, across the programmes, for costs related to in service technical issues which have been identified and for which solutions have been defined, which reflects the latest facts and circumstances. The Group is contractually liable for the repair or replacement of the defective parts but not for any other damages whether direct, indirect, incidental or consequential (including loss of revenue, profit or use). However, in view of overall commercial relationships, contract adjustments may occur, and be considered on a case by case basis.

Estimates and judgements are subject to change based on new information as contracts and related programmes progress. Furthermore, the complex design and manufacturing processes of the Group's industry require challenging integration and coordination along the supply chain including an on-going assessment of suppliers' assertions which may additionally impact the outcome of these monitoring processes (see Note 10 "Revenues, cost of sales and gross margin" and Note 22 "Provisions, contingent assets and contingent liabilities" for further information).

Employee benefits – The Group accounts for pension and other post-retirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. The actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in post-retirement employee benefit obligations and the related future expense (see Note 29 “Post-employment benefits”).

Legal contingencies – Group companies are parties to litigations related to a number of matters as described in Note 36 “Litigation and claims”. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Group. Management regularly analyses current information about these matters and provides provisions for probable cash outflows, including the estimate of legal expenses to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against Group companies or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

Income taxes – The Group operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. At each end of the reporting period, the Group assesses whether the realisation of future tax benefits is probable to recognise deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced, through valuation allowances recognition, if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group’s ability to utilise future tax benefits. The basis for the recoverability test of deferred tax assets is the same as the Group’s latest five year operative planning also taking into account certain qualitative aspects regarding the nature of the temporary differences. Qualitative factors include but are not limited to an entity’s history of planning accuracy, performance records, business model, backlog, existence of long-term contracts as well as the nature of temporary differences (see Note 15 “Income tax”).

Other subjects that involve assumptions and estimates are further described in the respective notes (see Note 6 “Acquisitions and disposals”, Note 17 “Intangible assets” and Note 21 “Trade receivables and liabilities”.

4. Change in accounting policies and disclosures

First-time application

The accounting policies applied by the Group for preparing its 2015 year-end Consolidated Financial Statements are the same as last year except for the first time application of IFRIC 21 “Levies” which has not had a material impact on the Group’s Consolidated Financial Statements or on its basic and diluted earnings per share.

New, revised or amended IFRS standards and interpretations issued but not yet applied

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2015 and have not been applied in preparing these Consolidated Financial Statements and early adoption is not planned:

Standards and amendments	IASB effective date for annual reporting periods beginning on or after	Endorsement status
IFRS 9 "Financial instruments"	1 January 2018	Not yet endorsed
IFRS 15 "Revenue from contracts with customers"	1 January 2018	Not yet endorsed
Amendment to IAS 1 "Disclosure initiative"	1 January 2016	Endorsed
Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	-	Not yet endorsed
Amendments to IFRS 11 "Accounting for acquisition of interests in joint operations"	1 January 2016	Endorsed
Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation"	1 January 2016	Endorsed
Annual improvements to IFRS 2012-2014	1 January 2016	Endorsed

IFRS 9 “Financial instruments”

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

IFRS 15 “Revenue from contracts with customers”

On May 2014, the IASB issued IFRS 15 which establishes a single comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 will replace the current revenue recognition standards IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations when it becomes effective.
IFRS 15 will require the Group to identify the different performance obligations it assumes under a contract, and account for them separately based on their relative stand-alone selling prices. For all contracts, including long-term construction contracts currently accounted for under the PoC method, the group will only be able to recognise revenue once certain conditions providing evidence that control of a good or service has transferred to the customer are met. In certain circumstances, the standard considers work in progress to be controlled by the customer, in which case it would be inappropriate for an entity to recognise work in progress as an asset on its balance sheet. Furthermore, the standard requires an entity to accrue interest on advance payments if the contract with the customer contains a significant financing component.
The Group is currently assessing the impact of these and other accounting changes that will arise under IFRS 15. It has, however, identified the changes highlighted above as potentially creating a material impact on the Group’s Consolidated Income Statement and Consolidated Statement of Financial Position.

GROUP STRUCTURE

5. Scope of consolidation

Consolidation – The Group's Consolidated Financial Statements include the financial statements of Airbus Group SE and all material subsidiaries controlled by the Group. The Group's subsidiaries prepare their financial statements at the same reporting date as the Group's Consolidated Financial Statements (see Appendix "Group structure chart").
Subsidiaries are entities controlled by the Group including so-called Structured Entities ("SE") which are created to accomplish a narrow and well-defined objective (see Note 25 "Sales financing transactions"). They are fully consolidated from the date control commences to the date control ceases.

The assessment of the control of SE is performed in three steps. In a first step, the Group identifies the relevant activities of the SE (which may include managing lease receivables, managing the sale or re-lease at the end of the lease and managing the sale or re-lease on default) and in a second step, the Group assesses which activity is expected to have the most significant impact on the SE's return. Finally, the Group determines which party or parties control this activity.

The Group's interests in equity-accounted investees comprise investments in associates and joint ventures. Investments in associates and in joint ventures are accounted for using the equity method and are initially recognised at cost.

The financial statements of the Group's investments in associates and joint ventures are generally prepared for the same reporting period as for the parent company. Adjustments are made where necessary to bring the accounting policies and accounting periods in line with those of the Group.

Perimeter of consolidation

	31 December	
Number of companies	**2015**	**2014**
Fully consolidated entities	262	286
Investments accounted for using the equity method:		
in joint ventures	53	50
in associates	19	17
Total	**334**	**353**

For more details related to unconsolidated and consolidated SE, please refer to Note 25 "Sales financing transactions".

6. Acquisitions and disposals

Business combinations are accounted for using the acquisition method, as at the acquisition date, which is the date on which control is transferred to the Group.
The determination of the fair value of the acquired assets and the assumed liabilities which are the basis for the measurement of goodwill requires significant estimates. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market prices. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Group either consults with an independent external valuation expert or develops the fair value internally, using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows.
These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied.

Loss of control, loss of joint control, loss of significant influence – Upon loss of control of a subsidiary, the assets and liabilities and any components of the Group's equity related to the subsidiary are derecognised. Any gain or loss arising from the loss of control is recognised within Other income or Other expenses in the Consolidated Income Statement. If the Group retains any interest in the previous subsidiary, such interest is measured at fair value at the date the control is lost.
Assets and liabilities of a material subsidiary for which a loss of control is highly probable are classified as assets and liabilities held for sale when the company has received sufficient evidence that the loss of control will occur in the 12 months after the classification. These assets and liabilities are presented after elimination of intercompany transactions.
When the loss of significant influence or the loss of joint control of an investment accounted under the equity method is highly probable and will occur in the coming 12 months, this associate or joint venture is classified as an asset held for sale.

Sale of investment in an associate or joint venture – Any gain or loss arising from the disposal of investment accounted for under the equity method is recognised within share of profit from investments accounted for under the equity method.

6.1 Acquisitions

There were no material acquisitions in 2015 and 2014.

6.2 Disposals

On 14 January 2015, Airbus Group and Safran completed the first phase of the integration process of **Airbus Safran Launchers Joint Venture ("ASL")** enabling the entity to become operational. Coordination and programme management of the civil activities of the launcher business as well as relevant participations have been transferred to ASL during this first phase. The assets and liabilities associated with the first phase were classified as held for sale as at 31 December 2014.
Airbus Group received 50% of issued shares in ASL initially recognised at €56 million as at-equity investment. The loss of control in the business resulted in a capital gain of €49 million, which is reported in Airbus Defence and Space division in other income.
During the second phase, Safran and Airbus Group intend to integrate within the joint venture all the remaining contracts, assets and industrial resources, related to space launchers and associated propulsion systems.
On 16 June 2015, ASL, the French state and CNES, the French space agency, have reached an agreement to transfer CNES's stake in Arianespace to ASL. On 12 August 2015, ASL was awarded the Ariane 6 development contract by the European Space Agency.
The second phase will be initiated and implemented once all legal and financial terms and conditions are finalised between both partners. The joint venture will then be fully equipped for all design, development, production and commercial activities related to civil and military launchers and associated propulsion systems.

On 20 August 2015 Airbus Defence and Space GmbH, Rohde & Schwarz GmbH und Co. KG, Thales Electronic Systems GmbH and Northrop Grumman Litef GmbH sold their shares in **Elektroniksystem und Logistik GmbH ("ESG")** to E-Sicherheitsbeteiligungen GmbH. Airbus Group recognised a €59 million gain in share of profit from investments accounted for under the equity method, which is reported in Airbus Defence and Space division. The assets and liabilities of this company were classified as held for sale as at 31 December 2014.

On 1 October 2015, Airbus sold its shares in its fully owned subsidiary **Cimpa SAS** to Sopra Steria Group. The gain on this disposal which is recognised in other income for €72 million, is reported in Airbus division.

On 28 February 2014, EADS North America, Inc., Herndon (VA, USA) sold 100% of the assets and liabilities of its **Test & Services division** to Astronics Corp., East Aurora (NY, USA), for a total consideration of €51 million, which is reported in Airbus Defence and Space division.

On 7 March 2014, Astrium Services GmbH, Ottobrunn (Germany) disposed of 100% of the shares of **ND Satcom GmbH**, Immenstaad (Germany) to Quantum Industries S.à.r.l., Luxembourg (Luxembourg) with economic effect as of 1 March 2014 leading to a negative consideration of €9 million, which is reported in Airbus Defence and Space division.

On 10 July 2014, Airbus Defence and Space sold its **Test & Services activities** to a consortium consisting of ACE Management S.A., Paris (France) and IRDI S.A., Toulouse (France). The disposal was performed via an acquisition company Test & Mesures Groupe SAS in which Airbus Defence and Space will retain temporarily 33.5%. The total consideration received amounted to €35 million (thereof €28 million consideration received in cash and €7 million for the shares in Test & Mesures Groupe SAS). The amount of net assets sold was €31 million. The Group recognised a €7 million capital gain on the sale of the Test & Services activities reported in other income, which is reported in Airbus Defence and Space division.

On 27 November 2014, Airbus Group in an off-market lock trade sold to Dassault Aviation a total of 810,072 **Dassault Aviation** shares at a price of €980 per share representing a total amount of €794 million pre-transaction costs. The gain recognised in share of profit from investments accounted for under the equity method amounted to €343 million and reported in "Others / HQ / Conso." segment.

On 9 December 2014, Airbus Group signed a share purchase agreement with the State of Finland to sell its entire 26.8% share in **Patria Oyj** to the Finnish defence, security and aviation services provider for a total consideration of €133 million. The transaction was closed on 11 December 2014 and the Group recognised a €47 million capital gain within share of profit from investments accounted for under the equity method. The transaction has been reported in Airbus Defence and Space division.

6.3 Assets and disposal groups classified as held for sale

As of 31 December 2015, Airbus Group accounted for non-current assets / disposal groups classified as held for sale in the amount of €1,779 million (2014: €750 million). The disposal groups in 2015 include liabilities directly associated with non-current assets classified as held for sale amounting to €231 million (2014: €680 million). The assets and disposal groups classified as held for sale comprise the following transactions:

On 25 March 2015, Airbus Group sold 1,612,407 **Dassault Aviation** shares, corresponding to 17.5% of the Dassault Aviation's share capital, of which 460,688 shares (5%) were sold to Dassault Aviation for €980 per share and 1,151,719 shares (12.5%) were sold to institutional investors at €1,030 per share. On 14 April 2015, Airbus Group sold an additional 115,172 shares (1.25%) to institutional investors at €1,030 per share.
As of 31 March 2015, the remaining equity investment in Dassault Aviation with the carrying amount of €1,320 million has been classified as an asset held for sale (reported in "Others / HQ / Conso." segment) as Airbus Group intends to pursue market opportunities to sell the remainder of this investment. Prior to the reclassification, the carrying amount included the Airbus Group interest in Dassault Aviation's first quarter 2015 result and a negative catch-up on 2014 of €-119 million.
In 2015, Airbus Group has recognised €748 million (€697 million in share of profit from investments accounted for under the equity method and €51 million in other income) representing the net capital gain on partial disposal after transaction costs.
As of 31 December 2015, Airbus Group holds 23.60% of Dassault Aviation's share capital and 24.71% of associated voting rights and the carrying amount of the assets held for sale amounts to €1,253 million. As of 31 December 2014, the carrying amount of the investment in Dassault Aviation was €2,429 million recognised in investment accounted for under the equity method.

On 17 June 2015, Airbus signed an agreement with Singapore-based ST Aerospace Ltd. (STA) to offer passenger-to-freighter (P2F) conversion solutions for its A320 and A321 aircraft. STA will acquire an additional 20% of the shares of **Elbe Flugzeugwerke (EFW)**, Dresden (Germany) by way of a contribution in kind and a capital increase to EFW. Consequently, 45% of the shares of EFW will be retained and the Group will effectively lose its control over EFW (reported in Airbus division). The transaction has been closed on 4 January 2016.

On 17 December 2015, DS Holding SAS (France) and Astrium International Holdings B.V. (as beneficiaries) and a buyer signed a sale purchase agreement in respect to the companies which form the **business communications perimeter**. The sale is subject to closing conditions. The transaction has been reported in Airbus Defence and Space division.

The assets and disposal group of assets and liabilities classified as held for sale consist of:

	31 December	
(In € million)	**2015**	**2014**
Intangible assets	144	23
Property, plant and equipment	125	0
Non-current financial assets	1,253	0
Inventory	75	447
Trade receivables	84	262
Other assets	11	0
Cash and cash equivalents	87	18
Assets and disposal group of assets classified as held for sale	**1,779**	**750**
Provisions	69	3
Customer advance payments	0	674
Other liabilities	162	3
Disposal group of liabilities classified as held for sale	**231**	**680**

7. Investments accounted for under the equity method

	31 December	
(In € million)	**2015**	**2014**
Investments in joint ventures	1,264	885
Investments in associates	62	2,506
Investments accounted for under the equity method	**1,326**	**3,391**

7.1 Investments in joint ventures

The joint ventures in which the Group holds interests are structured in separate incorporated companies. Under the joint arrangement agreements, unanimous consent is required from all parties to the agreement for all relevant activities. The Group and its partners have rights to the net assets of the company through the terms of the contractual agreements.

The Group's material joint ventures are MBDA S.A.S., Paris (France), Atlas Elektronik GmbH ("Atlas"), Bremen (Germany) and GIE ATR, Blagnac (France), as parent companies of their respective groups. Neither of these joint venture companies is publicly listed.

The Group held a 37.5% stake in **MBDA** at 31 December 2015 and 2014, which is a joint venture between the Group, BAE Systems and Finmeccanica. MBDA offers missile systems capabilities that cover the whole range of solutions for air dominance, ground-based air defence and maritime superiority, as well as advanced technological solutions for battlefield engagement.

Atlas is a joint venture of Thyssen Krupp and the Group (which held a 49% stake at 31 December 2015 and 2014). It provides maritime and naval solutions above and below the ocean surface and holds a leading position in all fields of maritime high technology from command and control systems to coastal surveillance systems and in in-house support.

GIE ATR is manufacturing advanced turboprop aircraft. It is a 50% joint venture between Alenia Aermacchi, a Finmeccanica Group company and Airbus Group. Both Alenia Aermacchi and Airbus Group provide airframes which are assembled by GIE ATR in France. The members of ATR GIE are legally entitled to the whole benefits of the company and are liable for the commitments of the company. GIE ATR is obliged to transfer its cash to each member of the joint venture.

The following table summarises financial information for MBDA, Atlas and GIE ATR based on their consolidated financial statements prepared in accordance with IFRS:

	MBDA		**Atlas**		**GIE ATR**	
(In € million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenues	2,875	2,394	405	416	1,760	1,367
Depreciation and amortisation	(86)	(83)	(14)	(14)	(50)	(142)
Interest income	2	16	3	1	1	0
Interest expense	(15)	(1)	(4)	(5)	(2)	(1)
Income tax expense	(74)	(64)	(2)	(9)	0	0
Profit from continuing operations	218	148	(2)	12	340	127
Other comprehensive income	65	(189)	9	(15)	16	29
Total comprehensive income (100%)	**283**	**(41)**	**7**	**(3)**	**356**	**156**
Non-current assets	2,010	1,967	248	197	94	119
Current assets	5,384	5,298	437	555	639	583
thereof cash and cash equivalents	*1,420*	*1,521*	*132*	*255*	*5*	*5*
Non-current liabilities	1,249	1,307	344	297	111	366
thereof non-current financial liabilities (excluding trade and other payables and provisions)	*9*	*13*	*2*	*3*	*0*	*0*
Current liabilities	5,811	5,845	173	293	159	100
thereof current financial liabilities (excluding trade and other payables and provisions)	*26*	*26*	*2*	*2*	*0*	*0*
Total equity (100%)	**334**	**113**	**168**	**162**	**463**	**236**

	MBDA		**Atlas**		**GIE ATR**	
(In € million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Group's interest in equity on investee	125	42	82	79	232	118
Goodwill	282	282	257	257	0	0
Fair value adjustments and modifications for differences in accounting policies	(13)	(18)	(9)	(9)	0	0
Carrying amount of the investment at 31 December	**394**	**306**	**330**	**327**	**232**	**118**

The development of these investments is as follows:

	MBDA		**Atlas**		**GIE ATR**	
(In € million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Group's interest in equity on investee at beginning of the year	**306**	**381**	**327**	**351**	**118**	**93**
Result from continuing operations attributable to the Group	84	56	(1)	6	170	64
Other comprehensive income attributable to the Group	28	(74)	4	(7)	8	14
Dividends received during the year	(24)	(57)	0	(23)	(64)	(53)
Carrying amount of the investment at 31 December	**394**	**306**	**330**	**327**	**232**	**118**

The Group's share of contingent liabilities of MBDA and of Atlas as of 31 December 2015 is €399 million (2014: €329 million) and €9 million (2014: €15 million), respectively.

Furthermore, the Group has interests in a number of individually immaterial joint ventures, being accounted for under the equity method. They are stated in aggregate in the following table:

(In € million)	2015	2014
Group's interest in equity on investee at beginning of the year	**134**	**139**
Result from continuing operations attributable to the Group	(10)	(7)
Other comprehensive income attributable to the Group	6	2
Dividends received during the year	(1)	0
New joint ventures	179	0
Carrying amount of the investment at 31 December	**308**	**134**

The Group' share of contingent liabilities of its joint ventures as of 31 December 2015 amounts to €0 million (2014: €2 million).

7.2 Investments in associates

In 2015, the Group has interests in a number of individually immaterial associates, being accounted for under the equity method. They are stated in aggregate in the following table:

(In € million)	2015	2014
Group's interest in equity on investee at beginning of the year	**77**	**147**
Result from continuing operations attributable to the Group	40	76
Other comprehensive income attributable to the Group	(29)	(35)
Dividends received during the year	(10)	(20)
Disposal of shares	(16)	(91)
Carrying amount of the investment at 31 December	**62**	**77**

As of 31 December 2014, the Group's only individually material investment in associates was Dassault Aviation (42.11%) with a carrying amount of €2,429 million. Following the partial sale of Dassault Aviation shares in the financial year 2015 (for more details, please see Note 6 "Acquisitions and disposals"), the remaining equity investment in Dassault Aviation has been reclassified as asset held for sale.

The cumulative unrecognised comprehensive loss amounts for these associates to €-117 million and €-147 million as of 31 December 2015 and 2014, respectively (thereof €+30 million for the period).

8. Related party transactions

(In € million)	Sales of goods and services and other income	Purchases of goods and services and other expense	Receivables due as of 31 December	Payables due as of 31 December	Other liabilities / Loans received as of 31 December
2015					
Total transactions with associates	7	40	96	4	79
Total transactions with joint ventures	1,771	121	1,850	14	544
2014					
Total transactions with associates	7	116	3	5	79
Total transactions with joint ventures	2,141	122	1,451	13	601

Transactions with unconsolidated subsidiaries are immaterial to the Group's consolidated financial statements.

A part of the shares in Dassault Aviation were sold back to Dassault Aviation during 2015 and 2014 (for more details, please see Note 6 "Acquisitions and disposals").

As of 31 December 2015, the Group granted guarantees of €503 million to Air Tanker group in the UK (2014: €474 million).
For information regarding the funding of the Group's pension plans, which are considered as related parties, please refer to Note 29 "Post-employment benefits".

The information relative to compensation and benefits granted to members of the Executive Committee and Board of Directors are disclosed in Note 31 "Remuneration".

SEGMENT INFORMATION

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

- **Airbus** — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.
- **Airbus Helicopters** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Airbus Defence and Space** — Military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communications solutions and logistics; training, testing, engineering and other related services; development, manufacturing, marketing and sale of missiles systems; development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services; development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

The following table presents information with respect to the Group's business segments. As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Airbus and Airbus Defence and Space and between Airbus Helicopters and Airbus. The Group's activities managed in the US, the holding function of the Group's Headquarters, the Airbus Group bank and other activities not allocable to the reportable segments, combined together with consolidation effects, are disclosed in the column "Others / HQ / Conso.".

Airbus Group uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the former EADS merger and the Airbus combination, as well as impairment charges thereon. It also comprises disposal impacts related to goodwill and fair value adjustments from these transactions.

9. Segment information

Business segment information for the year ended the 31 December 2015 is as follows:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Total segments	Others / HQ / Conso.	Consolidated
Total revenues	45,854	6,786	13,080	65,720	296	66,016
Internal revenues	(764)	(633)	(163)	(1,560)	(6)	(1,566)
Revenues	**45,090**	**6,153**	**12,917**	**64,160**	**290**	**64,450**
EBIT pre-goodwill impairment and exceptionals	**2,301**	**427**	**745**	**3,473**	**613**	**4,086**
thereof:						
- depreciation and amortisation	*(1,608)*	*(159)*	*(654)*	*(2,421)*	*(45)*	*(2,466)*
- research and development expenses	*(2,702)*	*(325)*	*(344)*	*(3,371)*	*(89)*	*(3,460)*
- share of profit from investments accounted for under the equity method	*179*	*4*	*159*	*342*	*674*	*1,016*
- additions to other provisions	*897*	*616*	*2,009*	*3,522*	*263*	*3,785*
Impairment and disposal of goodwill	0	0	0	0	0	0
Exceptionals depreciation / disposal	(14)	0	(9)	(23)	(1)	(24)
Profit before finance costs and income taxes	**2,287**	**427**	**736**	**3,450**	**612**	**4,062**
Interest result						(368)
Other financial result						(319)
Income taxes						(677)
Profit for the period						**2,698**

Business segment information for the year ended the 31 December 2014 is as follows:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Total segments	Others / HQ / Conso.	Consolidated
Total revenues	42,280	6,524	13,025	61,829	482	62,311
Internal revenues	(749)	(528)	(297)	(1,574)	(24)	(1,598)
Revenues	**41,531**	**5,996**	**12,728**	**60,255**	**458**	**60,713**
EBIT pre-goodwill impairment and exceptionals	**2,671**	**413**	**409**	**3,493**	**547**	**4,040**
thereof:						
- depreciation and amortisation	*(1,419)*	*(157)*	*(540)*	*(2,116)*	*(34)*	*(2,150)*
- research and development expenses	*(2,667)*	*(325)*	*(360)*	*(3,352)*	*(39)*	*(3,391)*
- share of profit from investments accounted for under the equity method	*62*	*4*	*176*	*242*	*598*	*840*
- additions to other provisions	*1,148*	*523*	*1,580*	*3,251*	*178*	*3,429*
Impairment and disposal of goodwill	0	0	(6)	(6)	0	(6)
Exceptionals depreciation / disposal	(25)	0	(16)	(41)	(2)	(43)
Profit before finance costs and income taxes	**2,646**	**413**	**387**	**3,446**	**545**	**3,991**
Interest result						(320)
Other financial result						(458)
Income taxes						(863)
Profit for the period						**2,350**

Segment capital expenditures (In € million)	2015	2014
Airbus	2,001	1,713
Airbus Helicopters	280	303
Airbus Defence and Space	552	497
Others / HQ / Conso.	91	35
Total capital expenditures (1)	**2,924**	**2,548**

(1) Excluding expenditure for leased assets.

Segment assets (In € million)	2015	2014
Airbus	47,857	41,342
Airbus Helicopters	10,172	10,248
Airbus Defence and Space	19,388	17,660
Others / HQ / Conso.	738	3,337
Total segment assets	**78,155**	**72,587**
Unallocated		
Deferred and current tax assets	7,619	6,322
Securities	11,639	9,172
Cash and cash equivalents	7,489	7,271
Assets classified as held for sale	1,779	750
Total assets	**106,681**	**96,102**

The property, plant and equipment by geographical areas is disclosed in Note 18 "Property, plant and equipment". The revenues by geographical areas are disclosed in Note 10 "Revenues, cost of sales and gross margin".

GROUP PERFORMANCE

10. Revenues, cost of sales and gross margin

Revenues

Revenues are mainly comprised of sales of goods and services, as well as revenues associated with construction contracts accounted for under the PoC method, contracted research and development and customer financing.

(In € million)	**2015**	**2014**
Revenues from construction contracts	9,860	7,916
Other revenues [(1)]	54,590	52,797
Total [(2)]	**64,450**	**60,713**
Thereof service revenues including sale of spare parts	*8,328*	*8,279*

(1) Includes mainly revenues from sales of commercial aircraft recognised under IAS 18.

(2) For more details, please see Note 9 "Segment information".

Revenues increased by 6.2% mainly at Airbus. The revenue growth in Airbus results from a more favourable foreign exchange impact and an overall increase in deliveries to 635 aircraft (629 in the previous year). Airbus Helicopters contributed also positively mainly due to a higher level of services activity. Airbus Defence and Space revenues were broadly stable and include revenues related to the A400M programme of €1,648 million (2014: €1,561 million).

Revenues by geographical areas based on the location of the customer are as follows:

(In € million)	**2015**	**2014**
Europe	20,060	20,254
Asia - Pacific	18,755	19,379
North America	10,217	9,731
Middle East	8,612	6,520
Latin America	4,096	3,844
Other countries	2,710	985
Total	**64,450**	**60,713**

Cost of sales and gross margin

Cost of sales increased by 7.4%. The increase was primarily due to business growth at Airbus, an increase in the A350 XWB programme support costs, and negative foreign exchange revaluation impacts from pre-delivery payments. This was partly offset by a lower net charge related to A400M programme of €290 million (in 2014: €551 million).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of €24 million (2014: €43 million).

Inventories recognised as an expense during the period amount to €45,289 million (in 2014: €41,523 million).

The **gross margin** decreased by €-86 million to €8,851 million compared to €8,937 million in 2014. Included is the net charge on the A400M programme recorded in the second quarter of 2015 and a negative foreign exchange impact in Airbus. The gross margin rate decreased from 14.7% to 13.7%.

The A350 XWB Entry into service occurred at the end of 2014, with the first A350 being delivered to Qatar Airways on 22 December 2014. In 2015, Airbus has delivered fourteen additional aircraft. The industrial ramp-up preparation is underway and associated risks will continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customer's commitment. Despite the progress made, significant challenges remain with the ramp-up acceleration.

An additional eleven A400M aircraft were delivered in 2015, resulting in twenty-one cumulative deliveries up to 31 December 2015. Industrial efficiency and military capability remain a challenge during the ramp up phase. Management is working with the customers to agree a schedule of military capability enhancement and deliveries as well as reviewing the escalation formulae. Industrial recovery measures have been identified and management is focused on delivery, but risk remains. The mission capability roadmap (including the achievement of the respective milestones) and the delivery plan remain under negotiation with OCCAR/Nations and are expected to be finalised in 2016.

Management reviewed the programme evolution and estimated contract result driven to a large extent from the implications of the accident, as well as the impact of low inflation on the price revision formula, delays in military functionality and deliveries, commercial negotiations, cost reduction targets and challenges in the industrial ramp-up, together with associated mitigation actions. As a result of this review, Airbus Defence and Space recorded an additional net charge of €290 million in the second quarter of 2015. The detailed review continued in the second half of 2015 however no further net charges were deemed necessary.

The A400M SOC 1 and 1.5 milestones remain to be achieved. SOC 1 fell due end October 2013 and SOC 1.5 fell due end December 2014. The associated termination rights became exercisable by OCCAR/Nations on 1 November 2014 and 1 January 2016 respectively. SOC 2 fell due end December 2015 and is still in the 12-month grace period. Management judges that it is highly unlikely that any of these termination rights will be exercised.

The A400M programme remains in a critical phase and the associated risks will continue to be closely monitored.

11. Research and development expenses

Research and development expenses increased by 2.0% primarily reflecting R&D activities on the A350 XWB programme at Airbus. In addition, an amount of €154 million of development costs has been capitalised, mainly related to the H160 and Single Aisle NEO programmes.

12. Share of profit from investments accounted for under the equity method and other income from investments

(In € million)	2015	2014
Share of profit from investments in associates (1)	773	721
Share of profit from investments in joint ventures	243	119
Share of profit from investments accounted for under the equity method	**1,016**	**840**
Other income from investments	**54**	**55**

(1) This includes a significant impact from the investment in Dassault Aviation. For more details, please see Note 6 “Acquisitions and disposals”.

13. Other income and other expenses

Other income increased by €+144 million. This increase is mainly due to the capital gain of €72 million related to the disposal of Cimpa SAS, the net gain of €51 million from the partial sale of Dassault Aviation held for sale shares that occurred in the second quarter and the capital gain of €49 million following the completion of the first phase of the creation of ASL (see Note 6 “Acquisitions and disposals”). It also includes income from rental properties (€50 million in 2015 compared to €67 million in 2014).

Other expenses increased by €-43 million, mainly due to costs associated with disposals in Airbus Defence and Space.

14. Total finance costs

Interest income derived from the Group's asset management and lending activities is recognised as interest accrues, using the effective interest rate method.

(In € million)	**2015**	**2014**
Interest on European government refundable advances	(280)	(205)
Others	(88)	(115)
Total interest result [(1)]	**(368)**	**(320)**
Change in fair value measurement of financial instruments	(119)	(240)
Unwinding of discounted provisions	(101)	(117)
Foreign exchange translation of monetary items	(74)	(121)
Others	(25)	20
Total other financial result	**(319)**	**(458)**
Total	**(687)**	**(778)**

(1) In 2015, the total interest income amounts to €183 million (in 2014: €142 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss €-551 million (in 2014: €-462 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

15. Income tax

The expense for income taxes is comprised of the following:

(In € million)	**2015**	**2014**
Current tax expense	(661)	(546)
Deferred tax expense	(16)	(317)
Total	**(677)**	**(863)**

In 2015, €42 million of current tax income and €-56 million of deferred tax expense relate to prior years.

Main income tax rates and main changes impacting the Group:

Countries	**2015**	**2016**	**> 2016**
Netherlands	25.00%	25.00%	25.00%
France	38.00%	34.43%	34.43%
Germany	30.00%	30.00%	30.00%
Spain	28.00%	25.00%	25.00%
UK [(1)]	20.25%	20.00%	18.00%

(1) 20% from 1 April 2015 until 31 March 2017, 19% from 1 April 2017 until 31 March 2020 and 18% from 1 April 2020.

The following table shows a reconciliation from the theoretical income tax (expense) using the Dutch corporate tax rate to the reported income tax (expense):

(In € million)	**2015**	**2014**
Profit before income taxes	3,375	3,213
* Corporate income tax rate	25.0%	25.0%
Expected (expense) for income taxes	(844)	(803)
Effects from tax rate differentials	(329)	(270)
Capital gain on disposals	328	0
Income from investments / associates	84	265
Tax credit	66	77
Change of tax rate	(90)	(47)
Change in valuation allowances	96	(72)
Non-deductible expenses and tax-free income	0	(25)
Other	12	12
Reported tax (expense)	**(677)**	**(863)**

Changes in valuation allowances represent reassessments of the recoverability of deferred tax assets based on future taxable profits of certain companies mainly for Airbus in Germany and Airbus Defence and Space in the United Kingdom ("UK"). The amount of change in valuation allowances of €96 million in 2015 (2014: €-72 million) excludes a positive impact of €1 million (2014: €4 million) from a change in tax rates which is presented in the line "change of tax rate".

As the Group controls the timing of the reversal of temporary differences associated with its subsidiaries (usually referred to as "outside basis differences") arising from yet undistributed profits and changes in foreign exchange rates, it does not recognise a deferred tax liability. For temporary differences arising from investments in associates the Group recognises deferred tax liabilities. The rate used reflects the assumptions that these differences will be recovered from dividend distribution unless a management resolution for the divestment of the investment exists at the closing date. For joint ventures, the Group assesses its ability to control the distribution of dividends based on existing shareholder agreements and recognises deferred tax liabilities accordingly.

As of 31 December 2015, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, for which deferred tax liabilities have not been recognised, amounts to €117 million.

Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of €52 million (in 2014: €115 million). Assessments show that these deferred tax assets will be recovered in future through either (i) own projected profits, or (ii) profits of other companies integrated in the same fiscal group ("régime d'intégration fiscale" in France, "steuerliche Organschaft" in Germany) or (iii) via the "loss surrender-agreement" in UK.

Deferred taxes on net operating losses ("NOL"), trade tax loss carry forwards and tax credit carry forwards:

(In € million)	**France**	**Germany**	**Spain**	**UK**	**Other countries**	**31 December 2015**	**31 December 2014**
NOL	701	1,945	384	2,984	489	6,503	6,410
Trade tax loss carry forwards	0	1,955	0	0	0	1,955	2,240
Tax credit carry forwards	0	0	317	0	6	323	398
Tax effect	**241**	**560**	**413**	**537**	**98**	**1,849**	**2,080**
Valuation allowances	(3)	(244)	(100)	(65)	(11)	(423)	(440)
Deferred tax assets on NOL's and tax credit carry forwards	**238**	**316**	**313**	**472**	**87**	**1,426**	**1,640**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable in France, Germany, UK and in Spain. In Spain, tax credit carry forwards still expire after 18 years. The first tranche of tax credit carry forwards (€14 million) will expire in 2023.

Roll forward of deferred taxes:

In € million	2015	2014
Net deferred tax asset beginning of the year	**4,587**	**2,279**
Deferred tax (expense) in income statement	(16)	(317)
Deferred tax recognised directly in AOCI (IAS 39)	1,112	1,961
Deferred tax on remeasurement of the net defined benefit liability	(235)	577
Others	111	87
Net deferred tax asset at year-end	**5,559**	**4,587**

Details of deferred taxes recognised cumulatively in equity are as follows:

In € million	2015	2014
Available-for-sale investments	(86)	(51)
Cash flow hedges	2,612	1,465
Deferred tax on remeasurement of the net defined benefit liability	1,313	1,548
Total	**3,839**	**2,962**

Deferred income taxes as of 31 December 2015 are related to the following assets and liabilities:

	1 January 2015		**Other movements**		**Movement through income statement**		**31 December 2015**	
(In € million)	**Deferred tax assets**	**Deferred tax liabilities**	**OCI / IAS 19**	**Others(1)**	**R&D tax credits**	**tax benefit (expense)**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	50	(475)	0	(1)	0	(59)	53	(538)
Property, plant and equipment	490	(1,355)	0	(10)	0	354	832	(1,353)
Investments and other long-term financial assets	332	(167)	(35)	80	0	(181)	186	(157)
Inventories	1,219	(457)	0	(8)	0	(173)	1,333	(752)
Receivables and other assets	397	(2,267)	(115)	(1)	0	208	837	(2,615)
Prepaid expenses	2	0	0	0	0	0	3	(1)
Provision for retirement plans	1,897	0	(235)	13	0	(156)	1,519	0
Other provisions	2,422	(498)	0	(2)	0	(550)	1,999	(627)
Liabilities	2,335	(871)	1,389	1	0	713	4,007	(440)
Deferred income	53	(22)	0	0	0	(7)	98	(74)
Net operating loss and tax credit carry forwards	2,080	0	0	82	(51)	(262)	1,849	0
Deferred tax assets / (liabilities) before offsetting	**11,277**	**(6,112)**	**1,004**	**154**	**(51)**	**(113)**	**12,716**	**(6,557)**
Valuation allowances on deferred tax assets	(578)	0	(127)	8	0	97	(600)	0
Set-off	(4,982)	4,982	0	0	0	0	(5,357)	5,357
Net deferred tax assets / (liabilities)	**5,717**	**(1,130)**	**877**	**162**	**(51)**	**(16)**	**6,759**	**(1,200)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

Deferred income taxes as of 31 December 2014 are related to the following assets and liabilities:

(In € million)	1 January 2014 Deferred tax assets	1 January 2014 Deferred tax liabilities	Other movements OCI / IAS 19	Other movements Others[(1)]	Movement through income statement R&D tax credits	Movement through income statement Deferred tax benefit (expense)	31 December 2014 Deferred Tax assets	31 December 2014 Deferred tax liabilities
Intangible assets	146	(456)	0	3	0	(118)	50	(475)
Property, plant and equipment	418	(1,284)	0	24	0	(23)	490	(1,355)
Investments and other long-term financial assets	337	(155)	(30)	0	0	13	332	(167)
Inventories	1,116	(236)	0	(10)	0	(108)	1,219	(457)
Receivables and other assets	246	(2,866)	599	(17)	0	168	397	(2,267)
Prepaid expenses	3	(6)	0	0	0	5	2	0
Provision for retirement plans	1,137	0	577	20	0	163	1,897	0
Other provisions	2,425	(347)	0	1	0	(155)	2,422	(498)
Liabilities	795	(971)	1,392	(10)	0	258	2,335	(871)
Deferred income	82	(46)	0	0	0	(5)	53	(22)
Net operating loss and tax credit carry forwards	2,441	0	0	74	12	(447)	2,080	0
Deferred tax assets / (liabilities) before offsetting	**9,146**	**(6,367)**	**2,538**	**85**	**12**	**(249)**	**11,277**	**(6,112)**
Valuation allowances on deferred tax assets	(500)	0	0	(10)	0	(68)	(578)	0
Set-off	(4,913)	4,913	0	0	0	0	(4,982)	4,982
Net deferred tax assets / (liabilities)	**3,733**	**(1,454)**	**2,538**	**75**	**12**	**(317)**	**5,717**	**(1,130)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

16. Earnings per share

Basic earnings per share - The weighted average number of ordinary shares used for the basic earnings per share computation does not include those shares for which a financial liability was recognised, and equity reduced, under the share buyback program (see Note 32.1 "Equity attributable to equity owners of the parent").

	2015	2014
Profit for the period attributable to equity owners of the parent (Net income)	€2,696 million	€2,343 million
Weighted average number of ordinary shares	785,621,099	782,962,385
Basic earnings per share	€ 3.43	€ 2.99

Diluted earnings per share - The Group's categories of dilutive potential ordinary shares are stock option plans ("SOP"), share-settled performance units for Executive Committee members relating to long-term incentive plans ("LTIP") and the convertible bonds issued on 1 July 2015 (see Note 34.3 "Financing liabilities"). In 2015, the average price of Airbus Group shares exceeded the exercise price of the SOP as well as the share-settled performance units and therefore 359,335 shares (in 2014: 1,193,364 shares) were considered in the calculation of diluted earnings per share. The dilutive effect of the convertible bonds was also considered in the calculation of diluted earnings per share in 2015, by adding back €3 million of interest expense to the profit for the period attributable to equity owners of the parent (2014: no adjustment) and by including 2,511,495 of dilutive potential ordinary shares.

	2015	2014
Profit for the period attributable to equity owners of the parent (Net income)	€2,699 million	€2,343 million
Weighted average number of ordinary shares (diluted) [(1)]	788,491,929	784,155,749
Diluted earnings per share	€ 3.42	€ 2.99

(1) Dilution assumes conversion of all potential ordinary shares.

OPERATIONAL ASSETS AND LIABILITIES

17. Intangible assets

Intangible assets comprise (i) goodwill (see Note 5 "Scope of consolidation") (ii) capitalised development costs (see Note 2 "Significant accounting policies") and (iii) other intangible assets, *e.g.* internally developed software and acquired intangible assets. Intangible assets with finite useful lives are generally amortised on a straight line basis over their respective estimated useful lives (3 to 10 years) to their estimated residual values.

Intangible assets as of 31 December 2015 and 2014 comprise the following:

	31 December 2015			1 January 2015		
(In € million)	Gross amount	Amortisation/ Impairment	Net book value	Gross amount	Amortisation/ Impairment	Net book value
Goodwill	10,995	(1,088)	9,907	11,077	(1,098)	9,979
Capitalised development costs	2,686	(1,027)	1,659	2,507	(819)	1,688
Other intangible assets	3,375	(2,386)	989	3,265	(2,174)	1,091
Total	**17,056**	**(4,501)**	**12,555**	**16,849**	**(4,091)**	**12,758**

Net book value

(In € million)	Balance at 1 January 2015	Exchange differences	Additions	Changes in consolidation scope	Reclassification [(1)]	Disposals	Amortisation/ Impairment	Balance at 31 December 2015
Goodwill	9,979	60	0	0	(107)	(25)	0	9,907
Capitalised development costs	1,688	20	154	0	0	0	(203)	1,659
Other intangible assets	1,091	17	211	0	(37)	(11)	(282)	989
Total	**12,758**	**97**	**365**	**0**	**(144)**	**(36)**	**(485)**	**12,555**

(In € million)	Balance at 1 January 2014	Exchange differences	Additions	Changes in consolidation scope	Reclassification [(1)]	Disposals	Amortisation/ Impairment	Balance at 31 December 2014
Goodwill	9,872	82	0	54	(23)	(6)	0	9,979
Capitalised development costs	1,597	15	225	(4)	(6)	(2)	(137)	1,688
Other intangible assets	1,031	34	195	94	27	(8)	(282)	1,091
Total	**12,500**	**131**	**420**	**144**	**(2)**	**(16)**	**(419)**	**12,758**

(1) Includes intangible assets reclassified to assets of disposal groups classified as held for sale (see Note 6 "Acquisitions and disposals").

Development costs

The Group has capitalised development costs in the amount of €1,659 million as of 31 December 2015 (€1,688 million as of 31 December 2014) as internally generated intangible assets mainly for the Airbus A380 (€412 million) and A350 XWB (€765 million) programmes. The amortisation for the A380 programme development costs is performed on a unit of production basis. Capitalisation for development costs of the A350 XWB programme started in the second quarter of 2012 when the first aircraft entered the final assembly line.

Impairment tests

The Group assesses at each end of the reporting period whether there is an indication that a non-financial asset or a cash generating unit ("CGU") to which the asset belongs may be impaired. In addition, intangible assets with an indefinite useful life, intangible assets not yet available for use and goodwill are tested for impairment in the fourth quarter of each financial year irrespective of whether there is any indication for impairment. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of impairment testing any goodwill is allocated to the CGU or group of CGUs in a way that reflects the way goodwill is monitored for internal management purposes.

The discounted cash flow method is used to determine the recoverable amount of a CGU or the group of CGUs to which goodwill is allocated. The discounted cash flow method is particularly sensitive to the selected discount rates and estimates of future cash flows by management. Discount rates are based on the weighted average cost of capital (WACC) for the groups of cash-generating units. The discount rates are calculated based on a risk-free rate of interest and a market risk premium. In addition, the discount rates reflect the current market assessment of the risks specific to each group of cash-generating units by taking into account specific peer group information on beta factors, leverage and cost of debt. Consequently, slight changes to these elements can materially affect the resulting valuation and therefore the amount of a potential impairment charge.

These estimates are influenced by several assumptions including growth assumptions of CGUs, availability and composition of future defence and institutional budgets, foreign exchange fluctuations or implications arising from the volatility of capital markets. Cash flow projections take into account past experience and represent management's best estimate about future developments.

As of 31 December 2015 and 2014, goodwill was allocated to CGUs or group of CGUs, which is summarized in the following schedule:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Others / HQ	Consolidated
Goodwill as of 31 December 2015	6,759	299	2,835	14	9,907
Goodwill as of 31 December 2014	6,768	310	2,887	14	9,979

The goodwill mainly relates to the creation of the Group in 2000 and the Airbus Combination in 2001.

General assumptions applied in the planning process

The basis for determining the recoverable amount is the value in use of the CGUs. Generally, cash flow projections used for the Group's impairment testing are based on operative planning.

The operative planning, which covers a planning horizon of five years, used for the impairment test, is based on the following key assumptions which are relevant for all CGUs:

- increase of expected future labour expenses of 2% (in 2014: 2%).
- future interest rates projected per geographical market, for the European Monetary Union, the UK and the US.
- future exchange rates of 1.25 US$/€ (in 2014: 1.35 US$/€) to convert in € the portion of future US$ which are not hedged.
- perpetuity growth rate of terminal values of 1% (in 2014: 1%).

The Group follows an active policy of foreign exchange risk hedging. As of 31 December 2015, the total hedge portfolio with maturities up to 2023 amounts to US$102 billion (US$88 billion as of 31 December 2014) and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2016 to 2020). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2023 amounts to 1.28 US$/€ (previous year: 1.33 US$/€) and for the US$/£ hedge portfolio until 2021 amounts to 1.58 US$/£ (previous year: 1.59 US$/£). For the determination of the operative planning in the CGUs, management assumed future exchange rates of 1.25 US$/€ from 2016 onwards to convert in € the portion of future US$ which are not hedged.

General economic data derived from external macroeconomic and financial studies has been used to derive the general key assumptions.

In addition to these general planning assumptions, the following additional CGU specific assumptions, which represent management's current best assessment as of the date of these Consolidated Financial Statements, have been applied in the individual CGUs.

Airbus

- The planning takes into account the decision to ramp-up progressively A320 Programme deliveries to 60 a/c per month. Long Range deliveries increase progressively throughout the planning period from 64 a/c in 2016 to 92 a/c in 2019 incorporating the introduction of A330 Neo deliveries in 2017. Furthermore A350 delivery rates increase significantly throughout the plan. For A380, Management believes that the programme will remain stable in the foreseeable future.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value. The terminal value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on General Market Forecast updated in 2015. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities.
- Due to the huge hedge portfolio, the carrying value and the planned cash flows of the CGU Airbus are materially influenced.
- Cash flows are discounted using a euro weighted WACC of 8.4% (in 2014: 9.4%).

Airbus Helicopters

- The planning takes into account the ramp-up of our medium segment driven by the H145 and the H175 which have been certified in 2014, the continuing deliveries of NH90 and a continuous growth of our support and services activity.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on Helicopter market forecast considering the decrease of last two years in the civil and parapublic market partially driven by decrease of investment in oil and gas, needs of helicopter fleet renewal and growth markers and the increase of Airbus Helicopters market share in this environment. Current market evolutions are considered through sensitivities.
- Cash flows are discounted using a euro weighted WACC of 8.2% (in 2014: 9.0%).

Airbus Defence and Space

Airbus Defence and Space strategy is based on future core activities. The operative planning until 2020 considers a significant change in the portfolio which will be finalized until 2017 after the sale of non-core activities.

- The planning period is characterised by a strong forecasted order intake across Military Aircraft and Space Systems.
- The major products driving significant growth are A400M programme, including export contracts, Tankers, light and medium transport aircraft and satellites, along with significant results from the foundation of ASL.
- Airbus Defence and Space assumes a further increase in profitability over the planning period, driven by higher programme performance and cost synergies.
- Airbus Defence and Space free cash flow target is also expected to grow leveraging on a solid cash generation from current contracts and businesses as well as future order intakes (Military Aircraft, Satellites, Communication Intelligence and Security) and improvement on A400M programme.
- Cash flows are discounted using a Euro weighted WACC of 8.0% (in 2014: 8.7%).

18. Property, plant and equipment

Property, plant and equipment is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. Items of property, plant and equipment are generally depreciated on a straight-line basis. The following useful lives are assumed:

Buildings	10 to 50 years
Site improvements	6 to 30 years
Technical equipment and machinery	3 to 20 years
Jigs and tools (1)	5 years
Other equipment, factory and office equipment	2 to 10 years

(1) If more appropriate, jigs and tools are depreciated using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method).

For details on assets related to lease arrangements on sales financing, please refer to Note 25 "Sales financing transactions".

Property, plant and equipment as of 31 December 2015 and 2014 comprise the following:

(In € million)	31 December 2015 Gross amount	31 December 2015 Depreciation/ Impairment	31 December 2015 Net book value (2)	1 January 2015 Gross amount	1 January 2015 Depreciation/ Impairment	1 January 2015 Net book value (2)
Land, leasehold improvements and buildings including buildings on land owned by others	9,518	(4,349)	5,169	8,874	(4,066)	4,808
Technical equipment and machinery	20,296	(11,946)	8,350	18,850	(10,604)	8,246
Other equipment, factory and office equipment (1)	4,324	(3,290)	1,034	4,195	(3,033)	1,162
Construction in progress	2,574	0	2,574	2,105	0	2,105
Total	**36,712**	**(19,585)**	**17,127**	**34,024**	**(17,703)**	**16,321**

(1) Buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts to €364 million (2014: €154 million). Depreciation amounts to €14 million (2014: €10 million) and related accumulated depreciation €94 million (2014: €79 million).
(2) Include the net book value of "aircraft under operating lease" (see Note 25 "Sales financing transactions").

Net book value

(In € million)	Balance at 1 January 2015	Exchange differences	Additions	Changes in consolidation scope	Reclassification (1)	Disposals	Depreciation/ Impairment	Balance at 31 December 2015
Land, leasehold improvements and buildings including buildings on land owned by others	4,808	33	339	0	372	(79)	(304)	5,169
Technical equipment and machinery	8,246	154	508	0	869	(154)	(1,273)	8,350
Other equipment, factory and office equipment	1,162	38	377	0	0	(199)	(344)	1,034
Construction in progress	2,105	24	1,811	0	(1,366)	0	0	2,574
Total	**16,321**	**249**	**3,035**	**0**	**(125)**	**(432)**	**(1,921)**	**17,127**

(In € million)	Balance at 1 January 2014	Exchange differences	Additions	Changes in consolidation scope	Reclassification (1)	Disposals	Depreciation/ Impairment	Balance at 31 December 2014
Land, leasehold improvements and buildings including buildings on land owned by others	4,559	40	125	98	345	(52)	(307)	4,808
Technical equipment and machinery	7,182	164	405	66	1,518	(4)	(1,085)	8,246
Other equipment, factory and office equipment	1,308	52	183	19	36	(136)	(300)	1,162
Construction in progress	2,536	30	1,500	(7)	(1,935)	(19)	0	2,105
Total	**15,585**	**286**	**2,213**	**176**	**(36)**	**(211)**	**(1,692)**	**16,321**

(1) Includes property, plant and equipment reclassified to assets of disposal groups classified as held for sale (see Note 6 "Acquisitions and disposals").

In 2015, the Group capitalised €8 million of borrowing cost on the production of qualifying assets (2014: €20 million). The Group's borrowing rate at the end of 2015 was 2.06% (2014: 2.12%).

Property, plant and equipment by geographical areas

	31 December	
(In € million)	**2015**	**2014**
France	7,035	6,438
Germany	4,294	4,428
UK	3,015	2,891
Spain	1,560	1,534
Other countries	1,105	817
Property, plant and equipment by geographical areas (1)	**17,009**	**16,108**

(1) Property, plant and equipment by geographical areas excludes leased assets of €118 million (2014: €213 million).

Off-balance sheet commitments

Commitments related to property, plant and equipment comprise contractual commitments for future capital expenditures and contractual commitments for purchases of "Land, leasehold improvements and buildings including buildings on land owned by others" (€320 million as of 31 December 2015 compared to 2014 of €276 million).

Future nominal operating lease payments (for the Group as a lessee) for rental and lease agreements not relating to aircraft sales financing amount to €844 million as of 31 December 2015 (2014: €756 million), and relate mainly to procurement operations (*e.g.* facility leases, car rentals).

Maturities as of 31 December 2015 and 31 December 2014 are as follows:

(In € million)	**2015**	**2014**
Not later than 1 year	158	150
Later than 1 year and not later than 5 years	393	347
Later than 5 years	293	259
Total	**844**	**756**

19. Other investments and other long-term financial assets

	31 December	
(In € million)	**2015**	**2014**
Other investments	1,232	617
Other long-term financial assets	1,260	1,152
Total non-current other investments and other long-term financial assets	**2,492**	**1,769**
Current portion of other long-term financial assets	**178**	**167**
Total	**2,670**	**1,936**

Other investments mainly comprise the Group's participations, the most significant at 31 December 2015 being the participations in AviChina (Group share: 5.0%) amounting to €199 million (2014: €140 million) and CARMAT SAS (Group share: 24.2%, 2014: 24.2%) amounting to €43 million (2014: €68 million).

Other long-term financial assets and the **current portion of other long-term financial assets** encompass other loans in the amount of €717 million and €876 million as of 31 December 2015 and 2014, and the Group's sales finance activities in the form of finance lease receivables and loans from aircraft financing (see Note 25 "Sales financing transactions").

20. Inventories

In € million	31 December 2015 Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	3,229	(476)	2,753
Work in progress	25,585	(5,150)	20,435
Finished goods and parts for resale	3,134	(779)	2,355
Advance payments to suppliers	3,559	(51)	3,508
Total	**35,507**	**(6,456)**	**29,051**

In € million	31 December 2014 Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	3,219	(502)	2,717
Work in progress	21,667	(4,412)	17,255
Finished goods and parts for resale	2,964	(768)	2,196
Advance payments to suppliers	3,233	(46)	3,187
Total	**31,083**	**(5,728)**	**25,355**

The increase in work in progress of €+3,180 million is mainly driven by Airbus and Airbus Defence and Space programmes, partly offset by Airbus Helicopters programmes. Finished goods and parts for resale increased at Airbus Defence and Space and at Airbus Helicopters, partly compensated by a decrease at Airbus. Advance payments to suppliers increased at Airbus.

Write downs for inventories are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2015, write downs of inventories in the amount of €-410 million (2014: €-501 million) are recognised in cost of sales, whereas reversal of write downs amounts to €66 million (2014: €160 million). At 31 December 2015 €9,246 million of work in progress and €1,863 million of finished goods and parts for resale were carried at net realisable value.

21. Trade receivables and trade liabilities

Trade receivables arise when the Group provides goods or services directly to a customer with no intention of trading the receivable. Trade receivables include claims arising from revenue recognition that are not yet settled by the debtor as well as receivables relating to construction contracts. Trade receivables are initially recognised at their transaction price and are subsequently measured at amortised cost less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statement when the receivables are derecognised or impaired as well as through the amortisation process.

Allowance for doubtful accounts involves significant management judgement and review of individual receivables based on individual customer creditworthiness, current economic trends including potential impacts from the EU sovereign debt crisis and analysis of historical bad debts.

Assets and liabilities relative to constructions contracts - In the construction contract business, an asset or liability is classified as current when the item is realised or settled within the Group’s normal operating cycle for such contracts and as non-current otherwise. As a result, assets and liabilities relating to the construction contract business such as trade receivables and payables and receivables from PoC method, that are settled as part of the normal operating cycle are classified as current even when they are not expected to be realised within 12 months after the reporting period.

Trade receivables

In € million	31 December 2015	31 December 2014
Receivables from sales of goods and services	8,153	7,087
Allowance for doubtful accounts	(276)	(289)
Total	**7,877**	**6,798**
Thereof trade receivable not expected to be collected within 1 year	*1,819*	*2,224*

The **trade receivables** increased by €+1,079 million, mainly in Airbus Defence and Space.

In application of the **PoC method**, as of 31 December 2015 an amount of €2,936 million (in 2014: €1,941 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses)** to date amounts to €71,813 million (in 2014: €68,543 million).

The **gross amount due from customers** for contract work, on construction contracts recognized under the PoC method, is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings. In 2015, it amounts to €9,190 million (in 2014: €3,828 million). Due to the nature of certain contracts and the respective recognition of revenues, these incurred costs also include associated work in progress and respective contract losses.

The **gross amount due to customers** for contract work on construction contracts recognized under the PoC method, is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). In 2015, the **gross amount due to customers** amounts to €77 million (in 2014: €2,535 million).

The respective movement in the allowance for doubtful accounts in respect of trade receivables during the year was as follows:

In € million	2015	2014
Allowance balance at 1 January	(289)	(314)
Foreign currency translation adjustment	0	(1)
Utilisations / disposals	15	34
(Additions)	(2)	(8)
31 December	**(276)**	**(289)**

Based on historic default rates, the Group believes that no allowance for doubtful accounts is necessary in respect of trade receivables not past due in the amount of €5,373 million (in 2014: €4,917 million).

Trade liabilities

As of 31 December 2015, trade liabilities amounting to €129 million (€280 million as of 31 December 2014) will mature after more than one year.

22. Provisions, contingent assets and contingent liabilities

Provisions – The determination of provisions, for example for contract losses, warranty costs, restructuring measures and legal proceedings is based on best available estimates.

In general, as the contractual and technical parameters to be considered for provisions in the aerospace sector are rather complex, uncertainty exists with regard to the timing and amounts of expenses to be taken into account.
The majority of the company's other provisions are generally expected to result in cash outflows during the next 1 to 12 years.

	31 December	
(In € million)	**2015**	**2014**
Provision for pensions (Note 29)	7,615	8,250
Other provisions (Note 22)	7,465	7,862
Total	**15,080**	**16,112**
Thereof non-current portion	9,871	10,400
Thereof current portion	5,209	5,712

Movements in provisions during the year were as follows:

(In € million)	**Balance at 1 January 2015**	**Exchange differences**	**Increase from passage of time**	**Additions**	**Reclassi-fication/ Change in consolidated group**	**Used**	**Released**	**Balance at 31 December 2015**
Contract losses	900	1	0	630	(554)	(303)	(318)	356
Outstanding costs	2,369	32	0	1,553	(14)	(1,330)	(179)	2,431
Aircraft financing risks (1)	687	106	42	22	0	(206)	(33)	618
Obligation from services and maintenance agreements	598	28	11	134	0	(171)	0	600
Warranties	438	2	2	77	(7)	(95)	(32)	385
Personnel-related provisions (2)	1,255	2	5	550	(42)	(483)	(142)	1,145
Litigation and claims (3)	144	5	0	87	2	(63)	(45)	130
Asset retirement	130	0	2	1	28	0	0	161
Other risks and charges	1,341	16	1	731	(168)	(151)	(131)	1,639
Total	**7,862**	**192**	**63**	**3,785**	**(755)**	**(2,802)**	**(880)**	**7,465**

(1) See Note 25 "Sales financing transactions"
(2) See Note 28 "Personnel-related provisions"
(3) See Note 36 "Litigation and claims"

In 2015, provision for contract losses mainly includes A350 XWB programme (€136 million) and several Airbus Defence and Space programmes (€133 million). The additions to the contract losses provision include the net charge of €290 million for the A400M programme before netting with work in progress. "Reclassification/Change in consolidated group" mainly relates to offsetting of A400M programme contract provisions to respective inventories (see Note 10 "Revenues, costs of sales and gross margin").

The majority of the addition to provisions for outstanding costs relates to Airbus Defence and Space (€1,008 million) and corresponds among others to the Boarder Security business, to the Eurofighter programme and to diverse tasks to complete on construction contracts, as well as to Airbus Helicopters (€490 million), mainly for the NH90 and Tiger programmes.

Contingent assets and contingent liabilities – Airbus Group is exposed to technical and commercial contingent obligations due to the nature of its businesses. To mitigate this exposure, Airbus Group has subscribed a Global Aviation Insurance Programme (GAP). When the Company has obtained insurance coverage from third parties for these risks, any reimbursement is recognised separately only when it is virtually certain to be received. Information required under IAS 37 "Provisions, contingent liabilities and contingent assets" is not disclosed if the Group concludes that disclosure can be expected to prejudice seriously its position in a dispute with other parties. Negotiations concerning an insurance reimbursement relating to an Airbus commercial insurance case are currently ongoing.

For other contingent liabilities, please refer to Note 36 "Litigation and Claims" and Note 10 "Revenues, cost of sales and gross margin" (mainly A400M).

Other commitments include contractual guarantees and performance bonds to certain customers as well as commitments for future capital expenditures and amounts which may be payable to commercial intermediaries if future sales materialise.

23. Other financial assets and other financial liabilities

Other financial assets

	31 December	
In € million	**2015**	**2014**
Positive fair values of derivative financial instruments (1)	931	502
Others	165	84
Total non-current other financial assets	**1,096**	**586**
Positive fair values of derivative financial instruments (1)	349	208
Receivables from related companies	616	582
Others	437	374
Total current other financial assets	**1,402**	**1,164**
Total	**2,498**	**1,750**

(1) See Note 35 "Information about financial instruments"

Other financial liabilities

	31 December	
(In € million)	**2015**	**2014**
European Governments refundable advances	6,716	6,020
Liabilities for derivative financial instruments (1)	6,703	3,271
Others	619	631
Total non-current other financial liabilities	**14,038**	**9,922**
European Governments refundable advances	570	508
Liabilities for derivative financial instruments (1)	3,884	2,232
Liabilities to related companies	80	50
Others	487	690
Total current other financial liabilities	**5,021**	**3,480**
Total	**19,059**	**13,402**
Thereof other financial liabilities due within 1 year	*5,021*	*3,470*

(1) See Note 35 "Information about financial instruments".

Refundable advances from European governments are provided to the Group to finance research and development activities for certain projects on a risk-sharing basis, *i.e.* they have to be repaid to the European Governments subject to the success of the project.

24. Other assets and other liabilities

Other assets

In € million	31 December 2015	2014
Prepaid expenses	2,051	1,603
Others	115	219
Total non-current other assets	**2,166**	**1,822**
Value added tax claims	1,450	1,371
Prepaid expenses	663	487
Others	706	531
Total current other assets	**2,819**	**2,389**
Total	**4,985**	**4,211**

Other liabilities

(In € million)	31 December 2015	2014
Customer advance payments	14,472	12,231
Others	521	618
Total non-current other liabilities	**14,993**	**12,849**
Customer advance payments (1)	23,612	22,174
Tax liabilities (excluding income tax)	885	675
Others	2,540	2,373
Total current other liabilities	**27,037**	**25,222**
Total	**42,030**	**38,071**
Thereof other liabilities due within 1 year	*26,313*	*24,291*

(1) Of which €8,252 million (2014: €7,840 million) relate to construction contracts mainly in Airbus Defence and Space (2015: €7,007 million and 2014: €6,499 million) and Airbus Helicopters (2015: €1,246 million and 2014: €1,273 million).

25. Sales financing transactions

Sales financing – With a view to facilitating aircraft sales for Airbus and Airbus Helicopters, the Group may enter into either on-balance sheet or off-balance sheet sales financing transactions.

On-balance sheet transactions where Airbus is lessor are classified as operating leases, finance leases and loans, inventory and to a minor extent, equity investments:

(i) operating leases – Aircraft leased out under operating leases are included in property, plant and equipment at cost less accumulated depreciation (see Note 18 "Property, plant and equipment"). Rental income from operating leases is recorded as revenues on a straight-line basis over the term of the lease.

(ii) finance leases and loans – When, pursuant to a financing transaction, substantially all the risks and rewards of ownership of the financed aircraft reside with a third party, the transaction is characterised as either a finance lease or a loan. In such instances, revenues from the sale of the aircraft are recorded upon delivery, while financial interest is recorded over time as financial income. The outstanding balance of principal is recorded on the statement of financial position (on balance sheet) in long-term financial assets, net of any accumulated impairments.

(iii) inventory - Second hand aircraft acquired as part of a commercial buyback transaction, returned to the Group after a payment default or at the end of a lease agreement are classified as inventory held for resale if there is no subsequent lease agreement in force (see Note 20 "Inventories").

***Off-balance sheet commitments* –** Financing commitments are provided to the customer either as backstop commitments before delivery, asset value guarantees at delivery, operating head-lease commitments or counter guarantees:

(i) Backstop commitments are guarantees by Airbus, made when a customer-order is placed, to provide financing to the customer in the event that the customer fails to secure sufficient funding when payment becomes due under the order. Such commitments are not considered to be part of gross customer financing exposure (see below) as (i) the financing is not in place, (ii) commitments may be transferred in full or part to third parties prior to delivery, (iii) past experience suggests it is unlikely that all such proposed financings actually will be implemented and, (iv) the Group retains the asset until the aircraft is delivered and does not incur an unusual risk in relation thereto. In order to mitigate customer credit risks for the Group, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

(ii) Asset value guarantees are guarantees whereby the Group guarantees a portion of the value of an aircraft at a specific date after its delivery. Airbus considers the financial risks associated with such guarantees to be acceptable, because (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft, and (ii) the exercise dates of outstanding asset value guarantees are distributed through 2025. It is management policy that the present value of the guarantee given does not exceed 10% of the sales price of the aircraft.

As of 31 December 2015, the nominal value of asset value guarantees provided to beneficiaries amounts to €781 million (2014: €861 million), excluding €97 million (2014: €146 million) where the risk is considered to be remote. The present value of the risk inherent in asset value guarantees where a settlement is being considered probable is fully provided for and included in the total of provisions recognised for asset value risks of €550 million (2014: €618 million) (see Note 22 “Provisions, contingent assets and contingent liabilities”).

(iii) Operating head-lease commitments – The Group has entered into head-lease sub-lease transactions in which it acts as a lessee under an operating head-lease and lessor under the sub-lease. The Group’s gross customer financing exposure to operating head-lease commitments, determined as the present value of the future head-lease payments, was €92 million in 2015 (2014: €135 million).

Exposure – In terms of risk management, the Group manages its gross exposure arising from its sales financing activities (“gross customer financing exposure”) separately for (i) customer’s credit risk and (ii) asset value risk.

Gross customer financing exposure is the sum of (i) the book value of operating leases before impairment, (ii) the outstanding principal amount of finance leases or loans due before impairment, (iii) the guaranteed amounts under financial guarantees and the net present value of head-lease commitments, (iv) the book value of second hand aircraft for resale before impairment, and (v) the outstanding value of any other investment in sales financing SEs before impairment. This gross customer financing exposure may differ from the value of related assets on the Group’s statement of financial position and related off balance sheet contingent commitments, mainly because (i) assets are recorded in compliance with IFRS, but may relate to transactions that are financed on a limited recourse basis and (ii) the carrying amount of the assets on the Consolidated Statement of Financial position may have been adjusted for impairment losses.

Gross customer financing exposure amounts to US$1.5 billion (€1.4 billion) (2014: US$1.3 billion (€1.1 billion)).

Net exposure is the difference between gross customer financing exposure and the collateral value. Collateral value is assessed using a dynamic model based on the net present value of expected future receivables, expected proceeds from resale and potential cost of default. This valuation model yields results that are typically lower than residual value estimates by independent sources in order to allow for what management believes is its conservative assessment of market conditions and for repossession and transformation costs. The net exposure is fully provided for by way of impairment losses and other provisions.

***Impairment losses and provisions* –** For the purposes of measuring an impairment loss, each transaction is tested individually. Impairment losses relating to aircraft under operating lease and second hand aircraft for resale (included in inventory) are recognised for any excess of the aircraft’s carrying amount over the higher of the aircraft’s value in use and its fair value less cost to sell. Impairment allowances are recognised for finance leases and loans when their carrying amounts exceed the present value of estimated future cash flows (including cash flows expected to be derived from a sale of the aircraft). Under its provisioning policy for sales financing risk, the Group records provisions as liabilities for estimated risk relating to off-balance sheet commitments.

***Security* –** Sales financing transactions, including those that are structured through SE (see below), are generally collateralised by the underlying aircraft. Additionally the Group benefits from protective covenants and from security packages tailored according to the perceived risk and the legal environment.

The Group endeavours to limit its sales financing exposure by sharing its risk with third parties usually involving the creation of an SE. Apart from investor interest protection, interposing an SE offers advantages such as flexibility, bankruptcy remoteness, liability containment and facilitating sell-downs of the aircraft financed. An aircraft financing SE is typically funded on a non-recourse basis by a senior lender and one or more providers of subordinated financing. When the Group acts as a lender to such SEs, it may take the role of the senior lender or the provider of subordinated loan. The Group consolidates an aircraft financing SE if it is exposed to the SE's variable returns and has the ability to direct the relevant remarketing activities. Otherwise, it recognises only its loan to the SE under other long-term financial assets. At 31 December 2015 the carrying amount of its loans from aircraft financing amounts to €553 million (2014: €426 million). This amount also represents the Group's maximum exposure to loss from its interest in unconsolidated aircraft financing SEs.

On-balance sheet operating and finance leases

The ***minimum future operating lease payments*** (undiscounted) due from customers to be included in revenues, and the future minimum lease payments (undiscounted) from investments in finance leases to be received in settlement of the outstanding receivable at 31 December 2015 are as follows:

In € million	**Aircraft under operating lease**	**Finance lease receivable [(1)]**
Not later than 1 year	47	32
Later than 1 year and not later than 5 years	87	127
Later than 5 years	5	54
31 December 2015	**139**	**213**

(1) Includes €45 million of unearned finance income.

Off-balance sheet commitments

Operating head-lease commitments comprise operating lease payments due by Airbus as lessee under head-lease transactions. As of 31 December 2015 and as of 31 December 2014, the scheduled payments owed under sales financing head-leases are as follows:

	31 December	
In € million	**2015**	**2014**
Not later than 1 year	62	69
Later than 1 year and not later than 5 years	98	142
Later than 5 years	0	2
Total aircraft lease commitments [(1)]	**160**	**213**
Of which commitments where the transaction has been sold to third parties	(149)	(191)
Total aircraft lease commitments where the Group bears the risk (not discounted)	**11**	**22**

(1) Backed by sublease income from customers with an amount of €119 million in 2015 (2014: €159 million).

Financing liabilities

Financing liabilities from sales financing transactions are mainly based on variable interest rates (see Note 34.3 "Financing liabilities") and entered into on a non-recourse basis (*i.e.* in a default event, the creditor would only have recourse to the aircraft collateral).

	31 December	
In € million	**2015**	**2014**
Loans	94	46
Liabilities to financial institutions	0	0
Total sales financing liabilities	**94**	**46**

Customer financing exposure

The on-balance sheet assets relating to sales financing, the off-balance sheet commitments and the related financing exposure (not including asset value guarantees) as of 31 December 2015 and 2014 are as follows:

	31 December 2015			31 December 2014		
(In € million)	Airbus	Airbus Helicopters	Total	Airbus	Airbus Helicopters	Total
Operating leases [1]	337	0	337	327	0	327
Finance leases and loans	779	61	840	546	78	624
Inventory	179	0	179	169	0	169
Other investments	28	0	28	0	0	0
On-balance sheet customer financing	**1,323**	**61**	**1,384**	**1,042**	**78**	**1,120**
Off-balance sheet customer financing	84	8	92	126	9	135
Non-recourse transactions on balance sheet	(17)	0	(17)	(10)	(6)	(16)
Off-balance sheet adjustments	(24)	0	(24)	(55)	0	(55)
Gross customer financing exposure	**1,366**	**69**	**1,435**	**1,103**	**81**	**1,184**
Collateral values	(922)	(20)	(942)	(743)	(37)	(780)
Net exposure	**444**	**49**	**493**	**360**	**44**	**404**
Operating leases	(220)	0	(220)	(114)	0	(114)
Finance leases and loans	(113)	0	(113)	(179)	0	(179)
On-balance sheet commitments - provisions [2]	0	(49)	(49)	(3)	(44)	(47)
On-balance sheet commitments - inventories	(93)	0	(93)	(42)	0	(42)
Off-balance sheet commitments - provisions [2]	(18)	0	(18)	(22)	0	(22)
Asset impairments and provisions	**(444)**	**(49)**	**(493)**	**(360)**	**(44)**	**(404)**

(1) For 2015 and 2014, depreciation amounts to €27 million and €31 million respectively and related accumulated depreciation is €203 million and €162 million respectively.
(2) See Note 22 “Provisions, contingent assets and contingent liabilities”.

EMPLOYEES COSTS AND BENEFITS

26. Number of employees

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Total segments	Others / HQ	Consolidated
31 December 2015	72,816	22,520	38,206	133,542	3,032	136,574
31 December 2014	73,958	22,939	38,637	135,534	3,088	138,622

27. Personnel expenses

(In € million)	**2015**	**2014**
Wages, salaries and social contributions	13,022	12,291
Net periodic pension cost (see Note 29 "Post-employment benefits")	598	549
Total	**13,620**	**12,840**

28. Personnel-related provisions

Several German Group 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 expense in that period, recognised in **other personnel charges**.

(In € million)	Balance at 1 January 2015	Exchange differences	Increase from passage of time	Additions	Reclassi-fication/ Change in consolidated group	Used	Released	Balance at 31 December 2015
Restructuring measures / pre-retirement part-time work	425	1	4	67	(20)	(148)	(64)	265
Other personnel charges	830	1	1	483	(22)	(335)	(78)	880
Total	**1,255**	**2**	**5**	**550**	**(42)**	**(483)**	**(142)**	**1,145**

29. Post-employment benefits

	31 December	
(In € million)	**2015**	**2014**
Provision for retirement plans (see Note 29.1)	6,867	7,567
Provision for deferred compensation (see Note 29.2)	748	683
Total	**7,615**	**8,250**

29.1 Provisions for retirement plans

When Group employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries in which the Group 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 ARRCO (Association pour le régime de retraite complémentaire des salaries) and AGIRC (Association générale des institutions de retraite des cadres). 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 obligations.

Germany - The Group 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.

Parts of the pension obligation in Germany are funded by assets invested in specific funding vehicles. Besides a relief fund ("Unterstützungskasse"), the Group 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.

United Kingdom - the Airbus Group 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 Group companies located in the UK and participating in the scheme. The majority of the Scheme's liabilities relate to Airbus Defence and Space Ltd. 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 new joiners, who participate in a separate defined contribution plan.

Moreover, the Group 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. These plans qualify as multi-employer defined benefit plans under IAS 19 "Employee benefits". The Group'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 Group and BAE Systems and a change in UK pensions legislation enacted in April 2006.

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 Group investments participate are currently underfunded. BAE Systems has 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.

Based on detailed information about the different multi-employer pension schemes provided by BAE Systems, the Group is able to appropriately and reliably estimate the share of its participation in the schemes, *i.e.* its share in plan assets, defined benefit obligations ("DBO") and pension costs. The information enables the Group to derive keys per plan to allocate for accounting purposes an appropriate proportion in plan assets, defined benefit obligations and pension costs to its UK investments as of the reporting date, taking into account the impact of contributions as well as future extra contributions agreed by BAE Systems with the trustees. Therefore, the Group accounts for its participation in BAE Systems' UK defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

In 2015, the share of Airbus in BAE Systems' main scheme amounts to 20.96% (in 2014: 19.65%). The impact of this change is mainly reflected in the remeasurements of the period.

BAE Systems, Airbus and the trustees agreed to work towards a sectionalisation of the Main Scheme in 2016, which remains subject to Trustee approval. In a first step, in December 2015, BAE Systems, Airbus Operations Ltd. and the scheme trustees agreed on an allocation of the deficit of the BAE Systems Pension Scheme ("Main Scheme") to BAE Systems and Airbus based in principle on each member's last employer. This methodology is considered to represent a better estimate of the deficit allocation than the relative payroll contributions of active members and has been reflected in the allocation of the IAS 19 pension deficit in the Main Scheme at 31 December 2015. The impact of this change on the amounts allocated at 31 December 2015 is a decrease of €106 million in the Group's share of the reported IAS 19 deficit.

In the event that an employer who participates in the BAE 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. The Group considers the likelihood of this event as remote.

Risks

The defined benefit obligation exposes the Group 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 defined benefit 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 defined benefit obligation is significantly impacted by the applied discount rate. The low interest rates, particular in the €-denominated market environment, lead to a relatively high net pension liability. If the decline in returns of corporate bonds will continue, the defined benefit obligation 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. A fixed interest rate has been agreed for the deferred compensation plan P3, which is financed by the employees.

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 pension liability.

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

	Pension plans in							
	Germany		France		UK		Multi-employer (UK)	
Assumptions in %	2015	2014	2015	2014	2015	2014	2015	2014
Discount rate	2.4	1.9	2.5	2.1	3.9	3.8	3.9	3.6
Rate of compensation increase	2.75	3.25	2.5	2.5	3.0	3.0	3.2	3.2
Rate of pension increase	1.7	1.7	- / 1.7	- / 2.0	2.9	2.8	2.3 - 3.2	2.3 - 3.2
Inflation rate	1.7	1.7	1.7	1.7	3.0	2.9	3.2	3.2

For Germany and France, the Group derives the discount rate used to determine the defined benefit obligation 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 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.

Rates for pension payment increases are deviated from the respective inflation rate for the plan.

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 then yields on index-linked and fixed-interest long-term government bonds.

For the calculation of the German pension obligation, the “2005 G” mortality tables (generation tables) as developed by Professor Dr. Klaus Heubeck are applied. 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, INSEE (Institute for French Statistics) tables are applied.

The development of the defined benefit obligation is set out below:

	Defined benefit obligation			Plan assets			
(In € million)	Pension plans of the Group	Share of multi-employer plan in UK	Total defined benefit obligation	Pension plans of the Group	Share of multi-employer plan in UK	Total plan assets	Total provisions
Balance as of 1 January 2014	**8,822**	**3,460**	**12,282**	**(3,768)**	**(2,705)**	**(6,473)**	**5,809**
Service cost	288	63	351	0	0	0	351
Interest cost and income	309	160	469	(144)	(127)	(271)	198
Settlements	(143)	0	(143)	116	0	116	(27)
Remeasurements: Actuarial and losses arising							
from changes in demographic assumptions	161	65	226	0	0	0	226
from changes in financial assumptions	1,370	584	1,954	0	0	0	1,954
from changes in experience adjustments	165	(134)	31	0	0	0	31
from plan assets			0	(140)	(162)	(302)	(302)
Change in consolidation, transfers and others	(77)	4	(73)	0	0	0	(73)
Benefits paid	(323)	(129)	(452)	130	129	259	(193)
Contributions by employer and other plan participants			0	(380)	(94)	(474)	(474)
Foreign currency translation adjustment	53	264	317	(51)	(199)	(250)	67
Balance as of 31 December 2014 / 1 January 2015	**10,625**	**4,337**	**14,962**	**(4,237)**	**(3,158)**	**(7,395)**	**7,567**
Service cost	358	81	439	0	0	0	439
Interest cost and income	219	175	394	(105)	(130)	(235)	159
Settlements	0	0	0	0	0	0	0
Remeasurements: Actuarial (gains) and losses arising							
from changes in demographic assumptions	(2)	0	(2)	0	0	0	(2)
from changes in financial assumptions	(642)	(1,218)	(1,860)	0	0	0	(1,860)
from changes in experience adjustments	213	(44)	169	0	0	0	169
from plan assets	0	0	0	67	898	965	965
Change in consolidation, transfers and others	(95)	5	(90)	0	0	0	(90)
Benefits paid	(338)	(168)	(506)	139	168	307	(199)
Contributions by employer and other plan participants	0	0	0	(245)	(117)	(362)	(362)
Foreign currency translation adjustment	54	279	333	(50)	(202)	(252)	81
Balance as of 31 December 2015	**10,392**	**3,447**	**13,839**	**(4,431)**	**(2,541)**	**(6,972)**	**6,867**

Change in net defined benefit liability (asset)

On 1 April 2014, Dutch Space B.V., Leiden (Netherlands) settled its own pension scheme and transferred its obligation and related plan assets to the pension scheme of the industry sector “Electrotechnical and Metal” as managed by its pension fund PME. Considering an additional payment of €2 million, the settlement gain amounted to €25 million. The company pays a yearly premium to the PME without any further obligation for additional contributions. The pension scheme of the PME qualifies as a defined contribution plan.

In 2015, contributions in the amount of €241 million (2014: €372 million) are made into the pension plans of the Group, mainly relating to the Contractual Trust Arrangement with €130 million (2014: €265 million), the Airbus Group UK scheme with €58 million (2014: €50 million) and the relief fund in Germany with €50 million (2014: €50 million).
Contributions of approximately €400 million are expected to be made in 2016.
The weighted average duration of the defined benefit obligation for retirement plans and deferred compensation is 14 years at 31 December 2015 (31 December 2014: 15 years).

The split of the defined benefit obligation for retirement plans and deferred compensation between active, deferred and pensioner members for the most significant plans is as follows (as of 31 December 2015 unless otherwise noted):

	Active	Deferred	Pensioner
Germany	46%	6%	48%
France	99%	0%	1%
UK (1)	69%	12%	19%
Share of multi-employer scheme in UK (Main Scheme) (2)	32%	19%	49%

(1) As of 5 April 2013
(2) As of 31 March 2014

The following table shows how the present value of the defined benefit obligations of retirement plans and deferred compensation would have been influenced by changes in the actuarial assumptions as set out for 31 December 2014:

		Impact on defined benefit obligations	
		Change as of 31 December	
	Change in actuarial assumptions	2015	2014
Present value of the obligation		14,680	15,706
Discount rate	Increase by 0.5%-point	(1,007)	(1,333)
	Decrease by 0.5%-point	1,062	1,416
Rate of compensation increase	Increase by 0.25%-point	188	356
	Decrease by 0.25%-point	(305)	(457)
Rate of pension increase	Increase by 0.25%-point	256	345
	Decrease by 0.25%-point	(369)	(452)
Life expectancy	Increase by 1 year	283	421
	Reduction by 1 year	(411)	(537)

Sensitivities are calculated based on the same method (present value of the defined benefit obligation 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 DBO than disclosed above. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

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

	31 December 2015			31 December 2014		
(In € million)	Quoted prices	Unquoted prices	Total	Quoted prices	Unquoted prices	Total
Equity securities						
Europe	990	0	990	1,086	0	1,086
Rest of the world	0	0	0	102	0	102
Emerging markets	221	0	221	248	0	248
Global	1,454	0	1,454	1,452	0	1,452
Bonds						
Corporates	1,549	0	1,549	2,289	0	2,289
Governments	1,715	0	1,715	1,317	0	1,317
Pooled investment vehicles	273	0	273	310	15	325
Commodities	119	0	119	176	0	176
Hedge funds	251	0	251	121	0	121
Derivatives	0	(58)	(58)	0	(47)	(47)
Property	331	4	335	346	5	351
Cash and money market funds	48	0	48	197	0	197
Others	252	(64)	188	2	(143)	(141)
	7,203	(118)	7,085	7,646	(170)	7,476

The majority of funded plans apply broadly an asset-liability matching (ALM) framework. The strategic asset allocation (SAA) 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 2014 consists of fixed income instruments, equities, and although the Group also invests in property, commodities and hedge funds. The Group is reassessing 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 SAA.

The amount recorded as provision in the Consolidated Statement of Financial Position can be allocated to the significant countries as follows:

Recognised provision for retirement plans

	Pension plans of the Group				Share of multiemployer	
(In € million)	Germany	France	UK	Others	plan in the UK	Total
Defined benefit obligation	8,144	1,561	909	11	4,337	14,962
Plan assets	3,392	17	828	0	3,158	7,395
Recognised in the statements of financial position as of 31 December 2014	**4,752**	**1,544**	**81**	**11**	**1,179**	**7,567**
Defined benefit obligation	7,793	1,545	1,044	10	3,447	13,839
Plan assets	3,464	17	950	0	2,541	6,972
Recognised in the statements of financial position as of 31 December 2015	**4,329**	**1,528**	**94**	**10**	**906**	**6,867**

Employer’s contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2015 amount to €689 million (in 2014: €674 million).

29.2 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 ("PA") is as follows:

Change in net defined benefit liabilities (assets):

	2015			2014		
(In € million)	**DBO**	**PA**	**Total**	**DBO**	**PA**	**Total**
Balance as of 1 January	**744**	**(81)**	**663**	**529**	**(74)**	**455**
Service cost	137	0	137	85	0	85
Interest cost	14	0	14	18	0	18
Interest income	0	(2)	(2)	0	(3)	(3)
Remeasurements: Actuarial and losses arising						
from changes in financial assumptions	(34)	0	(34)	121	0	121
from changes in experience adjustments	0	0	0	6	0	6
from plan assets	0	3	3	0	(1)	(1)
Transfer and change in consolidation	(15)	0	(15)	(12)	0	(12)
Benefits paid	(5)	0	(5)	(3)	0	(3)
Additions	0	0	0	0	(3)	(3)
Contributions	0	(33)	(33)	0	0	0
Balance as of 31 December	**841**	**(113)**	**728**	**744**	**(81)**	**663**

Recognised as:

(In € million)	**2015**	**2014**
Provision	748	683
Other non-current and current assets	20	20
Total	**728**	**663**

The portion of the obligation, which is not protected by the pension guarantee association or PSV ("Pensions-Sicherungs Verein") in case of an insolvency of the Group companies concerned, is covered by securities. Trust agreements between the trust and the participating companies stipulate that some portions of the obligation must be covered with securities in the same amount, while other portions must be covered by 115% leading to an overfunding of the related part of the obligation. These amounts are recognised as other non-current and current assets.

30. Share-based payment

Share based compensation – In 2007, the Group introduced a performance and restricted unit plan (or LTIP) which qualifies as a **cash settled share-based payment plan** under IFRS 2. The grant of so called "units" will not physically be settled in shares (except with regard to Group Executive Committee members). For details of the conversion of some performance units granted to Executive Committee members into equity-settled plans please refer to Note 31.1 "Remuneration-Executive Committee".

For plans settled in cash, provisions for associated services received are measured at fair value by multiplying the number of units expected to vest with the fair value of one LTIP unit at the end of each reporting period, taking into account the extent to which the employees have rendered service to date. The fair value of each LTIP unit is determined using a forward pricing model. Changes of the fair value are recognised as personnel expense of the period, leading to a remeasurement of the provision.

Besides the **equity settled SOP** that have been granted in the past, the Group offers its employees under the **employee share ownership plan** ("ESOP"), which is an additional equity settled share-based payment plan, Airbus Group shares at fair value matched with a number of free shares based on a determining ratio. The fair value of shares provided is reflected as personnel expense in the Group's Consolidated Income Statements with a corresponding increase in equity.

30.1 Stock option plans ("SOP") and long-term incentive plan ("LTIP")

Based on the authorisation given to it by the Shareholders' meetings, the Group's Board of Directors approved SOPs in 2006 and 2005 (see dates below). These plans provide to the members of the Executive Committee as well as to the Group's senior management the grant of options for the purchase of the Group's shares.

For all of the Group's SOPs, the granted exercise price exceeded the share price at the grant date.

In 2015, 2014, 2013, 2012, 2011 and 2010, the Board of Directors of the Company approved the granting of LTIP performance and restricted units.

In 2014, the Group decided to hedge the share price risk inherent in the cash-settled LTIP units by entering in equity swaps where the reference price is based on the Airbus Group share price. To the extent that LTIP units are hedged, compensation expense recognised for these units will effectively reflect the reference price fixed under the equity swaps.

In 2015, compensation expense for LTIPs including the effect of the equity swaps amounted to €175 million (in 2014: €156 million). For the SOPs, expenses were neither recognised in 2015 nor in 2014.

The fair value of units granted per vesting date is as follows (LTIP plan 2015):

Expected vesting date (In € per unit granted)	**FV of restricted and performance units to be settled in cash**
July 2019	56.92
July 2020	53.90

As of 31 December 2015 provisions of €320 million (2014: €314 million) relating to LTIP have been recognised.

The lifetime of the performance and restricted units is contractually fixed (see the description of the respective tranche). The measurement is next to other market data, mainly affected by the share price as of the end of the reporting period (€62.00 as of 31 December 2015) and the lifetime of the units.

The principal characteristics of the SOPs as at 31 December 2015 are summarized in the table below:

	SOP 2005	**SOP 2006**
Date of Shareholders' meeting	11 May 2005	4 May 2006
Grant date	9 December 2005	18 December 2006
Number of options granted	7,981,760	1,747,500
Number of options outstanding	0	264,500
Total number of eligible employees	1,608	221
Vesting conditions	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations")	
Expiry date	8 December 2015	16 December 2016
Conversion right	One option for one share	
Vested	100%	100%
Exercise price	€ 33.91	€ 25.65
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	5,205,471	1,276,500

(1) As regards the SOP 2005, part of the options granted to the Group's top executives were performance related.

The following table summarises the development of the number of outstanding stock options:

Tranches	**Number of options**			
	Balance at 1 January	**Exercised**	**Forfeited**	**Balance at 31 December**
SOP 2005				
2014	2,449,997	(700,696)	(20,160)	1,729,141
2015	1,729,141	(1,668,678)	(60,463)	0
SOP 2006				
2014	706,125	(194,375)	0	511,750
2015	511,750	(241,750)	(5,500)	264,500
Total options for all tranches	**2,240,891**	**(1,910,428)**	**(65,963)**	**264,500**

The weighted average share price at the date of exercise for share options exercised in 2015 was €60.65 (2014: €50.06).

The principal characteristics of the performance and restricted units of the LTIPs as at 31 December 2015 are summarized below:

	LTIP 2010		**LTIP 2011**		**LTIP 2012**		**LTIP 2013**		**LTIP 2014**		**LTIP 2015**	
Grant date	10 November 2010		9 November 2011		13 December 2012		17 December 2013 (3)		13 November 2014		29 October 2015	
	Performance and restricted unit plan											
Units	**Performance**	**Restricted**	**Performance**	**Restricted**	**Performance**	**Restricted**	**Performance**	**Restricted**	**Performance**	**Restricted**	**Performance**	**Restricted**
Number of units granted (1)	2,891,540	977,780	2,606,900	880,225	2,119,160	621,980	1,241,020	359,760	1,110,230	291,420	926,416	239,604
Number of units outstanding	0	0	1,621,252	430,509	2,024,076	601,800	1,202,576	355,120	1,109,650	290,840	926,416	239,604
Total number of eligible beneficiaries	1,711		1,771		1,797		1,709		1,621		1,564	
Vesting conditions	The performance and restricted units will vest if the participant is still employed by a Group company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of four payments (from the LTIP 2014 onwards two payments) over two years.											
Share price per unit is limited at the vesting dates to (2)	-		-		€55.66		€92.34		€94.90		€112.62	
Vesting dates	25% each: in May 2014 in November 2014 in May 2015 in November 2015		25% each: in May 2015 in November 2015 25% each expected: in May 2016 in November 2016		25% each expected: in May 2016 in November 2016 in May 2017 in November 2017		25% each expected: in May 2017 in November 2017 in May 2018 in November 2018		50% each expected: in June 2018 in June 2019		50% each expected: in June 2019 in July 2020	
Number of vested units	3,693,272	916,700	1,524,034	417,472	2,000	2,800	600	0	0	0	0	0

(1) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of the Group) during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

(2) Corresponds to 200% of the respective reference share price. Overall, the pay-out for performance units is limited to a total amount of 250% of the units originally granted, each valued with the respective reference share price of €27.83 (for LTIP 2012), €46.17 (for LTIP 2013), €47.45 (for LTIP 2014) and €56.31 (for LTIP 2015).

(3) Date, when the vesting conditions were determined.

30.2 Employee share ownership plan ("ESOP")

In 2015, the Board of Directors approved a new ESOP. Eligible employees were able to purchase a fixed number of previously unissued shares at fair value (4, 6, 9, 19, 37, 74 or 148 shares). The Group matched each fixed number of shares with a number of free Airbus Group shares based on a determined ratio (4, 5, 6, 11, 16, 25 and 39 free shares, respectively). During a lockup period of at least one year or, provided the purchase took place in the context of a mutual fund (regular savings plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who directly purchased Airbus Group shares have, in addition, the ability to vote at the annual shareholder meetings. The subscription price was equal to the closing price at the Paris stock exchange on 26 February 2015 and amounted to €51.63. Investing through the mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 trading days immediately preceding 26 February 2015, resulting in a price of €49.70. The Group issued and sold 477,985 ordinary shares with a nominal value of €1.00 each. Compensation expense (excluding social security contributions) of €25 million was recognised in connection with ESOP.
An ESOP 2014 was not implemented.

31. Remuneration

31.1 Remuneration – Executive Committee

The Group's key management personnel consist of Members of the Executive Committee and Non-Executive Board Members. The Chief Executive Officer (CEO), who chairs the Executive Committee, is the sole Executive Board Member. The annual remuneration and related compensation costs of the key management personnel as expensed in the respective year can be summarised as follows:

(In € million)	2015 Total	2014 Total
Executive Committee, incl. Executive Board Member		
Salaries and other short term benefits (including bonuses)	23.2	23.2
Post-employment benefit costs	7.5	8.7
Share-based remuneration ("LTIP award", including associated hedge result)	15.4	16.7
Termination benefits	3.5	4.1
Other benefits	0.8	0.6
Social charges	6.5	4.9
Non-Executive Board Members		
Short-term benefits (including social charges)	1.5	1.5
Total expense recognised	**58.4**	**59.7**

For additional information regarding the remuneration of Executive Committee Members (including the CEO), please also refer to the Report of the Board of Directors, chapter 4.4 "Remuneration Report".

Salaries and other short-term benefits (including bonuses)

The amount of bonuses is based on estimated performance achievement as at the balance sheet date and difference between previous year estimation and actual pay-out in the current year. Outstanding short-term benefits (bonuses) at year end 2015 for Executive Committee members based on estimated performance achievement at year-end was €13.4 million (2014: €14.9 million).
In 2015, the Company does not recognise any high salary taxes for Executive Committee members subject to French tax jurisdictions under the "Taxe sur les hauts revenus", requiring for 2014 and 2015 exceptional 50% charges on individual annual remuneration exceeding €1 million (2014: €3.6 million).

Post-employment benefit cost

The pension defined benefit obligation of the Executive Committee, including the CEO, at 31 December 2015 amounted to €61.6 million (2014: €81.6 million). The disclosed defined benefit obligation reflects the total outstanding balance for all Executive Committee members subject to a defined benefit plan and in charge at the end of the respective balance sheet date.

Share-based remuneration ("LTIP award")

The share-based payment expenses result from not yet forfeited units granted to the Executive Committee Members under the Airbus Group LTIP which are re-measured to fair value as far as they are cash settled.

In 2015, the members of the Executive Committee were granted 175,802 performance units for LTIP 2015 and 8,850 additional units for LTIP 2014 (2014: 190,460 units) the respective share price of these performance units at grant date was €10.3 million (2014: €9.1 million). Fair value of outstanding LTIP balances at the end of 2015 for all Executive Committee Members was €21.6 million (2014: €18.8 million). The total number of outstanding performance and restricted units amounted to 775,744 at 31 December 2015 (2014: 823,493), granted to the current members of the Executive Committee.

Also basing on the intention of the Board of Directors to increase the long-term commitment of Executive Committee members to the success of the company the Board has authorized the Executive Committee members to opt for partial conversion of the otherwise cash settled LTIP plans into share settled plans at each grant date of any new LTIP, requiring a minimum conversion rate into equity settlement of 25% of total granted performance units. At the conversion date, each Executive Committee member individually determined the split of equity and cash settlement for the formerly granted LTIP plan. By the end of February 2016, Executive Committee members will accordingly decide on the split for the 2015 LTIP plan. After overall performance assessment of each of the plans, the vesting dates as determined at the initial grant date apply to all cash settled performance units, however, units converted into equity settlement only vest at the last of the vesting dates of the respective plan.

Number of performance units granted to Executive Committee Members

	LTIP 2010 (1)	LTIP 2011 (2)	LTIP 2012 (3)	LTIP 2013	LTIP 2014
Total number of units granted	413,984	337,280	275,900	203,000	199,310
Number of cash-settled units	263,228	227,949	199,925	138,300	147,269
Number of equity-settled units	150,756	109,331	75,975	64,700	52,041
Date of conversion	31 December 2012	31 December 2012	28 February 2013	28 February 2014	28 February 2015
Share price at date of conversion	€ 29.50	€ 29.50	€ 39.70	€ 53.39	€ 55.33

(1) Based on performance achievement of 136% for performance units under 2010 LTIP.

(2) Based on performance achievement of 128% for performance units under 2011 LTIP.

(3) Based on performance achievement of 100% for performance units under 2012 LTIP.

SOPs

To the other current members of the Executive Committee and to the Group's senior management, the number of outstanding stock options amounted to 264,500 at 31 December 2015 (2014: 2,240,891). During the year 2015, the Executive Committee members have exercised 241,085 options (2014: 188,128) granted under the various SOP's. 137,500 options (2014: 118,000) were exercised by former Executive Committee Members. As all Airbus Group SOPs vested before 2012 no related personnel expense was recognised in 2015 or in 2014.

Other benefits

Other benefits include expenses for Executive Committee members' company cars and accident insurance. There were no outstanding liabilities at 31 December 2015 or 2014 respectively.

31.2 Remuneration – Chief Executive Officer ("CEO")

The total **remuneration** of the CEO and Executive member of the Board of Directors related to the reporting periods 2015 and 2014 can be summarized as follows:

CEO (Tom Enders):

(In € million)	2015	2014
Base salary	1,400,004	1,400,004
Annual variable pay	1,659,000	1,750,000
Post-employment benefits costs	1,079,861	1,043,679
Share based remuneration ("LTIP award") (1)	2,401,751	2,798,039
Other benefits	69,050	68,415
Social charges	11,368	11,172

(1) Expense related to share-based payment plans as recognised in the annual period (service period) including the result from the hedge of cash-settled share based payment: refer to Note 30 "Share-based payment" for details. The pay-out from vested cash settled LTIP in 2015 was €3,148,629 (2014: €2,374,997).

Annual variable pay

The annual variable pay is based on estimated performance achievement as at the balance sheet date and difference between the previous year's estimation and actual pay-out in the current year.

Post-employment benefit costs

Post-employment benefit costs relate to the aggregated amount of current service and interest costs as well as interest costs on employee's contribution to the defined benefit plan.

For the CEO, Tom Enders, the pension defined benefit obligation including deferred compensation amounted to €17,118,048 as of 31 December 2015 (€18,584,426 as of 31 December 2014), whilst the amount of current service and interest cost related to his pension promise accounted for in the fiscal year 2015 represented an expense of €1,079,861 (2014: €1,043,679). This amount has been accrued in the Consolidated Financial Statements.

Share-based remuneration

The tables below gives an overview of the interests of the current executive members of the Board of Directors, Tom Enders as CEO, under the various LTIP's of the Group:

Performance units plan (LTIP)

	LTIP					
Granted date	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Performance units	54,400	51,400	50,300	30,300	29,500	24,862
Re-evaluation of PU	136%	128%	100%	100%	100%	100%
PUs re-evaluated	73,984	65,792	50,300	30,300	29,500	24,862
Vested in 2015						
in cash	27,744	24,672	0	0	0	0
in shares	18,496	0	0	0	0	0
Outstanding 2015						
in cash	0	24,672	37,725	15,150	29,500	24,862
in shares	0	16,448	12,575	15,150	0	0
Vesting schedule						
Cash-settled units	For vesting dates, please refer to Note 30.1 "SOP and LTIP"					
Equity-settled units	0	November 2016	November 2017	November 2018	June 2019	July 2020

Vesting of all performance units granted to the CEO is subject to performance conditions

Fair value of outstanding LTIP balances at the end of 2015 for the CEO was €3,460,607 (2014: €3,287,645).

Other benefits

The CEO, Tom Enders, is entitled to accident insurance coverage and a company car. In 2015, the total amount expensed was €69,050 (2014: €68,415). The company has not provided any loans to / advances to / guarantees on behalf of the CEO.

31.3 Remuneration – Board of Directors

The remuneration of the non-executive members of the Board of Directors was as follows:

	2015 (1)			2014 (1)		
(In €)	Fixum	Attendance fees	Total	Fixum	Attendance fees	Total
Denis Ranque	180,000	70,000	250,000	180,000	70,000	250,000
Manfred Bischoff	80,000	25,000	105,000	80,000	25,000	105,000
Ralph D. Crosby	80,000	35,000	115,000	80,000	35,000	115,000
Hans-Peter Keitel	100,000	35,000	135,000	100,000	30,000	130,000
Hermann-Josef Lamberti	110,000	30,000	140,000	110,000	35,000	145,000
Anne Lauvergeon	100,000	30,000	130,000	100,000	30,000	130,000
Lakshmi N. Mittal	100,000	35,000	135,000	100,000	30,000	130,000
María Amparo Moraleda Morales	50,000	20,000	70,000	0	0	0
Sir John Parker	110,000	30,000	140,000	110,000	35,000	145,000
Michel Pébereau	100,000	25,000	125,000	100,000	30,000	130,000
Josep Piqué i Camps	41,668	0	41,668	100,000	15,000	115,000
Jean-Claude Trichet	100,000	35,000	135,000	100,000	35,000	135,000
Total	1,151,668	370,000	1,521,668	1,160,000	370,000	1,530,000

(1) The Fixum related to 2014 was paid in 2015. The Fixum and the attendance fees for the last six months of 2015 will be paid in 2016.

CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

32. Total equity

32.1 Equity attributable to equity owners of the parent

Airbus Group'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)	2015	2014
Issued as at 1 January	**784,780,585**	**783,157,635**
Issued for ESOP	1,539,014	0
Issued for exercised options	1,910,428	1,871,419
Cancelled	-2,885,243	-248,469
Issued as at 31 December	**785,344,784**	**784,780,585**
Treasury shares as at 31 December	-1,474,057	-431,832
Outstanding as at 31 December	**783,870,727**	**784,348,753**
Authorised shares	**3,000,000,000**	**3,000,000,000**

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

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of €1,910,428 (in 2014: €1,871,419) in compliance with the implemented SOP's and by employees of €1,539,014 million (in 2014: €0) under the ESOPs.

Share premium mainly results from contributions in kind in the course of the creation of Airbus Group, cash contributions from the Group's initial public offering, capital increases and reductions due to the issuance and cancellation of shares as well as cash dividend payments to Airbus Group SE shareholders.

On 27 May 2015, the shareholders' general meeting decided to distribute a gross amount of €1.20 per share, which was paid on 3 June 2015. For the fiscal year 2015, the Group's Board of Directors proposes a cash distribution payment of €1.30 per share.

Retained earnings include mainly the profit of the period and the changes in other comprehensive income from remeasurements of the defined benefit liability net of tax which amounts to €491 million in 2015 (in 2014: €-1,585 million).

On 1 July 2015, Airbus Group issued a convertible bond for €500 million with a 7-year maturity (see Note 34.3 Financing liabilities).

Treasury shares represent the amount paid or payable for own shares held in treasury and relates to the share buyback in 2015.

On 27 May 2015, the Annual General Meeting (AGM) of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2016, to issue shares and grant rights to subscribe for shares in the Company's share capital for the purpose of:

- employee share ownership plans in the limit of 0.1% of the Company's authorised share capital (see Note 30 "Share-based payment")
- 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 capital (see Note 34.3 "Financing liabilities")

For each operation, such powers shall not extend to issuing shares or granting rights to subscribe for shares if there is no preferential subscription right and for an aggregate issue price in excess of €500 million per share issuance.

Also on 27 May 2015, the AGM authorised the Board of Directors for an 18-month period to repurchase up to 10% of the Company's issued and outstanding share capital (*i.e.* issued share capital excluding shares held by the Company or its subsidiaries) at a price not exceeding €85 per share.

Airbus Group has appointed an Investment Services Provider to undertake a share buyback on behalf of the Company for a maximum amount of €1 billion. The buyback will take place between 2 November 2015 and 30 June 2016. As of 31 December 2015, the Group bought back €264 million of shares and recognised a financial liability of €223 million for its irrevocable share buyback commitment at that date. Recognition of the financial liability led to a corresponding reduction of equity.

Furthermore, the Annual General Meeting authorised both the Board of Directors and the CEO, with powers of substitution, that the number of shares repurchased by the Company pursuant to the share buyback programme are cancelled. As per decisions of the Chief Financial Officer upon delegation of the CEO, on 17 December 2015, a number of 2,885,243 shares have been cancelled.

32.2 Non-controlling interests

The non-controlling interests (NCI) from non-wholly owned subsidiaries amount to €7 million as of 31 December 2015 (in 2014: €18 million). These NCI do not have a material interest in the Group's activities and cash flows.

Subsidiaries with NCI that are material to their stand-alone financial information are:

	Elbe Flugzeugwerke GmbH		GEW Technnologies (Pty) Ltd.		Alestis Aerospace S.L.		PFW Aerospace GmbH	
Principal place of business	Dresden (Germany)		Pretoria (South Africa)		La Rinconada (Spain)		Speyer (Germany)	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Ownership interest held by NCI	35%	35%	25%	25%	38.09%	38.84%	25.10%	25.10%
NCI (in € million)	19	21	9	11	(25)	(25)	(28)	(21)
Profit (loss) allocated to NCI (in € million)	2	2	2	1	(7)	(10)	0	1

33. Capital management

The Group seeks to maintain a strong financial profile to safeguard its going concern, financial flexibility as well as shareholders', credit investors' and other stakeholders' confidence in the Group. Consequently, operating liquidity is of great importance.
As part of its capital management, it is one of the Group's objectives to maintain a strong credit rating by institutional rating agencies. This enables the Group to contain its cost of capital which positively impacts its stakeholder value (entity value). Next to other non-financial parameters, the credit rating is based on factors such as, cash flow ratios, profitability and liquidity ratios. The Group monitors these ratios to keep them in a range compatible with a strong rating.

Rating agency	Long term rating	Outlook	Short term rating
Standard and Poor's	A	Positive (1)	A-1
Moody's Investors Services	A2	Stable	P-1
Fitch Ratings (unsolicited)	A-	Stable	F-2

(1) The outlook with Standard and Poor's has been changed to positive from stable in September 2015.

The Group's stand-alone ratings reflect the strong backlog providing revenue visibility and Airbus leading market position, the Group's strong liquidity and improving credit metrics as well as management's focus on programmes execution, profitability and cash generation improvement. The rating is constrained by the Group's exposure to structural currency risk.
In accordance with the Group's conservative financial policy, a strong rating is key to maintain a wide array of funding sources at attractive conditions, to have broad access to long-term hedging and to strengthen Airbus' position as a solid counterparty for its customers and suppliers.

Among other indicators, the Group uses a Value Based Management approach in order to guide the Company towards sustainable value creation by generating financial returns above the cost of capital.
The key elements of the Value Based Management concept are:

- the definition of financial returns,
- the definition of the Company's capital base, and
- the measurement of value creation derived from the two above.

The Group uses Return on Capital Employed ("RoCE") to measure the value created by financial returns relative to its capital base. RoCE, as defined by the Group, uses EBIT pre-goodwill impairment and exceptionals for the numerator and Average Capital Employed for the denominator. The Average Capital Employed for the Group is defined as the average of the annual opening and closing positions of Fixed Assets plus Net Operating Working Capital plus operating cash less Other Provisions.

Financial value is created if profits relative to the Group's Capital Employed exceed the company's cost of capital. Value can be measured by comparing RoCE to the WACC. A five year plan for a value creation ambition is constructed annually, and is composed of (1) RoCE, (2) EBIT pre-goodwill impairment and exceptionals, and (3) Free Cash Flow, which is defined as Cash provided by operating activities and Cash used for investing activities less Change of securities, Contribution to plan assets for pensions and realized Treasury swaps. The Company's long-term aspiration is to reach the first quartile of RoCE performance among our aerospace and defence peers.

The Group also monitors the level of dividends paid to its shareholders.

The Group generally satisfies its obligations arising from share-based payment plans by issuing new shares. In order to avoid any dilution of its current shareholders out of these share-based payment plans, the Group has accordingly decided to buyback and cancel its own shares following the decisions of the Board of Directors and approval of the Annual General Meeting. Apart from this purpose, the Group generally does not trade with treasury shares.

The Group complies with the capital requirements under applicable law and its Articles of Association.

34. Net cash

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

	31 December	
(In € million)	**2015**	**2014**
Cash and cash equivalents	7,489	7,271
Current securities	1,788	3,183
Non-current securities	9,851	5,989
Short-term financing liabilities	(2,790)	(1,073)
Long-term financing liabilities	(6,335)	(6,278)
Total	**10,003**	**9,092**

Derivative instruments recognised in the Group's statement of financial position consist of (i) instruments that are entered into as hedges of the Group's operating activities or interest result, and (ii) embedded foreign currency derivatives that arise from separating the foreign currency component from certain operating contracts. Cash flows resulting from the settlement of these derivatives are therefore recorded as part of Group cash flow from operations. Similarly, financial assets and liabilities arising from customer financing activities and refundable advances from European governments are considered part of the Group's operating activities and related cash flows are hence recognised as cash flows from operating activities.

34.1 Cash and cash equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2015**	**2014**
Bank account and petty cash	1,504	2,280
Short-term securities (at fair value through profit and loss)	3,220	3,261
Short-term securities (available for sale)	2,851	1,744
Others	1	4
Total cash and cash equivalents	**7,576**	**7,289**
Recognized in disposal groups classified as held for sale	87	18
Recognized in cash and cash equivalents	**7,489**	**7,271**

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.

34.2 Securities

The majority of the Group's securities consists of debt securities and are classified as available-for-sale financial assets and carried at their fair values (see Note 35.2 "Carrying amounts and fair values of financial instruments" for more details on how available-for-sale assets are accounted for).

The Group's security portfolio amounts to €11,639 million and €9,172 million as of 31 December 2015 and 2014, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of €9,848 million (in 2014: €5,985 million) and securities designated at fair value through profit and loss of €3 million (in 2014: €4 million) as well as a **current portion** of available-for-sale-securities of €1,788 million (in 2014: €3,183 million).

Included in the securities portfolio as of 31 December 2015 and 2014, respectively, are corporate and government bonds bearing either fixed rate coupons (€10,956 million nominal value; comparably in 2014: €8,666 million) or floating rate coupons (€397 million nominal value; comparably in 2014: €250 million) and foreign currency Funds of Hedge Funds (€8 million nominal value; 2014: €8 million).

When the Group enters into securities lending activities, the securities pledged as collateral continue to be recognised on the balance sheet. There were no such securities pledged as of 31 December 2015 and 2014.

34.3 Financing liabilities

Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, deposits made by customers of Airbus Group Bank, borrowings received from joint ventures and other parties as well as finance lease liabilities. Financing liabilities are recorded initially at the fair value of the proceeds received, net of transaction costs incurred. Subsequently, financing liabilities are measured at amortised cost using the effective interest rate method with any difference between proceeds (net of transaction costs) and redemption amount being recognised in "total finance income (cost)" over the period of the financing liability.

Financing liabilities to financial institutions include liabilities from securities lending transactions. In securities lending transactions, the Group receives cash from its counterparty and transfers the securities subject to the lending transaction as collateral. The amount of cash received is recognised as a financing liability. The securities lent are not derecognised, but remain on the Group's balance sheet.

The Group has issued several €-denominated bonds under its Euro Medium Term Note Programme ("EMTN") and placed a US dollar-denominated bond on the US institutional market under Rule 144A. It has also issued a convertible bond in euro. Furthermore, the Group has long-term US dollar-denominated loans outstanding with the European Investment Bank ("EIB") and the Development Bank of Japan ("DBJ").

The terms and repayment schedules of these bonds and loans are as follows:

Bond / Loan	Principal amount	Issuance date	Coupon or interest rate	Effective interest rate	Maturity date	Additional features
EMTN 15 years	€ 500,000,000	Sep-03	5.50%	5.58%	Sep-18	Interest rate swapped into 3M Euribor +1.72%
EMTN 7 years	€ 1,000,000,000	Aug-09	4.625%	4.68%	Aug-16	Interest rate swapped into 3M Euribor +1.57%
EMTN 10 years	€ 1,000,000,000	Apr-14	2.375%	2.394%	Apr-24	Interest rate swapped into 3M Euribor +1.40%
EMTN 15 years	€ 500,000,000	Oct-14	2.125%	2.194%	Oct-29	Interest rate swapped into 3M Euribor +0.84%
USD Bond 10 years	US$1,000,000,000	Apr-13	2.70%	2.73%	Apr-23	Interest rate swapped into 3M Libor +0.68%
CONVERTIBLE Bonds 7 years	€ 500,000,000	Jul-15	0.00%	1.386%	Jul-22	Convertible into Airbus Group SE shares at €99.54 per share
DBJ 10 years	US$300,000,000	Jan-11	3M US-Libor +1.15%		Jan-21	Interest rate swapped into 4.76% fixed
EIB 10 years	US$720,750,000	Aug-11	3M US-Libor +0.85%		Aug-21	Interest rate swapped into 3.2% fixed
EIB 7 years	US$406,110,000	Feb-13	3M US-Libor +0.93%		Feb-20	
EIB 10 years	US$626,850,000	Dec-14	2.52%	2.52%	Dec-24	Interest rate swapped into 3M Libor +0.61%
EIB 10 years	US$320,130,000	Dec-15	6M US-Libor +0.559%		Dec-25	

The Group can issue commercial paper under the so called "billet de trésorerie" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of €2 billion, increased in 2013 to a maximum volume of €3 billion. As of 31 December 2015, there was no outstanding amount under the programme. The Group signed in April 2015 the documentation of a $2 billion commercial paper programme. As of 31 December 2015, the outstanding amount was $ 550 million.

Financing liabilities include outstanding debt of €129 million (2014: €147 million) relating to a loan Airbus received from Air 2 US in 1999 by way of a reinvestment note amounting to US$800 million, bearing a fixed interest rate of 9.88%, and other liabilities related to sales financing (see Note 25 "Sales financing transactions").

On 1 July 2015, the Group issued convertible bonds for €500 million, with a 7-year maturity. The bonds bear a coupon of 0% and were issued at 102% of par. Their effective interest rate, after separation of the equity conversion option, is 1.386%.

In December 2015, the Group entered into a US$320 million loan agreement with the EIB maturing in December 2025.

(In € million)	Not exceeding 1 year	Over 1 year up to 5 years	More than 5 years	Total
Bonds	1,523	550	2,893	4,966
Liabilities to financial institutions	349	1,112	1,001	2,462
Loans	255	163	240	658
Liabilities from finance leases	13	145	230	388
Others (1)	650	1	0	651
31 December 2015 (2)	**2,790**	**1,971**	**4,364**	**9,125**
Bonds	1	1,543	2,374	3,918
Liabilities to financial institutions	22	526	1,225	1,773
Loans	285	243	181	709
Liabilities from finance leases	12	70	116	198
Others (1)	753	0	0	753
31 December 2014 (2)	**1,073**	**2,382**	**3,896**	**7,351**

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

(2) Financing liabilities include non-recourse Airbus debt of €94 million in 2015 (€46 million in 2014).

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2015 and as of 31 December 2014, are as follows:

(In € million)	**2015**	**2014**
1 year	2,790	1,073
2 years	228	1,240
3 years	835	196
4 years	252	723
5 years	656	223
Thereafter	4,364	3,896
Total	**9,125**	**7,351**

35. Information about financial instruments

35.1 Financial risk management

By the nature of its activities, the Group is exposed to a variety of financial risks: (i) market risks, in particular foreign exchange risk, but also interest rate risk, equity price risk and commodity price risk, (ii) liquidity risk and (iii) credit risk. The Group's overall financial risk management activities focus on mitigating unpredictable financial market risks and their potential adverse effects on the Group's operational and financial performance.

The financial risk management of the Group is generally carried out by the Corporate Finance department at the Group under policies approved by the Board of Directors or by the Chief Financial Officer. The identification, evaluation and hedging of the financial risks is in the joint responsibility of established treasury committees and the Group's Divisions.

The Group uses financial derivatives solely for risk mitigating purposes ("hedging") and applies hedge accounting for a significant portion of its hedging portfolio.

Market risk

Foreign exchange risk **–** Foreign exchange risk arises when future commercial transactions or firm commitments, recognised monetary assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

The Group manages a long-term hedge portfolio with maturities of several years covering its net exposure to US dollar sales, mainly from the activities of Airbus. This hedge portfolio covers a large portion of the Group's firm commitments and highly probable forecast transactions.

Most of Group's revenue is denominated in US dollars, while a major portion of its costs is incurred in euro and to some extent in other foreign currencies. Consequently, to the extent that the Group does not use financial instruments to hedge its exposure resulting from this currency mismatch, its profits will be affected by changes in the €/US$ exchange rate. As the Group intends to generate profits primarily from its operations rather than through speculation on exchange rate movements, it uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

With respect to its commercial aircraft products, the Group typically hedges firmly committed sales in US dollars using a "first flow approach". Under that approach, the foreign currency derivatives the Group enters into are designated as a hedge of the first US dollar inflows received from the customer at aircraft delivery in a given month. The strategy implies that only a portion of the expected monthly customer payments made at aircraft delivery are hedged. For this reason, a reduction of monthly cash inflows as a result of postponements or order cancellations have no impact on the effectiveness of the hedge as long as the actual gross US dollar cash inflows received at aircraft delivery in a particular month exceed the portion designated as being hedged in that month.

Similarly, though to a much lesser extent, the Group hedges its expected foreign currency exposure arising from US dollar or pound sterling cash outflows in the commercial aircraft business on a first outflow basis.

In military aircraft and non-aircraft businesses, the Group hedges in- and outflows in foreign currencies from firmly committed or highly probable forecast sales and purchase contracts. Here, foreign currency derivatives are typically contracted in lower volumes; they may be accounted for using a first flow approach or are designated as hedges of specific agreed milestone payments. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. The coverage ratio considers the variability in the range of potential outcomes taking into account macroeconomic movements affecting spot rates and interest rates as well as the robustness of the commercial cycle.

In situations where the payment dates for hedged firmly committed cash flows are not fixed and subject to potentially significant delays, the Group may use rollover strategies, usually involving F/X swaps.

For all foreign currency hedges of future cash flows which qualify for hedge accounting under IAS 39, the Group uses the cash flow hedge model, which requires (i) recognising the effective portion of the fair value changes of the hedging derivatives in equity (within other comprehensive income) and (ii) recognising the effect of the hedge in profit or loss when the hedged cash flows affect profit or loss.

In addition, the Group hedges currency risk arising from financial assets or liabilities denominated in currencies other than the euro, including foreign currency receivable and payable accounts, as well as foreign currency denominated funding transactions or securities. The Group applies hedge accounting if a mismatch in terms of profit or loss recognition of the hedging instrument and hedged item would otherwise occur. Frequently, however, the currency-induced gains or losses of the hedging instrument and the hedged item match in terms of profit or loss recognition (“natural hedge”), so no hedge accounting is required. Sometimes such gains or losses may end up in different sections of the income statement (such as operating profit for the hedged item and financial result for the hedging instrument). If so, the Group may choose to present the gains or losses of both the hedging instrument and the hedged item in the same income statement line item if certain formal requirements are met.

As hedging instruments, the Group primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and to a minor extent non-derivative financial instruments.

The Group also has foreign currency derivative instruments which are embedded in certain purchase contracts denominated in a currency other than the functional currency of any substantial party to the contract, principally in US dollar and pound sterling. If such embedded derivatives are required to be accounted for separately from the host purchase contract, related gains or losses are generally recognised in other financial result. However, if the embedded derivatives qualify for hedge accounting, the Group might choose to designate them as a hedging instrument in a hedge of foreign currency risk, in which case they are accounted for under the cash flow hedge model as described above.

Interest rate risk – The Group uses an asset-liability management approach with the objective to limit its interest rate risk. The Group undertakes to match the risk profile of its interest-bearing assets with those of its interest-bearing liabilities. The remaining net interest rate exposure is managed through several types of interest rate derivatives, such as interest rate swaps and interest rate futures contracts, in order to minimise risks and financial impacts.

The vast majority of related interest rate hedges qualify for hedge accounting, and most of them are accounted for under the fair value hedge model. As a result, both the fair value changes of these derivatives and the portion of the hedged items’ fair value change that is attributable to the hedged interest rate risk are recognised in profit and loss, where they offset to the extent the hedge is effective.

A few interest rate swaps that have been entered into as a hedge of certain of the Group’s variable rate debt (see Note 34.3 “Financing liabilities”) are accounted for under the cash flow hedge model, and related fair value gains are recognised in OCI and reclassified to profit or loss when the hedged interest payments affect profit or loss.

The Group invests in financial instruments such as overnight deposits, certificates of deposits, commercial papers, other money market instruments and short-term as well as medium-term bonds. For its financial instruments portfolio, the Group has an asset management committee in place that meets regularly and aims to limit the interest rate risk on a fair value basis through a value-at-risk approach.

Commodity price risk – The Group is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. The Group manages these risks in the procurement process and to a certain extent uses derivative instruments in order to mitigate the risks associated with the purchase of raw materials. To the extent that the gains or losses of the derivative and those of the hedged item or transaction do not match in terms of profit or loss, the Group applies cash flow hedge accounting to the derivative instruments.

Equity price risk – The Group is to a small extent invested in equity securities mainly for operational reasons. The Group's exposure to equity price risk is hence limited. Furthermore, the Group is exposed under its LTIP to the risk of Airbus Group share price increases. The Group limits these risks through the use of equity derivatives that qualify for hedge accounting and have been designated as hedging instruments in a cash flow hedge.

Sensitivities of market risks – The approach used to measure and control market risk exposure within the Group's financial instrument portfolio is, amongst other key indicators, the value-at-risk ("VaR"). The VaR of a portfolio is the estimated potential loss that will not be exceeded over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by the Group is based upon a 95% confidence level and assumes a 5-day holding period. The VaR model used is mainly based on the so called "Monte-Carlo-Simulation" method. Deriving the statistical behaviour of the markets relevant for the portfolio out of market data from the previous two years and observed interdependencies between different markets and prices, the model generates a wide range of potential future scenarios for market price movements.

The Group's VaR computation includes the Group's financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, commodity contracts, finance lease receivables and liabilities, foreign currency trade payables and receivables, including intra-group payables and receivables affecting Group profit and loss.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- a five-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- a 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% statistical probability that losses could exceed the calculated VaR.
- the use of historical data as a basis for estimating the statistical behaviour of the relevant markets and finally determining the possible range of future outcomes out of this statistical behaviour may not always cover all possible scenarios, especially those of an exceptional nature.

The Group uses VaR amongst other key figures in order to determine the riskiness of its financial instrument portfolio and in order to optimise the risk-return ratio of its financial asset portfolio. Further, the Group's investment policy defines a VaR limit for the total portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the Group's Asset Management Committee.

A summary of the VaR position of the Group's financial instruments portfolio at 31 December 2015 and 2014 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2015					
FX hedges for forecast transactions or firm commitments	1,814	0	1,870	0	181
Financing liabilities, financial assets (including cash, cash equivalents securities and related hedges)	210	162	82	0	15
Finance lease receivables and liabilities, foreign currency trade payables and receivables	91	0	24	0	83
Commodity contracts	7	0	3	6	0
Equity swaps	11	11	0	0	0
Diversification effect	(418)	(8)	(172)	0	(92)
All financial instruments	**1,715**	**165**	**1,807**	**6**	**187**
31 December 2014					
FX hedges for forecast transactions or firm commitments	1,052	0	1,135	0	122
Financing liabilities, financial assets (including cash, cash equivalents securities and related hedges)	407	401	33	0	32
Finance lease receivables and liabilities, foreign currency trade payables and receivables	55	0	19	0	57
Commodity contracts	9	0	2	9	0
Equity swaps	17	17	0	0	0
Diversification effect	(489)	(17)	(74)	0	(27)
All financial instruments	**1,051**	**401**	**1,115**	**9**	**184**

The increase of total VaR as of 31 December 2015 is mainly attributable to a strong increase of market volatilities, in particular foreign exchange ("FX") volatility in combination with an increased net foreign exchange portfolio in comparison to year end 2014. The Group uses its derivative instruments entirely for hedging purposes. As a result, the respective market risks of these hedging instruments are – depending on the hedges' actual effectiveness – offset by corresponding opposite market risks of the underlying forecast transactions, assets or liabilities. Under IFRS 7 the underlying forecast transactions do not qualify as financial instruments and are therefore not included in the tables shown above. Accordingly, the VaR of the FX hedging portfolio in the amount of €1,814 million (2014: €1,052 million) cannot be considered as a risk indicator for the Group in the economic sense.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. The Group manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion as of 31 December 2015 and 2014) in addition to the cash inflow generated by its operating business. The Group continues to keep within the asset portfolio the focus on low counterparty risk. In addition, the Group maintains a set of other funding sources, and accordingly may issue bonds, notes and commercial papers or enter into security lending agreements. Adverse changes in the capital markets could increase the Group's funding costs and limit its financial flexibility.

Further, the management of the vast majority of the Group's liquidity exposure is centralised by a daily cash concentration process. This process enables the Group to manage its liquidity surplus as well as its liquidity requirements according to the actual needs of its subsidiaries. In addition, management monitors the Group's liquidity reserve as well as the expected cash flows from its operations.

The contractual maturities of the Group's financial liabilities, based on undiscounted cash flows and including interest payments, if applicable, are as follows:

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year – 2 years	2 years – 3 years	3 years – 4 years	4 years – 5 years	> 5 years
31 December 2015								
Non-derivative financial liabilities	(22,074)	(23,355)	(15,311)	(832)	(1,113)	(408)	(762)	(4,929)
Derivative financial liabilities	(10,587)	(12,690)	(3,973)	(2,747)	(3,518)	(1,898)	(506)	(48)
Total	**(32,661)**	**(36,045)**	**(19,284)**	**(3,579)**	**(4,631)**	**(2,306)**	**(1,268)**	**(4,977)**
31 December 2014								
Non-derivative financial liabilities	(18,905)	(20,008)	(11,625)	(1,786)	(586)	(956)	(353)	(4,702)
Derivative financial liabilities	(5,503)	(6,976)	(2,293)	(1,747)	(1,413)	(895)	(543)	(85)
Total	**(24,408)**	**(26,984)**	**(13,918)**	**(3,533)**	**(1,999)**	**(1,851)**	**(896)**	**(4,787)**

Non-derivative financial liabilities included in the table above comprise financing liabilities and finance lease liabilities as presented in the tables of Note 35.2 "Carrying amounts and fair values of financial instruments". Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments refundable advances, which amount to €7,286 million at 31 December 2015 (€6,528 at 31 December 2014) are not included.

Credit risk

The Group is exposed to credit risk to the extent of non-performance by either its customers (*e.g.* airlines) or its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. However, the Group has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed on Group level. In order to ensure sufficient diversification, a credit limit system is used.

The Group monitors the performance of the individual financial instruments and the impact of the market developments on their performance and takes appropriate action on foreseeable adverse development based on pre-defined procedures and escalation levels.

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment. In order to support sales, primarily at Airbus and ATR, the Group may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus and ATR take into account the airline's credit rating and economic factors reflecting the relevant financial market conditions, together with appropriate assumptions as to the anticipated future value of the financed asset.

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' (such as airlines') creditworthiness by way of internal risk pricing methods.

The following table breaks down the carrying amounts of the Group's non-cash loans and receivables including finance leases, separately showing those that are impaired, renegotiated or past due:

(In € million)	2015	2014
Receivables, neither past due nor impaired	7,795	6,592
Not past due following negotiations and not impaired	139	94
Receivables impaired individually	170	405
Receivables not impaired and past due ≤ 3 months	1,062	1,173
Receivables not impaired and past due > 3 and ≤ 6 months	432	271
Receivables not impaired and past due > 6 and ≤ 9 months	157	95
Receivables not impaired and past due > 9 and ≤ 12 months	294	141
Receivables not impaired and past due > 12 months	484	387
Total	**10,533**	**9,158**

The management believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings if they are available.

At year-end there was no indication that any financial assets carried at fair value were impaired.

35.2 Carrying amounts and fair values of financial instruments

Financial instruments – The Group's financial assets mainly consist in cash, short to medium-term deposits and securities. The Group's financial liabilities include trade liabilities, obligations towards financial institutions, issued bonds and refundable advances from European governments. All purchases and sales of financial assets are recognised on the settlement date according to market conventions. The Group classifies its financial assets in the following three categories: (i) at fair value through profit or loss, (ii) loans and receivables and (iii) available-for-sale financial assets. Their classification is determined by management when first recognised and depends on the purpose for their acquisition.

Within the Group, all investments in entities which do not qualify for consolidation or equity-method accounting are classified as non-current available-for-sale financial assets. They are included in the line other investments and other long-term financial assets in the Consolidated Statement of Financial Position.

Available for sale financial assets – Financial assets classified as available-for-sale are accounted for at fair value. Changes in their fair value other than impairment losses and foreign exchange gains and losses on monetary items are recognised directly within AOCI. As soon as such financial assets are sold or otherwise disposed of, or are determined to be impaired, the cumulative gain or loss previously recognised in equity is recorded as part of Other income (Other expense) from investments in the Consolidated Income Statement for the period. Interest earned on the investment is presented as interest income in the Consolidated Income Statement using the effective interest method. Dividends earned on investment are recognised as Other income (Other expense) from investments in the Consolidated Income Statement when the right to the payment has been established.

In case of the impairment of debt instruments classified as available-for-sale, interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded in financial result. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Consolidated Income Statement, the impairment loss is reversed through the Consolidated Income Statement.

Financial assets at fair value through profit or loss – Within the Group, only derivatives not designated as hedges are categorized as held for trading. Furthermore, the Group designates certain financial assets (such as investments in accumulated Money Market Funds) at fair value through profit or loss at initial recognition if they are part of a group of financial assets that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Group assigns its financial instruments into classes based on their balance sheet category.

The following tables present the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2015 and 2014:

31 December 2015	**Fair Value through profit or loss**		**Fair Value for hedge relations**	**Available for Sale**	**Loans and Receivables and Financial liabilities**		**Other[(3)]**	**Financial Instruments Total**	
(In € million)	Held for trading	Designated	Fair value	Fair value	Amortised Cost	Fair value		Book Value	Fair value
Assets									
Other investments and other long-term financial assets									
- Equity investments [(1) (2)]	0	0	0	1,232	0	0	0	1,232	1,232
- Customer financings [(3)]	0	0	0	0	553	553	168	721	721
- Other loans	0	0	0	0	717	717	0	717	717
Trade receivables	0	0	0	0	7,877	7,877	0	7,877	7,877
Other financial assets						0			
- Derivative instruments [(6)]	317	0	963	0	0	0	0	1,280	1,280
- Non-derivative instruments	0	0	0	0	1,218	1,218	0	1,218	1,218
Securities	0	3	0	11,636	0	0	0	11,639	11,639
Cash and cash equivalents	0	3,220	0	2,851	1,418	1,418	0	7,489	7,489
Total	**317**	**3,223**	**963**	**15,719**	**11,783**	**11,783**	**168**	**32,173**	**32,173**
Liabilities									
Financing liabilities									
- Issued bonds and commercial papers	0	0	0	0	(4,966)	(5,091)	0	(4,966)	(5,091)
- Liabilities to banks and other financing liabilities	0	0	0	0	(3,771)	(3,822)	0	(3,771)	(3,822)
- Finance lease liabilities [(4)]	0	0	0	0	0	0	(388)	(388)	(388)
Other financial liabilities									
- Derivative instruments [(7)]	(427)	0	(10,160)	0	0	0	0	(10,587)	(10,587)
- European Governments refundable advances [(5)]	0	0	0	0	(7,286)	(7,286)	0	(7,286)	(7,286)
- Other	(74)	0	0	0	(1,112)	(1,112)	0	(1,186)	(1,186)
Trade liabilities	0	0	0	0	(11,763)	(11,763)	0	(11,763)	(11,763)
Total	**(501)**	**0**	**(10,160)**	**0**	**(28,898)**	**(29,074)**	**(388)**	**(39,947)**	**(40,123)**

(1) Other than those accounted for under the equity method.

(2) For certain unlisted equity investments price quotes are not available and fair values may not be reliably measurable using valuation techniques because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2015, the aggregate carrying amount of these investments was €404 million.

(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as "other".

(4) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IAS 39. They are therefore assigned to the category Other.

(5) The European Governments refundable advances of €7,286 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.

(6) This includes credit value adjustments of €-47 million, of which €-28 million is recognised in OCI.

(7) This includes debit value adjustments of €117 million, of which €95 million is recognised in OCI.

31 December 2014	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale	Loans and Receivables and Financial liabilities		Other[3]	Financial Instruments Total	
(In € million)	Held for trading	Designated	Fair value	Fair value	Amortised Cost	Fair value		Book Value	Fair value
Assets									
Other investments and other long-term financial assets									
- Equity investments [1] [2]	0	0	0	617	0	0	0	617	617
- Customer financings [3]	0	0	0	0	426	426	17	443	443
- Other loans	0	0	0	0	876	876	0	876	876
Trade receivables	0	0	0	0	6,798	6,798	0	6,798	6,798
Other financial assets									
- Derivative instruments [6]	266	0	444	0	0	0	0	710	710
- Non-derivative instruments	0	0	0	0	1,040	1,040	0	1,040	1,040
Securities	0	4	0	9,168	0	0	0	9,172	9,172
Cash and cash equivalents	0	3,261	0	1,744	2,266	2,266	0	7,271	7,271
Total	**266**	**3,265**	**444**	**11,529**	**11,406**	**11,406**	**17**	**26,927**	**26,927**
Liabilities									
Financing liabilities									
- Issued bonds and commercial papers	0	0	0	0	(3,918)	(4,227)	0	(3,918)	(4,227)
- Liabilities to banks and other financing liabilities	0	0	0	0	(3,235)	(3,291)	0	(3,235)	(3,291)
- Finance lease liabilities [4]	0	0	0	0	0	0	(198)	(198)	(198)
Other financial liabilities									
- Derivative instruments [7]	(370)	0	(5,133)	0	0	0	0	(5,503)	(5,503)
- European Governments refundable advances [5]	0	0	0	0	(6,528)	(6,528)	0	(6,528)	(6,528)
- Other	(137)	0	0	0	(1,234)	(1,234)	0	(1,371)	(1,371)
Trade liabilities	0	0	0	0	(10,183)	(10,183)	0	(10,183)	(10,183)
Total	**(507)**	**0**	**(5,133)**	**0**	**(25,098)**	**(25,463)**	**(198)**	**(30,936)**	**(31,301)**

(1) Other than those accounted for under the equity method.

(2) For certain unlisted equity investments price quotes are not available and fair values may not be reliably measurable using valuation techniques because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2014, the aggregate carrying amount of these investments was €409 million.

(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as "other".

(4) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IAS 39. They are therefore assigned to the category "Other".

(5) The European Governments refundable advances of €6,528 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.

(6) This includes credit value adjustments of €-18 million, of which €-7 million is recognised in OCI.

(7) This includes debit value adjustments of €31 million, of which €18 million is recognised in OCI.

Fair value hierarchy

Fair value of financial instruments – The fair value of quoted investments is based on current market prices. If the market for financial assets is not active, or in the case of unlisted financial instruments, the Group determines fair values by using generally accepted valuation techniques on the basis of market information available at the end of the reporting period. Derivative instruments are generally managed on the basis of the Group's net exposure to the credit risk of each particular counterparty and fair value information is provided to the Group's key management personnel on that basis. For these derivative instruments, the fair value is measured based on the price that would be received to sell a net long position, or transfer a net short position, for a particular credit risk exposure as further described below.

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

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

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

The following tables present the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2015 and 2014, respectively:

	31 December 2015				**31 December 2014**			
(In € million)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Equity instruments	828	0	0	828	208	0	0	208
Derivative instruments	0	1,234	46	1,280	0	708	2	710
Securities	11,474	165	0	11,639	7,784	1,388	0	9,172
Cash equivalents	3,941	2,130	0	6,071	3,563	1,442	0	5,005
Total	**16,243**	**3,529**	**46**	**19,818**	**11,555**	**3,538**	**2**	**15,095**
Financial liabilities measured at fair value								
Derivative instruments	0	(10,587)	0	(10,587)	0	(5,503)	0	(5,503)
Other liabilities	0	0	(74)	(74)	0	0	(137)	(137)
Total	**0**	**(10,587)**	**(74)**	**(10,661)**	**0**	**(5,503)**	**(137)**	**(5,640)**

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

	Financial Assets			**Financial Liabilities**		
(In € million)	Commodity swap ageements	Other derivative instruments	**Derivative Instruments**	Written put options on NCI interests	Earn-out agreements	**Others Liabilities**
1 January 2014	**26**	**8**	**34**	**(129)**	**(51)**	**(180)**
Total gains or losses in profit or loss	(1)	0	(1)	2	38	40
Settlements	(23)	(8)	(31)	0	3	3
31 December 2014	**2**	**0**	**2**	**(127)**	**(10)**	**(137)**
Total gains or losses in profit or loss	59	0	59	0	0	0
OCI	0	0	0	60	0	60
Settlements	(15)	0	(15)	3	0	3
31 December 2015	**46**	**0**	**46**	**(64)**	**(10)**	**(74)**

The profit of the period impact attributable to Level 3 financial assets and liabilities which are still held by the Group as of 31 December 2015 was a gain of €46 million. The profit of the period impact attributable to Level 3 financial assets and liabilities which are still held by the Group as of 31 December 2014 was a gain of €1 million and €24 million respectively.

Financial assets classified as Level 3

The financial assets measured at fair value that are classified as Level 3 mainly consist of short-term commodity contracts whose notional amounts vary with the actual volumes of certain commodity purchases made by the Group in specific months. For fair value measurement purposes, the notional amounts, being the unobservable input, are set with reference to monthly commodity volumes that management expects to purchase based on planning forecasts. The fair values are otherwise determined using observable market data including quoted interest rates and pricing information obtained from recognised vendors of market data.
A deviation of 10% of actual monthly volumes purchased from expected monthly volumes purchased would increase or decrease (depending on whether actual volumes are 10% more or 10% less than expected volumes) the total Level 3 fair value of these short-term commodity contracts by less than €5 million.

Financial liabilities classified as Level 3

The financial liabilities measured at fair value that are classified as Level 3 consist of several written put options on non-controlling interest ("NCI puts") of Group subsidiaries. The fair values of these NCI puts (*i.e.* the net present value of their redemption amount on exercise) are derived from a discounted cash flow analysis of the latest operating planning figures of the respective entities.
The fair value measurements are performed on an annual basis in line with the operative planning cycle. Apart from the detailed five-year operating planning figures, there are two unobservable inputs that significantly affect the values of the NCI puts: the WACC used to discount the forecasted cash flows and the growth rate used to determine the terminal value. WACC and growth rates as well as operating planning figures that were used for the determination of the level 3 fair values are derived from the input perimeters as applied for the impairment test as disclosed in Note 17 "Intangible assets – Goodwill impairment tests". An increase (decrease) of the discount rates by 50 basis points results in a decrease (increase) of the NCI put values by €5 million (€11 million). An increase (decrease) in the growth rates by 50 basis points increases (decreases) the NCI put values by €5 million (€11 million) respectively.
Another element of financial liabilities measured at fair value classified as Level 3 are earn-out payments that have been agreed with former shareholders of entities acquired by the Group in business combinations. Fair value measurement is based on the expectation regarding the achievement of defined target figures by the acquired entity or its ability to close identified customer contracts.

Financial assets designated at fair value through profit or loss

The following types of **financial assets** held at 31 December 2015 and 2014, respectively, are designated at fair value through profit or loss:

(In € million)	Nominal amount at initial recognition as of 31 December 2015	Fair value as of 31 December 2015	Nominal amount at initial recognition as of 31 December 2014	Fair value as of 31 December 2014
Designated at fair value through profit or loss at recognition:				
- Money market funds (accumulating)	3,220	3,220	3,261	3,261
- Foreign currency funds of hedge funds	8	3	8	4
Total	**3,228**	**3,223**	**3,269**	**3,265**

The Group manages these assets and measures their performance on a fair value basis.
In addition, the Group invests in non-accumulating Money Market Funds, which pay interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to €720 million (2014: €302 million).

Fair value measurement method

The methods the Group uses to measure fair values are as follows:

Equity instruments – The fair values of listed equity instruments reflect quoted market prices. The fair values of unlisted equity instruments may not be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. Those instruments are measured at cost, and their carrying amounts used as a proxy for fair value.

Customer financing assets and other loans – The carrying amounts reflected in the annual accounts are used as a proxy for fair value.

Trade receivables and other receivables – The carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the receivables' origination and their maturity.

Securities – The fair values of securities reflect their quoted market price at the end of the reporting period.

Cash and cash equivalents include cash in hand, cash in banks, checks, fixed deposits as well as commercial papers and money market funds. The carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the origination of the instrument and its maturity or due date. The fair value of commercial papers is determined based on Level 2 input by discounting future cash flows using appropriate interest rates. The fair values of money market funds are determined by reference to their quoted market price.

Derivatives – The fair values of derivative instruments reflect quoted market prices, where available, but in most cases are determined using recognised valuation techniques such as option-pricing models and discounted cash flow models. The valuation is based on observable market data such as currency rates, currency forward rates, interest rates and yield curves, commodity forward prices as well as price and rate volatilities obtained from recognised vendors of market data. Furthermore, to the extent that these instruments are subject to master netting arrangements and similar agreements and managed on the basis of net credit exposure, their fair values reflect credit and debit value adjustments based on the net long or net short position that the Group has with each counterparty. Except for certain short-term commodity contracts discussed in the Level 3 section above, derivative fair values are measured based on Level 2 input.

Financing liabilities – The fair values disclosed for financing liabilities, other than those of issued bonds and issued commercial papers, are determined based on Level 2 input by discounting scheduled or expected cash flows using appropriate market interest rates. The fair values disclosed for the issued EMTN and US$ bonds reflect public price quotations that qualify as Level 1 input. For issued commercial papers, the carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the origination of these instruments and their maturity.

Trade liabilities and current other financial liabilities – For the same reason, carrying amounts are used as reasonable fair value approximations for trade liabilities and current other financial liabilities.

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2015 and 2014:

	€		**US$**		**£**	
(Interest rate in %)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
6 months	-0.08	0.13	0.94	0.50	0.85	0.73
1 year	0.14	0.37	1.12	0.82	1.13	1.02
5 years	0.21	0.24	1.72	1.77	1.59	1.45
10 years	0.89	0.70	2.18	2.27	1.99	1.85

35.3 Potential effect of set-off rights on recognised financial assets and liabilities

The Group reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. Furthermore, securities lending transactions are accounted for as collateralised borrowings. As a result, the securities pledged as collateral continue to be recognised on the balance sheet and the amount of cash received at the outset of the transaction is separately recognised as a financial liability. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements and collateralised borrowings on the Group's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2015 and 31 December 2014, respectively:

Derivative instruments (In € million)	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2015						
Financial assets	1,280	0	1,280	(1,280)	0	0
Financial liabilities	10,587	0	10,587	(1,280)	0	9,307
31 December 2014						
Financial assets	710	0	710	(621)	0	89
Financial liabilities	5,503	0	5,503	(621)	0	4,882

35.4 Notional amounts of derivative financial instruments

The contract or notional amounts of derivative financial instruments shown below do not necessarily represent amounts exchanged by the parties and, thus, are not necessarily a measure for the exposure of the Group through its use of derivatives.

The notional amounts of **foreign exchange derivative financial instruments** are as follows, specified by year of expected maturity:

	Remaining period								
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	Total
31 December 2015									
Net forward sales contracts	20,395	21,234	20,041	14,655	4,086	(367)	(445)	2	**79,601**
FX options									
Purchased US-dollar put options	0	0	0	3,536	3,399	441	0	0	**7,376**
Written US-dollar put options	0	0	0	3,536	3,399	441	0	0	**7,376**
FX swap contracts	906	0	0	0	0	0	0	0	**906**
31 December 2014									
Net forward sales contracts	19,834	17,852	16,479	9,328	4,556	477	(1,069)	(396)	**67,061**
FX swap contracts	1,274	145	0	0	0	0	0	0	**1,419**

The notional amounts of **interest rate contracts** are as follows:

(In € million)	Remaining period								
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	Total
31 December 2015									
Interest rate contracts	1,382	36	1,194	1,152	7	864	4	3,232	**7,871**
Interest rate future contracts	1,032	0	0	0	0	0	0	0	**1,032**
31 December 2014									
Interest rate contracts	833	1,376	30	918	853	0	1,070	0	**5,080**
Interest rate future contracts	176	0	0	0	0	0	0	0	**176**

Please also refer to Note 34.3 “Financing liabilities”.

The notional amounts of **commodity contracts** are as follows:

(In € million)	Remaining period					
	1 year	2 years	3 years	4 years	> 4 years	Total
31 December 2015	336	129	23	11	1	**500**
31 December 2014	319	161	105	20	10	**615**

The notional amounts of **equity swaps** are as follows:

(In € million)	Remaining period					
	1 year	2 years	3 years	4 years	> 4 years	Total
31 December 2015	153	76	52	49	19	**349**
31 December 2014	209	146	75	23	0	**453**

35.5 Derivative financial instruments and hedge accounting disclosure

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2015 and 2014 is as follows:

(In € million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total
1 January 2014	**1,101**	**(2)**	**1,099**
Unrealised gains and losses from valuations, net of tax	(4,658)	(19)	(4,677)
Transferred to profit or loss for the period, net of tax	247	(1)	246
AOCI, net of tax	(4,411)	(20)	(4,431)
31 December 2014 / 1 January 2015	**(3,310)**	**(22)**	**(3,332)**
Unrealised gains and losses from valuations, net of tax	(2,842)	(54)	(2,896)
Transferred to profit or loss for the period, net of tax	(712)	27	(685)
AOCI, net of tax	(3,554)	(27)	(3,581)
31 December 2015	**(6,864)**	**(49)**	**(6,913)**

In the year 2015, an amount of €3,833 million (in 2014: €-358 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges. No material ineffectiveness arising from hedging relationship has been determined.

In addition, a gain of €20 million was recognised in the profit of the period in 2015 (€35 million in 2014) on derivatives that were designated as hedging instruments in a fair value hedge, and a loss of €-18 million (in 2014: €-34 million) attributable to the hedged risk was recognised in the profit of the period on the corresponding hedged items. Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments as of 31 December 2015 and 2014, respectively, is as follows:

	2015		2014	
(In € million)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – cash flow hedges	832	(10,017)	327	(4,847)
Foreign currency contracts – not designated in a hedge relationship	182	(82)	154	(103)
Interest rate contracts – cash flow hedges	0	(40)	0	(15)
Interest rate contracts – fair value hedges	101	(8)	117	(26)
Interest rate contracts – not designated in a hedge relationship	80	(87)	105	(141)
Commodity contracts – cash flow hedges	0	(57)	0	(40)
Commodity contracts – not designated in a hedge relationship	46	(73)	2	(64)
Equity swaps – cash flow hedges	30	(7)	0	(94)
Embedded foreign currency derivatives – cash flow hedges	0	(31)	0	(111)
Embedded foreign currency derivatives – not designated in a hedge relationship	9	(185)	5	(62)
Total	**1,280**	**(10,587)**	**710**	**(5,503)**

35.6 Net gains or net losses

The Group’s net gains or net losses recognised in profit or loss in 2015 and 2014, respectively, are as follows:

(In € million)	2015	2014
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	(178)	(308)
Designated on initial recognition	166	91
Available-for-sale financial assets	183	314
Loans and receivables [(1)]	(182)	(163)
Financial liabilities measured at amortised cost	(192)	0

(1) Contain among others impairment losses.

Interest income from financial assets or financial liabilities through profit or loss is included in net gains or losses.

35.7 Impairment losses

The following impairment losses on financial assets are recognised in profit or loss in 2015 and 2014, respectively:

(In € million)	2015	2014
Other investments and other long-term financial assets		
Equity instruments	(49)	(14)
Customer financings	(25)	(16)
Other loans	(12)	(17)
Trade receivables	(25)	(28)
Total	**(111)**	**(75)**

OTHER NOTES

36. Litigation and claims

Litigation and claims **–** Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with certainty. The Group believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Group to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term "reasonably possible" is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely.

Airbus Group is involved from time to time in various legal and arbitration proceedings in the ordinary course of its business, the most significant of which are described below. Other than as described below, Airbus Group is not aware of any material governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering at least the previous twelve months which may have, or have had in the recent past significant effects on Airbus Group SE's or the Group's financial position or profitability.
If the Group concludes that the disclosures relative to contingent liabilities can be expected to prejudice seriously its position in a dispute with other parties, the Group limits its disclosures to the nature of the dispute.

WTO

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

On 1 June 2011, the WTO adopted the Appellate Body's final report in the case brought by the US assessing funding to Airbus from European governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the US did not agree, the matter is now under WTO panel review pursuant to WTO rules.

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

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

GPT

Prompted by a whistleblower's allegations, Airbus Group conducted internal audits and retained PricewaterhouseCoopers ("PwC") to conduct an independent review relating to GPT Special Project Management Ltd. ("GPT"), a subsidiary that Airbus Group acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by Airbus Group, relating to activities conducted by GPT in Saudi Arabia. PwC's report was provided by Airbus Group to the UK Serious Fraud Office (the "SFO") in March 2012. In the period under review and based on the work it undertook, nothing came to PwC's attention to suggest that improper payments were made by GPT. In August 2012, the SFO announced that it had opened a formal criminal investigation into the matter. Airbus Group is cooperating fully with the authorities.

Eurofighter Austria

In March 2012, the German public prosecutor, following a request for assistance by the Austrian public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust by current and former employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH as well as by third parties relating to the sale of Eurofighter aircraft to Austria in 2003. After having been informed of the investigation in 2012, Airbus Group retained the law firm Clifford Chance to conduct a fact finding independent review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus Group in December 2013. Airbus Group provided the report to the public prosecutors in Germany. Airbus Group is cooperating fully with the authorities.

Other investigations

Following the announcement of investigations by the Romanian authorities relating to the border surveillance project in Romania in mid-October 2014, Airbus Group confirms that Airbus Defence and Space GmbH has been informed that the German prosecution office is also investigating potential irregularities in relation to this project, a project in Saudi Arabia and a project of Tesat-Spacecom GmbH & Co. KG. The public prosecutor in Germany has launched administrative proceedings in the context of those investigations against Airbus Defence and Space GmbH and Tesat-Spacecom GmbH & Co. KG. Airbus Group is cooperating fully with the authorities.

Public prosecutors in Greece and Germany launched investigations into a current employee and former managing directors and employees of Atlas Elektronik GmbH, a joint company of ThyssenKrupp and Airbus Group, on suspicion of bribing foreign officials and tax evasion. The public prosecutor in Germany has launched an administrative proceeding for alleged organisational and supervisory shortfalls. The authorities in Greece have launched civil claims against Atlas Elektronik GmbH. In 2015 the public prosecutor´s office in Bremen launched another investigation into current and former employees and managing directors of Atlas Elektronik GmbH on suspicion of bribery and tax evasion in connection with projects in Turkey. With the support of its shareholders, the company is cooperating fully with the authorities and in consultation with the public prosecutor is assisting the further clarification of the matter through its own internal investigation.

Commercial disputes

In May 2013, the Group has been notified of a commercial dispute following the decision taken by the Group to cease a partnership for sales support activities in some local markets abroad. The Group believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the outcome of the proceedings cannot be fully assessed at this stage. The arbitration is not expected to be completed before the end of 2016.

In the course of another commercial dispute, the Group received a statement of claim alleging liability for refunding part of the purchase price of a large contract which the customer claims it was not obliged to pay. The Group believes that this claim, which goes back many years, should be dismissed in principle. The dispute is currently the subject of arbitration.

In light of regulatory investigations and commercial disputes, including those discussed above, the Group has determined to enhance certain of its policies, procedures and practices, including ethics and compliance. The Group is accordingly in the process of revising and implementing improved procedures, including those with respect to its engagement of consultants and other third parties, in particular in respect of sales support activities, and is conducting enhanced due diligence as a pre-condition for future or continued engagement and corresponding payment. The Group believes that these enhancements to its controls and practices best position it for the future, particularly in light of advancements in regulatory standards. The Group cannot exclude that these changes lead to additional commercial disputes or other consequences in the future.

37. Auditor fees

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2015 have been charged by KPMG to the Company, its subsidiaries and other consolidated entities:

	2015		2014	
	In € thousand	In %	In € thousand	In %
Audit				
Audit process, certification and examination of individual and consolidated accounts	6,008	47.0	5,812	66.5
Additional tasks [(1)]	6,160	48.2	2,344	26.9
Sub-total	**12,168**	**95.2**	**8,156**	**93.4**
Other services as relevant				
Legal, tax, employment	608	4.8	573	6.6
Sub-total	**608**	**4.8**	**573**	**6.6**
Total	**12,776**	**100.0**	**8,729**	**100.0**

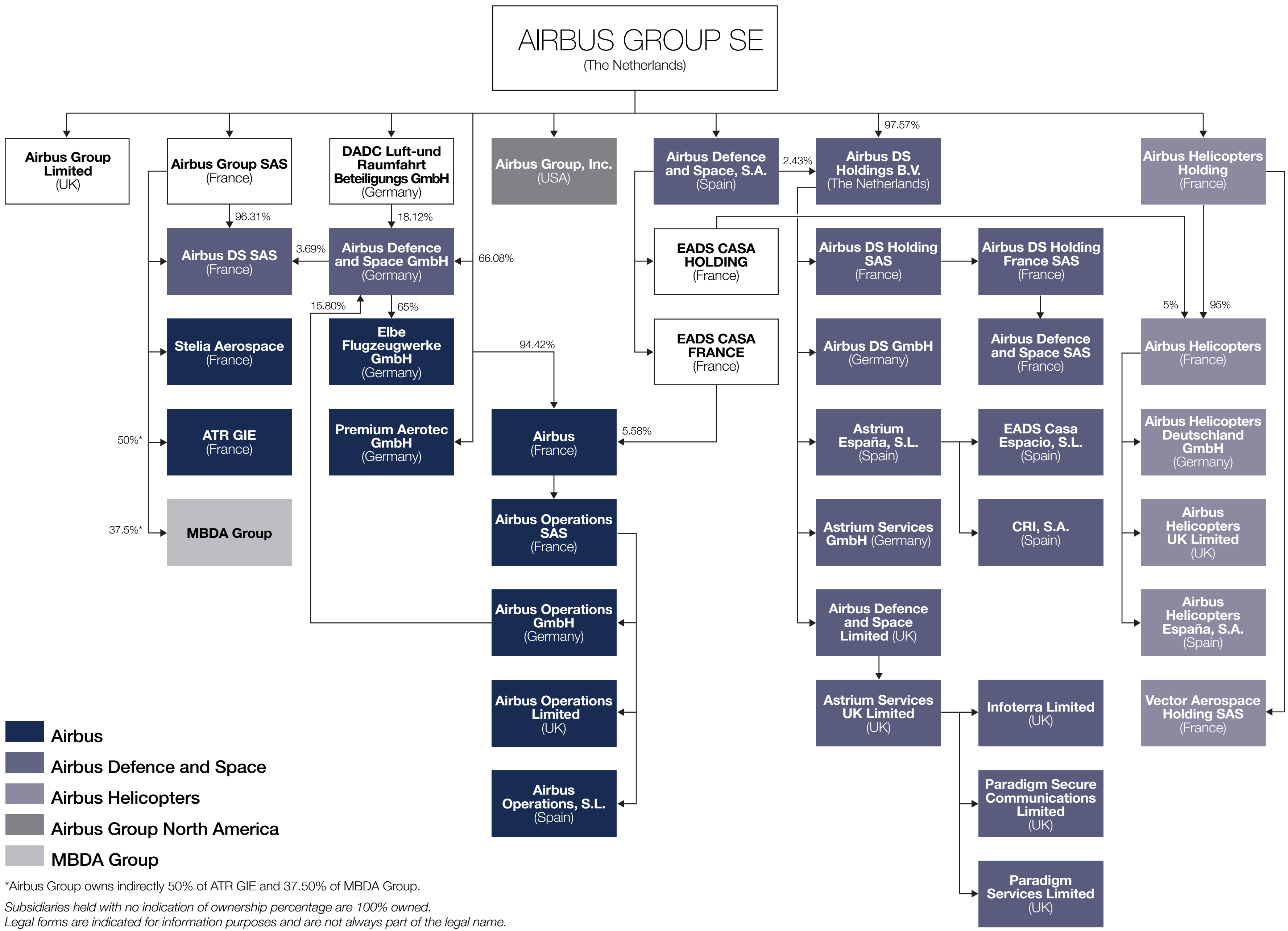
(1) Mainly transaction related work.

In 2015 and 2014, the Airbus Group was audited by KPMG only. Other audit firms have audit fees related to audit process, certification and examination of individual and consolidated accounts of €6 million in 2015 (2014: €6 million).

38. Events after the reporting date

There are no significant events after the reporting date.

These Consolidated Financial Statements have been authorized for issuance by the Board of Directors on 23 February 2016.



*Airbus Group owns indirectly 50% of ATR GIE and 37.50% of MBDA Group.

Subsidiaries held with no indication of ownership percentage are 100% owned.
Legal forms are indicated for information purposes and are not always part of the legal name.

3. IFRS COMPANY FINANCIAL STATEMENTS

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IFRS Company Income Statements for the years ended 31 December 2015 and 2014

(In € million)	Note	2015	2014
Operating income		476	457
Operating expenses		(634)	(561)
Income from Investments		9	760
Loss/Impairment of Investments		(5)	(45)
Total Operating Result	4	**(154)**	**611**
Interest income		225	219
Interest expense		(133)	(132)
Other financial result		127	(119)
Total Financial Result	5	**219**	**(32)**
Profit before income taxes		**65**	**579**
Income taxes	6	(11)	44
Profit for the period		**54**	**623**

IFRS Company Statements of Comprehensive Income for the years ended 31 December 2015 and 2014

(In € million)	2015	2014
Profit for the period	**54**	**623**
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Net change in fair value of available-for-sale financial assets	26	84
Net change in fair value of cash flow hedges	0	0
Other comprehensive income, net of tax	**26**	**84**
Total comprehensive income of the period	**80**	**707**

IFRS Company Statements of Financial Position at 31 December 2015 and 2014

(In € million)	Note	31.12.2015	31.12.2014	01.01.2014
Assets				
Non-current assets				
Investments in subsidiaries and associates	7	14,521	14,243	14,379
Long-term financial assets	8	3,594	3,128	3,054
Non-current other financial assets	8	7,979	3,321	2,333
Non-current other assets		5	5	3
Deferred tax assets	6	15	19	0
Non-current securities	12	9,593	5,809	4,179
		35,707	**26,525**	**23,948**
Current assets				
Trade receivables		11	9	146
Current other financial assets	8	4,431	2,502	1,338
Current accounts Group companies	8	8,353	8,856	9,247
Current other assets		149	130	168
Current securities	12	1,683	3,077	2,430
Cash and cash equivalents	12	6,515	6,200	6,126
		21,142	**20,774**	**19,455**
Total assets		**56,849**	**47,299**	**43,403**
Liabilities and stockholders' equity				
Stockholders' equity	11			
Issued and paid up capital		785	785	783
Share premium		3,484	4,500	5,049
Retained earnings		4,939	4,237	4,139
Accumulated other comprehensive income		211	185	101
Treasury shares		(303)	(8)	(50)
Result of the year		54	623	31
		9,170	**10,322**	**10,053**
Non-current liabilities				
Long-term financing liabilities	12	5,394	5,551	3,514
Non current financial liabilities	8	7,960	3,405	2,360
Deferred tax liabilities	6	0	0	5
		13,354	**8,956**	**5,879**
Current liabilities				
Short-term financing liabilities	12	1,823	0	914
Current accounts Group companies	8	28,415	25,649	25,593
Current financial liabilities	8	3,991	2,257	826
Current other liabilities		96	115	138
		34,325	**28,021**	**27,471**
Total liabilities and stockholders' equity		**56,849**	**47,299**	**43,403**

IFRS Company Statements of Cash Flows for the years ended 31 December 2015 and 2014

(In € million)	Note	2015	2014
Profit for the period attributable to equity owners of the parent (Net income)		**54**	**623**
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(225)	(219)
Interest expense		133	132
Interest received		206	257
Interest paid		(117)	(151)
Income tax received		3	0
Depreciation and amortization		5	44
Valuation adjustments		(240)	(83)
Deferred tax expense (income)		11	(44)
Results on disposals of non-current assets		0	(571)
Change in current and non-current provisions		2	(7)
Change in other operating assets and liabilities:		**(3)**	**157**
- Trade receivables		(2)	137
- Other assets and liabilities		(1)	20
Cash (used for) provided by operating activities		**(171)**	**138**
Investments:			
- Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests		(546)	(116)
- Proceeds from disposals of subsidiaries	7	0	708
- Payments for long-term financial assets		(670)	(696)
- Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		44	368
- Repayments of other long term financial assets		127	801
Payments for investments in securities		(6,877)	(5,340)
Proceeds from disposals of securities		4,592	3,307
Cash used for investing activities		**(3,330)**	**(968)**
Draw-down in financing liabilities		788	2,010
Repayment of financing liabilities		(136)	(1,140)
Change in current accounts Group companies		4,056	262
Cash distribution to Airbus Group SE shareholders		(945)	(587)
Changes in capital		171	52
Change in treasury shares		0	102
Share buy-back		(264)	0
Cash provided by financing activities		**3,670**	**699**
Effect of foreign exchange rate changes on cash and cash equivalents		146	205
Net increase in cash and cash equivalents		**315**	**74**
Cash and cash equivalents at beginning of period		**6,200**	**6,126**
Cash and cash equivalents at end of period	**12**	**6,515**	**6,200**

IFRS Company Statements of Changes in Equity for the years ended 31 December 2015 and 2014

(In € million)	Capital stock	Share premium	Retained earnings	Accumulated other comprehensive income: Available-for-sale financial assets	Accumulated other comprehensive income: Cash flow hedges	Treasury shares	Total equity
	Equity attributable to equity holders of the parent						
Balance at 1 January 2014	**783**	**5,049**	**4,170**	**110**	**(9)**	**(50)**	**10,053**
Profit for the period	0	0	623	0	0	0	623
Other comprehensive income	0	0	0	85	(1)	0	84
Total comprehensive income of the period	0	0	623	85	(1)	0	707
Capital increase	2	50	0	0	0	0	52
Share based payments (IFRS 2)	0	0	(5)	0	0	0	(5)
Cash distribution to Airbus Group SE Shareholders	0	(587)	0	0	0	0	(587)
Change in treasury shares	0	0	0	0	0	(12)	(12)
Sale/Cancellation of treasury shares	0	(12)	72	0	0	54	114
Balance at 31 December 2014	**785**	**4,500**	**4,860**	**195**	**(10)**	**(8)**	**10,322**
Profit for the period	0	0	54	0	0	0	54
Other comprehensive income	0	0	0	26	0	0	26
Total comprehensive income of the period	0	0	54	26	0	0	80
Capital increase	3	115	0	0	0	0	118
Share based payments (IFRS 2)	0	0	29	0	0	0	29
Cash distribution to Airbus Group SE Shareholders	0	(945)	0	0	0	0	(945)
Equity component convertible bond	0	0	53	0	0	0	53
Change in treasury shares	0	0	(3)	0	0	(484)	(487)
Cancellation of treasury shares	(3)	(186)	0	0	0	189	0
Balance at 31 December 2015	**785**	**3,484**	**4,993**	**221**	**(10)**	**(303)**	**9,170**

4. NOTES TO THE IFRS COMPANY FINANCIAL STATEMENTS

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BASIS OF PRESENTATION

1. The Company

The Company's principal activity is acting as a holding and management company for the subsidiaries of **Airbus Group SE**, the "Company", a listed company in the form of a European Company (Societas Europaea), legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands). On 28 May 2015, the legal form of the Company has changed from a Dutch public limited company (formerly Airbus Group N.V.) to a European company (SE) and is consistently subject to the laws of the Dutch Civil Code. The Company has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Financial Statements were authorised for issue by the Company's Board of Directors on 23 February 2016. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately.

2. Significant accounting policies

Change of accounting framework as of 1 January 2015

Until end of financial year 2014, the Company made use of the option provided in section 2:362 (8) of the Dutch Civil Code, which allows that the principles for the recognition and measurement of assets and liabilities and determination of the result of the Company Financial Statements are the same as those applied for the Consolidated EU-IFRS Financial Statements.

As of 1 January 2015, the Company changed the basis for preparing the Company Financial Statements to IFRS as adopted by the European Union being applicable for Company Financial Statements (a.o. IAS 27), as permitted by section 2:362 (8) of the Dutch Civil Code.

As an internationally operating Company, Airbus Group SE has global institutional and private shareholders as well as other stakeholders who are used to IFRS as internationally accepted and applied accounting standards, rather than to Dutch GAAP requirements under the formerly applied option. Airbus' management considers that the recognition of its investments at cost less impairment in the Company Financial Statements is a more appropriate approach to provide a fair insight into the Company's Financial Position with regards to the determination of distributable equity and provides additional insight relating to the dividend upstream within the Group and therefore complements the Airbus Group's IFRS Consolidated Financial Statements.

As a result of the change in accounting framework in the Company Financial Statements, the following main differences can be identified:

- subsidiaries will now be measured at historic cost less impairment instead of net asset value,
- in the statement of income, dividend income is recognised instead of results from investments in accordance with the equity method, and
- back-to-back hedges with subsidiaries are no longer presented on a net basis in the statement of financial position.

The comparative figures have been adjusted accordingly as from 1 January 2014 (transition date).

Reconciliation from previous GAAP to EU-IFRS

The overview below presents the impact of the change in accounting basis from Dutch GAAP into EU-IFRS **shareholders' equity** in the Company financial statements as per January 1, 2014 and December 31, 2014:

(In € million)	December 31, 2014	January 1, 2014
Previous GAAP	**7,061**	**10,864**
Restatement of investments from net asset value to EU-IFRS	3,047	(1,068)
Restatement of investments at historical cost	1,487	1,487
Impairment of investments and intercompany financial assets	(1,273)	(1,230)
EU-IFRS	**10,322**	**10,053**

For purposes of an impairment test as of 01.01.2014, management assessed the overall recoverability of its investments and intercompany loans following the principles of IFRS. The impairment test according to IFRS was performed by using the discounted cash flow method (discount rate: pre-tax weighted average cost of capital (WACC) of 8.7%) considering assumptions of the operative planning. Its relevant components are the country specific inflation and interest rates as well as an increase of future labour expenses at a yearly average rate of 2%. For further details regarding the methods applied for impairment testing see also Note 7 of the Company Financial Statements. As a result of the test an impairment of €1,230 million was recorded in the opening balance sheet as of 01.01.2014. The impairment consists of €780 million related to investments and € 450 million in connection with intercompany loans. As at year end 2014, intercompany loans were subject to an additional impairment in the amount of €43 million mainly resulting from FX impacts.

Furthermore we provide a reconciliation of the **Net Income** from Dutch GAAP into EU-IFRS in the Company financial statements for 2014:

(In € million)	**2014**
Previous GAAP	**2,343**
Income from investments according to Dutch GAAP	(2,412)
Income from investments according to EU-IFRS	758
Impairment of intercompany financial assets according to EU-IFRS	(43)
Other valuation differences	(23)
EU-IFRS	**623**

Basis of preparation — The Company's Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Dutch Civil Code. When applying IFRS in the Company Financial Statements, Airbus Group SE applied the principles of IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1). According to IFRS 1 a company applying for first time IFRS 1 shall develop accounting policies based on the standards and related interpretations which are effective at the reporting date of its first annual EU-IFRS Financial Statements (31.12.2015). IFRS 1 also requires that those policies be applied as of the date of transition to EU-IFRS (01.01.2014) and throughout all periods presented in the first EU-IFRS Financial Statements.

In the Company Financial Statements of Airbus Group SE, unless otherwise disclosed, the same accounting principles have been applied as set out in the Notes of the Consolidated Financial Statements, except for the valuation of the investments as presented under investments in subsidiaries and associates in the Company Financial Statements. These policies have been consistently applied to all years presented. In adopting IFRS for the first time, the company has not exercised the right of applying optional exemptions which are granted to first-time IFRS adopters in the conversion from Dutch GAAP to EU-IFRS.

In the Company Financial Statements, the investments in subsidiaries and associates are recorded at acquisition cost less impairments, whereas in prior years, investments in Group companies were stated at net asset value. As a consequence, the determination of the results in the Company Financial Statements changed compared to previous years. In the Company Statement of Income, dividend received from investments is recorded as dividend income.

Due to this application, the Company equity and net result are not equal to the consolidated equity and net result. A reconciliation for total shareholders' equity and net income is presented in Note 11 to the Company Financial Statements.

The Company Financial Statements have been prepared on a historical cost basis, unless otherwise indicated.

Regarding the application of new, revised or amended IFRS standards issued but not yet applied please refer to Note 2 "Significant accounting policies" of the Group's Consolidated Financial Statements. Further information about Share-based payments and Employee stock ownership plans (ESOP) are presented in Note 30 and information about Remuneration is presented in Note 31 of the Consolidated Financial Statements.

The information with regard to Capital Management are disclosed in the Note 33, further information about Litigation and Claims refer to Note 36 and Events after the reporting date are disclosed in Note 38 of the Group's Consolidated Financial Statements.

Unless reference is made to the accounting policies described in the Consolidated Financial Statements, the main accounting policies applied in the preparation of these Company Financial Statements are described in each accounting area. These accounting policies have been consistently applied to all financial years presented, unless otherwise stated.

Use of estimates and judgements

The preparation of the Company Financial Statements in conformity with EU-IFRS requires the use of estimates and assumptions. In preparing those financial statements, the management exercises its best judgement based upon its experience and the circumstances prevailing at that time. The estimates and assumptions are based on available information and conditions at the end of the financial period presented and are reviewed on an ongoing basis. Actual results could differ from these estimates.

Key accounting estimates and judgements affecting the assessment and measurement of impairment are included in Note 7 in the Company Financial Statements.

3. Related party transactions

Key management personnel

The details regarding the compensation of key management personnel are described in Note 8 "Related party transactions" of the Consolidated Financial Statements.

Intercompany transactions

A comprehensive exchange of internal services between the subsidiaries of a multinational corporation like Airbus Group SE is common practice. In its responsibility as holding company to manage its subsidiaries and to assist the business activities conducted by companies of the Airbus Group and its subsidiaries, Airbus Group SE applies transfer prices for its business activities in conformity with market levels and in accordance with national and international tax requirements (arm's length principle).

The following table discloses the related party intercompany transactions in 2015 and 2014:

(In € million)	Transactions with subsidiaries 2015	Transactions with associates 2015	Transactions with subsidiaries 2014	Transactions with associates 2014
Rendering of services, dividend income and interest income	560	62	754	39
Purchases of services, investment charge and interest expenses	(724)	(4)	(649)	(4)
Intercompany receivables due as of 31 December	12,400	18	12,741	18
Intercompany payables due as of 31 December	(32,414)	(503)	(29,041)	(521)
Hedge relationships receivable as of 31 December	10,482	0	4,943	0
Hedge relationships payable as of 31 December	(1,383)	0	(542)	0

For further information about granted guarantees to subsidiaries please refer to Note 9 of the Company Financial Statements.

COMPANY PERFORMANCE

4. Total Operating Result

(In € million)	2015	2014
Operating Income		
Corporate services rendered to Group companies	**476**	**457**
Operating expenses	**(634)**	**(561)**
Service fees charged by Group companies	(581)	(519)
Administrative expenses	(53)	(42)
Income from investments	**9**	**760**
Dividends received from Group companies	9	189
Result on sale of investments	0	571
Loss/Impairment of Financial Assets	**(5)**	**(45)**
Book loss on investments	(5)	0
Impairment of intercompany financial assets	0	(43)
Impairment of investments	0	(2)
Total Operating Result	**(154)**	**611**

5. Total financial result

(In € million)	2015	2014
Interest result (1)	**92**	**87**
Interest income from available-for-sale securities	93	85
Others	(1)	2
Other financial result	**127**	**(119)**
Equity instruments	159	(101)
Interest rate hedging	(11)	(7)
Financing costs	(9)	(7)
FX revaluation	(12)	(4)
Total financial result	**219**	**(32)**

(1) In 2015, the total interest income amounts to €225 million (in 2014: €219 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss €-133 million (in 2014: €-132 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

The Company is acting as a financial market agent on behalf of its subsidiaries, therefore the fair value changes of derivatives are reported on a net basis.

6. Income tax

The Company is tax registered in the Netherlands. The Company is heading a fiscal unity, which also includes Airbus Group Finance B.V., Airbus DS Holdings B.V. and Airbus Defence and Space Netherlands B.V. and therefore the Company is severally and jointly liable for income tax liabilities of the fiscal unity as a whole.

Income taxes — The tax expense for the year comprises deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised directly in Other Comprehensive Income.

The amount of income tax included in the Statement of Income is determined in accordance with the rules established by the tax authorities in the Netherlands, based on which income taxes are payable or recoverable.

Deferred tax assets and/or liabilities, arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities, are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised.

The expense for income taxes is comprised of the following:

(In € million)	**2015**	**2014**
Current tax expense	0	0
Deferred tax (expense) income	(11)	44
Total	**(11)**	**44**

The following table shows reconciliation from the theoretical income tax expense using the Dutch corporate tax rate to the reported tax (expense) income:

(In € million)	**2015**	**2014**
Profit before income taxes	65	579
* Corporate income tax rate	25.0%	25.0%
Expected expense for income taxes	(16)	(145)
Non taxable income from investments	1	179
Income from other companies within the fiscal unity	5	11
Other	(1)	(1)
Reported tax (expense) / income	**(11)**	**44**

The first tranche of tax loss carry forwards (€20 million) will expire by the end of 2023.

Deferred income taxes as of 31 December 2015 are related to the following assets and liabilities:

	1 January 2015		**Other movements**		**Movement through income statement**	**31 December 2015**	
(In € million)	**Deferred Tax assets**	**Deferred Tax liabilities**	**OCI**	**Others**	**Deferred tax benefit (expense)**	**Deferred Tax assets**	**Deferred Tax liabilities**
Securities	0	(31)	10	0	0	0	(21)
Financial instruments	27	0	0	0	(30)	0	(3)
Net operating loss and tax loss carry forwards	23	0	0	(3)	19	39	0
Deferred tax assets / (liabilities) before offsetting	**50**	**(31)**	**10**	**(3)**	**(11)**	**39**	**(24)**
Set-off	(31)	31	0	0	0	(24)	24
Net deferred tax assets / (liabilities)	**19**	**0**	**10**	**(3)**	**(11)**	**15**	**0**

Deferred income taxes as of 31 December 2014 are related to the following assets and liabilities:

	1 January 2014		Other movements	Movement through income statement	31 December 2014	
(In € million)	Deferred Tax assets	Deferred Tax liabilities	OCI	Deferred tax benefit (expense)	Deferred Tax assets	Deferred Tax liabilities
Securities	0	(11)	(20)	0	0	(31)
Financial instruments	3	0	0	24	27	0
Net operating loss and tax loss carry forwards	3	0	0	20	23	0
Deferred tax assets / (liabilities) before offsetting	**6**	**(11)**	**(20)**	**44**	**50**	**(31)**
Set-off	(6)	6	0	0	(31)	31
Net deferred tax assets / (liabilities)	**0**	**(5)**	**(20)**	**44**	**19**	**0**

Details of deferred taxes recognised cumulatively in equity are as follows:

(In € million)	2015	2014
Available-for-sale investments	(21)	(31)
Cash flow hedges	3	3
Total	**(18)**	**(28)**

OPERATIONAL ASSETS AND LIABILITIES

7. Investment in subsidiaries, associates and participations

(In € million)	Subsidiaries	Associates	Participations	Total
Balance at 1 January 2014	**14,164**	**65**	**150**	**14,379**
Additions	109			109
Disposals / redemptions	(220)	(42)		(262)
Impairments		(2)		(2)
Share based payments (IFRS 2)	(5)			(5)
Fair value changes through equity			24	24
Balance at 31 December 2014	**14,048**	**21**	**174**	**14,243**
Additions	196			196
Book loss on investments	(5)			(5)
Share based payments (IFRS 2)	29			29
Fair value changes through equity			58	58
Balance at 31 December 2015	**14,268**	**21**	**232**	**14,521**

Investments in subsidiaries, associated companies and participations

Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from the Company's subsidiaries and associated companies is recognised when the right to receive payment is established.

Available for sale participations are stated at fair value with changes in fair value recognised in Other Comprehensive Income.

For the purpose of impairment testing all consolidated subsidiaries are allocated to cash generating units ("CGU") in a way they are monitored for internal management purposes. At each balance sheet date, the Company reviews whether there is an indication that a CGU to which its investments in subsidiaries and associated companies belong to are impaired.

An indication for impairment of the investments in subsidiaries and associated companies may include, respectively, management's downward adjustment of the strategic plan or a significant decrease in the share price of a publicly listed company. Further indications for impairment of its investments may include other areas where observable data indicates that there is a measurable decrease in the estimated future cash flows. These determinations require significant judgement. In making this judgement, management evaluates, among other factors, the financial performance of and business outlook for its investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If any indication for impairment exists, the recoverable amount of the investments is estimated in order to determine the extent, if any, of the impairment loss. An investment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an investment's fair value less costs to sell and its value in use.

The determination of the investment's value in use is based on calculations using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The discounted cash flow method is used to determine the recoverable amount of a CGU to which its investments in subsidiaries and associated companies belongs to. The discounted cash flow method is particularly sensitive to the selected discount rates and estimates of future cash flows by management. Key assumptions used to determine the recoverable value of the CGU are the expected future labour expenses, future interest rates, future exchange rates to convert in € the portion of future US$ and GBP which are not hedged and the estimated growth rate of terminal values.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. Any impairment loss is recognised immediately in the statement of income.

Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates or external market information used to determine the investment's recoverable amount since the last impairment loss was recognised.

The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Change of investments in subsidiaries

On 26 June 2015, Airbus Group SE has made a capital contribution of $146 million into Airbus Group Proj B.V., a 100% subsidiary, in the frame of the industrial partnership with OneWeb Ltd. for the design and manufacturing of microsatellites.

On 8 December 2015, Airbus Group SE entered into a partnership agreement to establish a Corporate venture capital fund, dubbed Airbus Group Ventures, as well as a technology and business innovation center in Silicon Valley. On 25 November 2015, a first investment of $5 million has been made into this fund.

On 15 December 2015, Airbus Group SE has made a capital increase of €19 million into Aero Ré S.A., thereby acquiring 50.9% of the shares of the company.

On 25 July 2014, Airbus Group SE acquired 100% shares in Salzburg München Bank AG from Raiffeisenverband Salzburg followed by a capital increase in December 2014. The total capital contribution amounted to €100 million.

On 13 November 2014, Airbus Group SE entered into a share purchase agreement with its subsidiary Sogerma S.A.S. to sell its 100% subsidiary Aerolia S.A.S. for a total consideration of €700 million. The transaction was closed on the same date, whereby the Company recognized a €480 million capital gain within income from investments.

Change of investments in associated companies

On 9 December 2014, Airbus Group SE signed a share purchase agreement with the State of Finland to sell its entire 26.8% share in Patria Oyj to the Finnish defence, security and aviation services provider for a total consideration of €133 million. The transaction was closed on 11 December 2014 and the Company recognized a €91 million capital gain within income from investments.

Information on principal investments of the Company

2015	%	2014	%	Company	Head office
	50.90		0.00	Aero Ré S.A.	Bertrange (Luxembourg)
	66.08		78.48	Airbus Defence and Space GmbH	Taufkirchen (Germany)
	100.00		100.00	Airbus Defence and Space S.A.	Madrid (Spain)
	97.57		97.46	Airbus DS Holdings B.V.	Leiden (Netherlands)
	100.00		100.00	Airbus DS Ltd.	Newport (United Kingdom)
	100.00		100.00	Airbus Group Bank GmbH	Munich (Germany)
	100.00		100.00	Airbus Group Finance B.V.	Leiden (Netherlands)
	100.00		100.00	Airbus Group Inc.	Herndon, VA (USA)
	100.00		100.00	AirbusGroup Limited	London (United Kingdom)
	100.00		0.00	Airbus Group Proj B.V.	Leiden (Netherlands)
	100.00		100.00	Airbus Group S.A.S.	Toulouse (France)
	99.00		0.00	Airbus Group Ventures Fund I, L.P.	Mountain View, CA (USA)
	100.00		100.00	Airbus Helicopters Holding S.A.S.	Marignane (France)
	100.00		100.00	Airbus S.A.S.	Toulouse (France)
	100.00		100.00	DADC Luft-und Raumfahrt Beteiligungs GmbH	Ottobrunn (Germany)
	100.00		100.00	Premium Aerotec GmbH	Augsburg (Germany)

Percentages represent share held directly by Airbus Group SE.

With effect of 1 January 2015, Airbus Operation GmbH contributed its A400M „IFA and Cargo Hold System“, Bremen business into Airbus Defence and Space GmbH in turn to become a new shareholder. As a consequence Airbus Group SE’s participation in Airbus Defence and Space GmbH was diluted from 78.48 % to 66.08%.

8. Financial assets and liabilities

Financial assets and liabilities at 31 December 2015 and 2014 consist of the following:

	31 December	
(In € million)	**2015**	**2014**
Long-term financial assets	**3,594**	**3,128**
Long-term loans Group companies	3,583	3,074
Long-term loans External	11	54
Non-current other financial assets	**7,979**	**3,321**
Positive fair values of derivative financial instruments	7,979	3,321
Current other financial assets	**4,431**	**2,502**
Positive fair values of derivative financial instruments	3,982	2,187
Current portion long-term loans Group companies	449	315
Current accounts Group companies (1)	**(20,062)**	**(16,793)**
Receivables from subsidiaries	8,353	8,856
Liabilities to subsidiaries	(28,415)	(25,649)
Non-current financial liabilities	**(7,960)**	**(3,405)**
Negative fair values of derivative financial instruments	(7,960)	(3,405)
Current financial liabilities	**(3,991)**	**(2,257)**
Negative fair values of derivative financial instruments	(3,991)	(2,257)

(1) The receivables from and liabilities to subsidiaries include mainly transactions in connection with the cash pooling in Airbus Group SE.

9. Commitments and Contingencies

Off-balance sheet commitments

Airbus Group SE issued guarantees on behalf of Group companies in the amount of €6,347 million (2014: €6,409 million). The commitments of these companies to third parties mainly relate to their operating business as described in Note 18 "Property, plant and equipment", Note 25 "Sales financing transactions" and Note 35 "Information about financial instruments" to the Consolidated Financial Statements. In addition, the Company has entered into capital contribution commitments with Group companies in the amount of €54 million (2014: €0 million).

On 15 June 2015, Airbus Group SE announced an industrial partnership with OneWeb Ltd. for the design and manufacturing of microsatellites with a total commitment amount of $166 million. On 26 June 2015, a first investment of $146 million has been made into this partnership.

On 8 December 2015, Airbus Group SE entered into a partnership agreement to establish a Corporate venture capital fund, dubbed Airbus Group Ventures, as well as a technology and business innovation center in Silicon Valley with a total commitment amount of $150 million. On 25 November 2015, a first investment of $5 million has been made into this fund.

EMPLOYEES

10. Number of employees

The average number of the persons employed by the Company in 2015 was 3 (2014: 3).

CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

11. Total Equity

Airbus Group's shares are ordinary shares with a par value of €1.00. The following table shows the development of the number of shares outstanding:

(In number of shares)	2015	2014
Issued as at 1 January	**784,780,585**	**783,157,635**
Issued for ESOP	1,539,014	0
Issued for exercised options	1,910,428	1,871,419
Cancelled	-2,885,243	-248,469
Issued as at 31 December	**785,344,784**	**784,780,585**
Treasury shares as at 31 December	-1,474,057	-431,832
Oustanding as at 31 December	**783,870,727**	**784,348,753**
Authorised shares	**3,000,000,000**	**3,000,000,000**

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

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of €1,910,428 (in 2014: €1,871,419) in compliance with the implemented stock option plans and by employees of €1,539,014 million (in 2014: €0) under the Employee Stock Ownership Plans ("ESOP").

Share premium mainly results from contributions in kind in the course of the creation of Airbus Group, cash contributions from the Initial Public Offering, capital increases and reductions due to the issuance and cancellation of shares as well as cash distributions to Airbus Group SE shareholders. On 27 May 2015, the Shareholders' General Meeting decided to distribute a gross amount of €1.20 per share, which was paid on 3 June 2015. For the fiscal year 2015, the Group's Board of Directors proposes a cash distribution payment of €1.30 per share.

Accumulated other comprehensive income ("AOCI") includes:

- change from ***available-for-sale financial assets*** (see Note 13 "Information about financial instruments" b);
- change in fair value of derivatives designated as ***cash flow hedges*** (see Note 13 "Information about financial instruments" b);

Treasury shares represent the amount paid or payable for own shares held in treasury.

Authorisations granted by the Shareholders' General Meeting of Airbus Group held on 27 May 2015:

On 27 May 2015, the Annual General Meeting of the Company authorised he Board of Directors, for a period expiring at the Annual General Meeting to be held in 2016, to issue shares and grant rights to subscribe for shares in the Company's share capital for the purpose of:

• employee share ownership plans in the limit of 0.1% of the Company's authorised share capital (see Note 30 "Share based payment" of the Group's Consolidated Financial Statements);

• 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 capital (see Note 34.3 "Financing liabilities of the Group's Consolidated Financial Statements).

For each operation, such powers shall not extend to issuing shares or granting rights to subscribe for shares if there is no preferential subscription right and for an aggregate issue price in excess of €500 million per share issuance.

Also on 27 May 2015, the Annual General Meeting of the Company authorised the Board of Directors for an 18-month period to repurchase up to 10% of the Company's issued and outstanding share capital (i.e. issued share capital excluding shares held by the Company or its subsidiaries) at a price not exceeding 85 euros per share.

Airbus Group has appointed an Investment Services Provider to undertake a share buyback on behalf of the Company for a maximum amount of € 1 billion. The buyback will take place between 2 November 2015 and 30 June 2016. As of 31 December 2015 the Company bought back €264 million of shares and recognised a financial liability of €223 million for its irrevocable share buyback commitment at that date. Recognition of the financial liability led to a corresponding reduction of equity.

Furthermore, the Annual General Meeting authorised both the Board of Directors and the Chief Executive Officer, with powers of substitution, that the number of shares repurchased by the Company pursuant to the share buyback programme are cancelled. As per decisions of the Chief Financial Officer upon delegation of the Chief Executive Officer, on 17 December 2015, a number of 2,885,243 shares have been cancelled.

Reconciliation Consolidated to Company Equity and Net Income

The difference between the total shareholders' equity according to the Consolidated Financial Statements and Company's Financial Statements as at 31 December 2015 is as follows:

	31 December	
(In € million)	**2015**	**2014**
Consolidated Equity	**5,966**	**7,061**
AOCI - Restatement of investments from Consolidated to Company Financial Statements	4,527	1,390
Retained Earnings - Restatement of investments from Consolidated to Company Financial Statements	(1,537)	1,657
Retained Earnings - Valuation investments at historical cost	1,487	1,487
Retained Earnings - Impairment of financial assets	(1,273)	(1,273)
Company's Equity	**9,170**	**10,322**

The difference between the Net income according to the Consolidated Financial Statements and Company's Financial Statements for the year ended 31 December 2015 is as follows:

(In € million)	2015	2014
Consolidated Net Income	**2,696**	**2,343**
Income from investments according to Consolidated Financial Statements	(2,694)	(2,412)
Income from investments according to Company Financial Statements	9	760
Loss on / Impairment of financial assets	(5)	(45)
Other valuation differences	48	(23)
Company's Net Income	**54**	**623**

12. Cash, securities and financing liabilities

a) Cash and cash equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	2015	2014
Bank accounts	444	1,195
Short-term securities (at fair value through profit & loss)	3,220	3,261
Short-term securities (available for sale)	2,851	1,744
Total cash and cash equivalents	**6,515**	**6,200**

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 recognized in cash equivalents.

b) Securities

	31 December	
(In € million)	2015	2014
Current securities (available for sale)	1,683	3,077
Non-current securities (available for sale)	9,590	5,805
Non-current securities (at fair value through profit & loss)	3	4
Total securities	**11,276**	**8,886**

Included in the securities portfolio as of 31 December 2015 and 2014, respectively, are corporate and government bonds bearing either fixed rate coupons (€10,604 million nominal value; comparably in 2014: €7,010 million) or floating rate coupons (€397 million nominal value; comparably in 2014: €247 million) and foreign currency Funds of Hedge Funds (€8 million nominal value; 2014: €8 million).

c) Financing liabilities

Current and non-current classification – A financial asset or liability is classified as current if it is settled within 12 months after the reporting date, and as non-current otherwise.

Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, and payables due to related parties.

The Company has received several €-denominated loans and one US $-denominated loan from Airbus Group Finance B.V. ('AGFBV'). It has also issued a convertible bond in Euro. Furthermore, the Company has long-term US dollar-denominated loans outstanding with the European Investment Bank ('EIB') and the Development Bank of Japan ('DBJ'). The terms and repayment schedules of these bonds and loans are as follows:

	Principal amount	Carrying amount		Coupon or interest rate	Effective interest rate	Maturity	Additional features
	in Mio	31-Dec-15	31-Dec-14				
Loans from Airbus Group Finance B.V.							
AGFBV 15 years (EMTN)	€ 500	€ 499	€ 499	3M Euribor +1.85%	at variable rate	Sep-18	
AGFBV 7 years (EMTN)	€ 1,000	€ 999	€ 999	3M Euribor +1.585%	at variable rate	Aug-16	
AGFBV 10 years (EMTN)	€ 1,000	€ 1,021	€ 995	2.40%	2.45%	Apr-24	Interest rate swapped into 3M Euribor +1.40%
AGFBV 15 years (EMTN)	€ 500	€ 497	€ 494	2.15%	2.24%	Oct-29	Interest rate swapped into 3M Euribor +0.84%
AGFBV USD Loan 10 years	$1,000	€ 919	€ 819	2.72%	2.80%	Apr-23	Interest rate swapped into 3M US-Libor +0.68%
Billet de trésorerie programme	$550	€ 505	€ 0				
Loans from financial institutions							
DBJ 10 years	$ 300	€ 276	€ 247	3M US-Libor +1.15%	4.84%	Jan-21	Interest rate swapped into 4.76% fixed
EIB 10 years	$ 721	€ 567	€ 594	3M US-Libor +0.85%	3.20%	Aug-21	Interest rate swapped into 3.2% fixed
EIB 7 years	$ 406	€ 373	€ 334	3M US-Libor +0.93%	at variable rate	Feb-20	
EIB 10 years	$ 627	€ 576	€ 516	2.52%	2.52%	Dec-24	Interest rate swapped into 3M Euribor +0.61%
EIB 10 years	$ 320	€ 294	€ 0	6M US-Libor +0.56%	at variable rate	Dec-25	
Share buyback commitment		€ 223	€ 0				
Others		€ 11	€ 54				
Bond							
Convertible Bond 7 years	€ 500	€ 457	€ 0	0.00%	1.39%	Jul-22	Convertible into Airbus Group SE shares at €99.54 per share
Total		**€ 7,217**	**€ 5,551**				
Thereof non-current financing liabilities		€ 5,394	€ 5,551				
Thereof current financing liabilities		€ 1,823	€ 0				

The Company can receive loans from issued commercial papers under the so called "billet de trésorerie" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of €2 billion, increased in 2013 to a maximum volume of €3 billion.

The decrease in **long-term financing liabilities** is mainly due to a reclassification between long-term and short-term bonds, partly offset by the issue of a convertible bond for €500 million on 1 July 2015, with a 7 year-maturity. This bond bears a coupon of 0% and was issued at 102% of par. Its effective interest rate, after separation of the equity conversion option (€53 million), is 1.386%.

Included in the **short-term financing liabilities** is the irrevocable part of the share buyback commitment in the amount of €223 million.

13. Information about financial instruments

a) Financial risk management

The Company acts as an intermediary for its subsidiaries when they wish to enter into derivative contracts to hedge against foreign exchange risk or other market risks such as interest rate risk, commodity price risk or equity price risk. The Company's practice it to set up a derivative contract with a subsidiary and at the same time enter into a back-to-back derivative transaction with a bank. Contracts with subsidiaries being thus mirrored (on a one-to-one basis) by contracts with banks, the Company's net exposure is virtually zero. There are, however, a few derivative contracts the Company holds in order to hedge its own market risk exposure.

As the Company's back-to-back hedge contracts are entered into with different counterparties, their fair values are reflected separately in the statement of Financial Position and recognized as Other financial assets and Other financial liabilities as disclosed in Note 8 of the Company Financial Statements.

In the Statement of Income the results of the back-to-back hedge transactions, both realized and unrealized, are presented on a net basis as the Company acts as an agent for its subsidiaries.

The Company's overall financial risk management activities and their objectives are described in detail in section 35.1 "Financial risk management" of the Notes to the Consolidated Financial Statements.

Market risk

Foreign exchange risk – The Company manages a long-term hedge portfolio with maturities of several years for its subsidiaries, mainly Airbus, and to a small extent for its joint ventures or associates. This hedge portfolio covers a large portion of Airbus Group's firm commitments and highly probable forecast transactions. As explained above, owing to the Company's back-to-back approach, its own exposure to foreign exchange risk is very limited.

Interest rate risk – The Company uses an asset-liability management approach with the objective to limit its interest rate risk. The Company undertakes to match the risk profile of its interest-bearing assets with those of its interest-bearing liabilities, the remaining net interest rate exposure being managed through several types of interest rate derivatives. If the derivative instruments qualify for hedge accounting in the Company financial statements the Company applies cash flow hedge accounting or fair value hedge accounting. For more information on the risk management and hedging strategies used by the Group please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

Equity price risk – The Company is to a small extent invested in quoted equity securities mainly for strategic reasons. The Company's exposure to equity price risk is hence limited. Furthermore, Airbus Group is exposed under its Long-Term Incentive Plan (LTIP) to the risk of Airbus Group share price movements. In order to limit these risks for the Group, the Company enters into equity derivatives that reference the Airbus Group SE share price.

Sensitivities of market risks – The approach used to measure and control market risk exposure within the Group's financial instrument portfolio is amongst other key indicators the value-at-risk ("VaR"). For information about VaR and the approach used by the Company to assess and monitor sensitivities of market risks please refer to section 35.1 "Financial Risk Management" in the Notes to the Consolidated Financial Statements.

The Company is part of the Group risk management process, which is more fully described in section 35.1 "Financial Risk Management" in the Notes to the Consolidated Financial Statements.

A summary of the VaR position of the Company's financial instruments portfolio at 31 December 2015 and 2014 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
31 December 2015				
FX hedges	19	0	19	0
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	50	22	29	28
Equity swaps	11	11	0	0
Diversification effect	(39)	(8)	(39)	0
All financial instruments	**41**	**25**	**9**	**28**
31 December 2014				
FX hedges	15	0	15	0
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	22	13	12	18
Equity swaps	17	17	0	0
Diversification effect	(20)	(6)	(24)	0
All financial instruments	**34**	**24**	**3**	**18**

The increase of total VaR compared to 31 December 2014 is mainly caused by to a strong increase of market volatilities particularly in relation with interest rates and FX. The Company enters into derivative instruments mainly for hedging purposes of the Group. The derivative instruments entered into with group-external counterparties are passed on a 1:1 basis to Airbus Group entities. As a result, the respective market risks of the group-external derivative instruments are offset by corresponding opposite market risks of intragroup transactions.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents at any time to meet its own and the Group's present and future commitments as they fall due. For information on how the Group monitors and manages liquidity risk please refer to section 35.1 "Financial Risk Management" in the Notes to the Consolidated Financial Statements.

The contractual maturities of the Company financial liabilities, based on undiscounted cash flows and including interest payments, if applicable, are as follows:

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year – 2 years	2 years – 3 years	3 years – 4 years	4 years – 5 years	More than 5 years
31 December 2015								
Non-derivative financial liabilities	(7,217)	(8,064)	(1,946)	(211)	(781)	(269)	(687)	(4,170)
Derivative financial liabilities	(11,951)	(13,698)	(4,100)	(3,635)	(2,992)	(1,976)	(560)	(435)
Total	**(19,168)**	**(21,762)**	**(6,046)**	**(3,846)**	**(3,773)**	**(2,245)**	**(1,247)**	**(4,605)**
31 December 2014								
Non-derivative financial liabilities	(5,551)	(6,405)	(194)	(1,193)	(230)	(749)	(237)	(3,802)
Derivative financial liabilities	(5,662)	(7,567)	(2,310)	(1,789)	(1,066)	(615)	(1,407)	(380)
Total	**(11,213)**	**(13,972)**	**(2,504)**	**(2,982)**	**(1,296)**	**(1,364)**	**(1,644)**	**(4,182)**

Credit risk

The Company is exposed to credit risk to the extent of non-performance by either the related parties to which it provides financing or its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. Although the Company provides loans to Group companies its credit risk is limited to its direct subsidiaries. For the policies the Company has put in place to avoid concentrations of credit risk and to ensure that credit risk is limited please refer to section 35.1 “Financial Risk Management” of the Notes to the Consolidated Financial Statements.

In 2015, the total receivables, neither past due nor impaired amount to €4,946 million (in 2014: €4,226 million).

b) Carrying amounts and fair values of financial instruments

Financial instruments – The Company’s financial assets mainly consist of cash, short to medium-term deposits and securities. The Company’s financial liabilities include intragroup liabilities, obligations towards financial institutions and issued bonds. The Company has the same classification and accounting policies as the Group. Please refer to section 35.1 “Financial Risk Management” of the Notes to the Consolidated Financial Statements for more information.

The Company assigns its financial instruments (excluding its at-cost investments, which are outside the scope of IAS 39) into classes based on their category in the statement of financial position.
The following tables present the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2015 and 2014:

31 December 2015	**Fair Value through profit or loss**		**Fair Value for hedge relations**	**Available for Sale**		**Loans and Receivables and Financial liabilities**		**Financial Instruments Total**	
(In € million)	Held for trading	Designated	Fair value	Book value	Fair value	Amortised Cost	Fair value	Book Value	Fair value
Assets									
Other investments and long-term financial assets									
Equity instruments	0	0	0	199	199	0	0	199	199
Loans	0	0	0	0	0	4,043	4,147	4,043	4,147
Trade Receivables	0	0	0	0	0	11	11	11	11
Other financial assets								0	0
Derivative Instruments	11,899	0	61	0	0	0	0	11,960	11,960
Current account Group companies	0	0	0	0	0	8,353	8,353	8,353	8,353
Securities	0	3	0	11,273	11,273	0	0	11,276	11,276
Cash and cash equivalents	0	3,220	0	2,851	2,851	444	444	6,515	6,515
Total	**11,899**	**3,223**	**61**	**14,323**	**14,323**	**12,851**	**12,955**	**42,357**	**42,461**
Liabilities									
Financing liabilities									
- Issued bonds and CP	0	0	0	0	0	962	992	962	992
- Liabilities to banks and other financing liabilities	0	0	0	0	0	2,309	2,338	2,309	2,338
- Internal loans payable	0	0	0	0	0	3,945	4,070	3,945	4,070
Other financial liabilities									
- Derivative Instruments	11,901	0	50	0	0	0	0	11,951	11,951
- Current accounts Group companies	0	0	0	0	0	28,415	28,415	28,415	28,415
Total	**11,901**	**0**	**50**	**0**	**0**	**35,631**	**35,815**	**47,582**	**47,766**

31 December 2014	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities		Financial Instruments Total	
(In € million)	Held for trading	Designated	Fair value	Book value	Fair value	Amortised Cost	Fair value	Book Value	Fair value
Assets									
Other investments and long-term financial assets									
Equity instruments	0	0	0	157	157	0	0	157	157
Loans	0	0	0	0	0	3,445	3,649	3,445	3,649
Trade Receivables	0	0	0	0	0	9	9	9	9
Other financial assets								0	0
Derivative Instruments	5,507	0	0	0	0	0	0	5,507	5,507
Current account Group companies	0	0	0	0	0	8,856	8,856	8,856	8,856
Securities	0	4	0	8,882	8,882	0	0	8,886	8,886
Cash and cash equivalents	0	3,261	0	1,744	1,744	1,195	1,195	6,200	6,200
Total	**5,507**	**3,265**	**0**	**10,783**	**10,783**	**13,505**	**13,709**	**33,060**	**33,264**
Liabilities									
Financing liabilities									
- Issued bonds and CP	0	0	0	0	0	0	0	0	0
- Liabilities to banks and other financing liabilities	0	0	0	0	0	1,692	1,712	1,692	1,712
- Internal loans payable	0	0	0	0	0	3,860	4,168	3,860	4,168
Other financial liabilities									
- Derivative Instruments	5,523	0	139	0	0	0	0	5,662	5,662
- Current accounts Group companies	0	0	0	0	0	25,649	25,649	25,649	25,649
Total	**5,523**	**0**	**139**	**0**	**0**	**31,201**	**31,529**	**36,863**	**37,191**

Fair value hierarchy

For further details please refer to Note 35.2 “Carrying amounts and fair values of financial instruments” in the Consolidated Financial Statements.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input.

The following tables present the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2015 and 2014, respectively:

	31 December 2015			31 December 2014		
(In € million)	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets measured at fair value						
Equity instruments	199	0	199	157	0	157
Derivative instruments	0	11,961	11,961	0	5,505	5,505
Securities	11,112	164	11,276	7,500	1,386	8,886
Cash equivalents	3,941	2,130	6,071	3,563	1,442	5,005
Total	**15,252**	**14,255**	**29,507**	**11,220**	**8,333**	**19,553**
Financial liabilities measured at fair value						
Derivative instruments	0	11,951	11,951	0	5,662	5,662
Other liabilities	0	0	0	0	0	0
Total	**0**	**11,951**	**11,951**	**0**	**5,662**	**5,662**

c) Potential effect of set-off rights on recognised financial assets and liabilities

The Company reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements on the Company's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2015 and 31 December 2014, respectively:

(In € million) Derivative instruments	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2015						
Financial assets	11,961	0	11,961	(2,754)	0	9,207
Financial liabilities	11,951	0	11,951	(2,754)	0	9,197
31 December 2014						
Financial assets	5,505	0	5,505	(1,038)	0	4,467
Financial liabilities	5,662	0	5,662	(1,038)	0	4,624

d) Notional amounts of derivative financial instruments

The **maturity of hedged interest cash flows** are as follows, specified by year of expected maturity:

(In € million)	Remaining period								
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	Total
31 December 2015									
Interest rate contracts	2,549	41	1,021	18	14	1,134	8	3,469	**8,254**
Interest rate future contracts	1,032	0	0	0	0	0	0	0	**1,032**
31 December 2014									
Interest rate contracts	833	2,537	30	1,000	0	0	1,088	0	**5,488**
Interest rate future contracts	176	0	0	0	0	0	0	0	**176**

The notional amounts of **equity swaps** are as follows:

(In € million)	Remaining period					
	1 year	2 years	3 years	4 years	> 4 years	Total
31 December 2015	153	76	52	49	20	**350**
31 December 2014	209	146	75	23	0	**453**

e) Derivative financial instruments and hedge accounting disclosure

In addition, a gain of €20 million was recognised in the profit of the period in 2015 (€35 million in 2014) on derivatives that were designated as hedging instruments in a fair value hedge, and a loss of €-18 million (in 2014: €-34 million) attributable to the hedged risk was recognised in the profit of the period on the corresponding hedged items. Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments is as follows:

(In € million)	2015 Assets	2015 Liabilities	2014 Assets	2014 Liabilities
Foreign currency contracts – cash flow hedges	0	26	0	9
Foreign currency contracts – not designated in a hedge relationship	11,669	11,671	5,265	5,282
Interest rate contracts – cash flow hedges	0	13	0	14
Interest rate contracts – fair value hedges	30	4	0	23
Interest rate contracts – not designated in a hedge relationship	100	100	138	136
Commodity contracts - not designated in a hedge relationship	130	130	104	104
Equity swaps – not designated in a hedge relationship	31	7	0	94
Total	**11,960**	**11,951**	**5,507**	**5,662**

f) Net gains or net losses

The Company's net gains or net losses recognised in profit or loss in 2015 and 2014 respectively are as follows:

(In € million)	2015	2014
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	70	(326)
Designated on initial recognition	165	185
Available-for-sale financial assets	183	206
Loans and receivables (1)	375	338
Financial liabilities measured at amortised cost	(631)	(576)
Total	**162**	**(173)**

(1) Contain among others impairment losses

5. OTHER SUPPLEMENTARY INFORMATION INCLUDING THE INDEPENDENT AUDITOR'S REPORT

1. Appropriation of result

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The general meeting of shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the net income of €54 million as shown in the income statements for the financial year 2015 is to be added to retained earnings and that a payment of a gross amount of €1.30 per share shall be made to the shareholders out of retained earnings.

2. Events after the reporting date

For further information please see Note 38 of the Consolidated Financial Statements.

Independent auditor's report

To: the General Meeting of Shareholders of Airbus Group SE

Report on the audit of the annual financial statements 2015

Opinion

In our opinion, the consolidated and company financial statements give a true and fair view of the financial position of Airbus Group SE as at December 31, 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2015 of Airbus Group SE, based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated and company financial statements comprise:

1. the consolidated and company statement of financial position as at December 31, 2015;
2. the following statements for 2015: the consolidated and company income statement and the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Airbus Group SE in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Audit approach

Summary	
Unqualified audit opinion	***Materiality*** • Overall materiality of EUR 200 million • 5.9% of consolidated profit before tax
Key audit matters • Accounting for construction contracts, including revenue recognition and loss provisions • Valuation of inventories for contracts accounted for under IAS 18 and completeness of provisions for contract losses and customer service obligations • Litigation and claims and risk of non-compliance with laws and regulations • Goodwill impairment • Derivative financial instruments, including impact on capitalisation of Airbus Group	***Scope of the group audit*** • Coverage of 96% of Group revenue and 96% of Group total assets

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 200 (2014: EUR 222) million. The materiality is determined with reference to consolidated profit before income taxes (2015: 5.9%; 2014: 6.9%). We consider consolidated profit before income taxes as the most appropriate benchmark given the nature of the business. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Board of Directors and Audit Committee that misstatements in excess of EUR 10 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Airbus Group SE is head of a group of entities, hereafter referred to as "Airbus Group" or "Group". The financial information of this group is included in the financial statements of Airbus Group SE.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this context, we have determined the nature and extent of the audit procedures to be performed for the group entities, based on the significance and/or risk profile of entities or activities. On this basis, we selected group entities for which an audit had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. A significant part of the audit is performed by other auditors within the KPMG network or by other non-KPMG audit firms. The organisation and supervision of the audit of the financial statements is a crucial part of our work.

We scope entities into the group audit where they are of significant size, have significant risks to the Group associated with them or are considered significant for other reasons. This resulted in coverage of 96% (2014: 96%) of total Group revenue and 96% (2014: 98%) of total Group assets. For remaining entities, we performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement within these entities.

The audit of the Airbus Group consolidation and the financial statements is performed at the Airbus headquarters in Toulouse, France. Our involvement in the audit includes participation in risk assessment and planning discussions, setting the direction of the group audit work (including instructions to the divisional and entity auditors), review and discussion of the planned audit approach, obtaining an understanding of the financial reporting process, performing procedures on the Group consolidation, participating in the evaluation of key accounting topics, reviewing the financial statements and participating in meetings with Group and divisional management. As part of our Group audit instructions, we also issued specific questionnaires on key programs (A380, A350 and A400M) and the risk of non-compliance with laws and regulations.

The audit of the three Airbus Group divisions (Airbus, Airbus Defence & Space and Airbus Helicopters) is performed jointly by KPMG network firms and other non-KPMG audit firms. Meetings were held with the divisional auditors to discuss the findings reported to the group audit team, as well as file reviews.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group’s financial information to provide an opinion on the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors and Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for construction contracts, including revenue recognition and loss provisions

Description

The amount of revenue and profit recognised in a year is dependent on the assessment of the stage of completion of construction contracts as well as estimated total revenue and estimated total cost. Significant estimates are made to assess the stage of completion based on milestones, estimated revenue and costs for the key programmes such as A400M and A350 (contracts with launch customers only). Depending on these assessments, the stage of completion is determined, revenue is recognised and loss provisions are recorded when the contract margin is negative.

Provisions for contract losses relate mainly to the A400M and A350 launch customers and are recorded when it becomes probable that estimated total contract costs will exceed estimated total contract revenues. Updates to these provisions can have a significant impact on the Group's result and financial position. The determination of these provisions is based on best available estimates and requires significant management judgement and assumptions associated with the technical development achievement and certification schedules, production plan (including assumptions on ramp up), performance guarantees as well as expected outcome from ongoing negotiations with customers.

A key risk is the A400M programme which remains in a critical phase. The A400M SOC 1 and 1.5 milestones remain to be achieved and therefore the related contractual termination rights from OCCAR/Nations became exercisable (SOC 1: as of 1 November 2015; SOC 1.5 as of 1 January 2016). Negotiations with OCCAR/Nations on military functionality, price revision formula and commercial compensation remain ongoing and are targeted for completion in 2016.

Reference is made to the disclosure on note 3 "Key estimates and judgements", note 10 (Revenues) and note 22 (Provisions) of the financial statements.

Our response

We evaluated the design and implementation of internal controls for accounting for construction contracts. We also performed detailed procedures on individually significant programs, including discussions with the individual Head of Programme, and evaluated management's assumptions in the determination of amongst others the stage of completion of a project, estimates to complete for both revenue and costs, and any provisions for loss making contracts. We focused on management's assessment of key contract risks and opportunities to determine whether these are appropriately reflected in the cost to complete forecasts, and paid specific attention for example to technical development, delivery plan and certification schedules. We challenged management's assumptions by discussing and reviewing correspondence with customers, considered the accuracy and consistency of similar estimates made in previous years and corroborated the assumptions with the latest contractual information.

We paid particular attention to the loss provision for the A400M programme, including the EUR 290 million additional net charge in 2015, as well as related disclosures. We discussed the extent to which management assessed the impact on the programme of the accident on 9 May 2015, and the challenges regarding delays in military functionality and deliveries, (commercial) negotiations with OCCAR/Nations, cost reduction targets and challenges in the industrial ramp-up and the SOC 1 and 1.5 contractual termination rights. Apart from reviewing underlying documentation, we also visited the Final Assembly Line in Seville and Bremen, and reviewed reports from Corporate Audit related to the programme.

Valuation of inventories for contracts accounted for under IAS 18 and completeness of provisions for contract losses and customer service obligations

Description

Inventories amount in total to EUR 29 billion, including work in progress of EUR 20 billion. Key programmes (which are accounted for under IAS 18 *Revenue recognition*, for which revenue and cost of sales are recognised as each aircraft is delivered) in light of the risks mentioned below are the A380 and the A350 contracts with non-launch customers. With respect to the A380, a key challenge is securing the order flow.

Estimates of total contract costs and selling price per aircraft are necessary to determine if a net realisable value impairment or provision for contract loss is required. In addition to the risk of contract cancellations, significant costs or loss of revenue may be incurred in connection with remedial action required to correct any performance issues detected. Due to the inherent uncertainty involved in forecasting future costs and interpreting contractual and commercial positions in determining impairments and provisions, this is a key audit area. Updates to these provisions can have a significant impact on the Group's result and financial position.

Reference is made to the disclosures on note 3 "Key estimates and judgements", and notes 20 (Inventories) and 22 (Provisions) of the financial statements.

Our response

We evaluated the design and implementation of internal controls for identifying and recording impairments and provisions and performed detailed procedures including inquiry of the Head of Programmes and corroboration with other audit evidence. We evaluated management's assumptions in the determination of the forecast revenue to be received, costs to be incurred (including any contractual penalties) and gross margin. Our evaluation was based on our assessment of the historical accuracy of the Group's estimates in previous periods and included an analysis of contingencies and impact of known technical issues on cost forecasts and provisions.

Particular attention was paid to the commercial status of the A380 programme, including discussions with Airbus management on the status and their ongoing commitment to the A380 programme.

Litigation and claims and risk of non-compliance with laws and regulations

Description

A part of the Group's business is characterised by competition for individual significant contracts with customers which are often directly or indirectly associated with governments. The process associated with these activities is susceptible to the risk of non-compliance with laws and regulations. In addition the Group operates in a number of territories where the use of commercial intermediaries is normal practice. Subsidiaries of Airbus Group SE remain under investigation by various law enforcement agencies in Germany, Greece, UK, Romania and Austria. Breaches of laws and regulations can lead to fines, penalties, criminal prosecution, litigation and restrictions on future business.

Litigation and claims involve amounts that are potentially significant and the estimate of the amount to be provided as a liability, if any, is inherently subjective. The outcome of these matters may have a material effect on the Group's result and financial position.

Reference is made to the disclosure on note 3 "Key estimates and judgements and note 36 (Litigation and claims) of the financial statements.

Our response

Our audit procedures included, among others, assessment of documents with the Group's general counsel and the group/divisional compliance officers on all significant legal and alleged compliance cases. In addition we obtained letters from the Group's legal counsel and external lawyers for all significant litigation. We used our own forensic specialists to assess risks and perform procedures to identify actual and potential non-compliance with laws and regulations relevant to the Group's business, analysed correspondence with enforcement agencies, and monitored external sources of information. With respect to cases regarding alleged non-compliance with laws and regulations, we assessed the adequacy of management's response (including investigations and corrective actions).

We tested payments made to commercial intermediaries during the year, made inquiries of appropriate personnel and evaluated the tone set by the Board and the Group's approach in managing these compliance

Litigation and claims and risk of non-compliance with laws and regulations

risks. We also assessed whether the Group's disclosures detailing significant legal proceedings and suspected breach in laws and regulations adequately disclose the contingent liabilities of the Group within note 36.

Particular attention was paid to the alleged compliance cases, the enhanced business development policies with regards to Ethics & Compliance and related disclosures.

Goodwill impairment

Description

Goodwill amounts to EUR 9.9 billion (2014: 10 billion) and represents 9% (2014:10%) of the balance sheet total and 166% (2014: 141%) of total equity. There is a risk of irrecoverability of the Group's significant goodwill balance due to weak demand in certain markets and aircraft market cyclicality. The Company used assumptions such as growth rates, weighted average cost of capital and underlying foreign exchange rates. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas.

Reference is made to the disclosure on note 17 (Intangible assets) of the financial statements.

Our response

In this area our audit procedures included, among others, testing of the group's budgeting procedures upon which the forecasts are based and the principles and integrity of the Group's discounted cash flow model. We used our own valuation specialist to assist us in evaluating the assumptions and methodologies used by the Group, in particular relating to the discount rate used. We also evaluated management's sensitivity analyses on the assumptions for each cash generating unit. We compared the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cash flows. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the cash flow model.

Derivative financial instruments, including impact on capitalisation of Airbus Group

Description

Airbus Group operates in a business environment that is exposed to currency and interest rate volatility. A significant portion of the Group's revenue is denominated in US dollars, while a major part of its costs is incurred in Euro and, to a lesser extent, in pounds Sterling. In response to these risks the Group uses financial instruments (mainly currency forwards) to mitigate the exposure to changes in market rates. There is a high inherent risk of error in the group financial statements, both in the valuation of the financial instruments and in the presentation and disclosure in the financial statements.

The magnitude of the Group's hedge portfolio and potential significant changes in the exchange rate of the US dollar versus the Euro could have a negative impact on the equity of the Group via the "mark to market" valuation of the hedge portfolio. It therefore also has a major impact on the capitalisation of Airbus Group, with net equity (as percentage of total assets) amounting to 5.6% per 31 December 2015 (2014: 7.4%).

Reference is made to note 35 (Information about financial instruments) of the financial statements.

Our response

For the audit of financial instruments we used specialists who tested the controls around the Group's central treasury system, independently calculated the valuation of the treasury portfolio and tested the application of hedge accounting rules and the resulting accounting treatment. We also obtained counterparty confirmation of the outstanding financial instruments to verify the existence and ownership. Finally, we evaluated whether appropriate disclosures relating to financial instruments were made in the financial statements.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the report of the Board of Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements in general we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport.

Report on other legal and regulatory requirements

Report on the Report of the Board of Directors and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the report of the Board of Directors and other information):

- We have no deficiencies to report as a result of our examination whether the report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the report of the Board of Directors, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged before 2003 for the first time as auditor of Airbus Group SE and operated as auditor since then. We were re-appointed by the Annual General Meeting of Shareholders as auditor of Airbus Group SE on May 27, 2015, for the year 2015, after which we will rotate off from the Airbus Group audit.

Amstelveen, February 23, 2016

KPMG Accountants N.V.

R.J. Aalberts RA

Report of the Board of Directors

(Issued as of 23 February 2016)

Dear Shareholders,

This is the Report of the Board of Directors (the “**Board Report**”) on the activities of Airbus Group SE (the “**Company**” and together with its subsidiaries the “**Group**”) during the 2015 financial year, prepared in accordance with Dutch regulations.

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

1. General Overview

With consolidated revenues of € 64,450 million in 2015, the Group is Europe’s premier aerospace and defence company and one of the largest aerospace and defence companies in the world. In terms of market share, the Group is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2015, it generated approximately 82% of its total revenues in the civil sector and 18% in the defence sector. As of 31 December 2015, the Group’s active headcount was 136,574 employees.

Airbus Group organises its businesses into the following three operating Divisions: (i) Airbus, (ii) Airbus Defence and Space and (iii) Airbus Helicopters.

2. Summary 2015

When the Group started the year 2015 it set itself the following ‘Group Priorities for 2015’, which were shared with all employees:

Ramp up Production

- Focus on ramping up our new civil platforms: A350 XWB, A320neo, EC175, EC145 T2;
- Recover A400M industrial set-up and outstanding development milestones of military capabilities; deliver aircraft to full customer satisfaction.

Operational Excellence

- Deploy Quest throughout the entire Group;
- Further reduce times required to get a fix for in-service issues;
- Simplify and shorten development processes (Beluga XL, Ariane 6, X6), reduce R&D complexity;
- Continue to drive ‘lean’ and improve Competitiveness in all areas;
- Implement the Cyber Security Improvement Plan (CSIP).

Innovation

- Develop and implement a Digital Strategy at Group level;
- Connect existing innovation initiatives for synergies and improve traction with operations and customers;
- Install Innovation Centre and Corporate Venture fund in Silicon Valley;
- Pursue innovation-to-business projects in all Divisions while leveraging Group-wide roadmaps, expertise, technologies and resources.

Finance

- Continue margin enhancement and increase our profitability;
- Focus on cash generation and build up reserves for future investments;
- Build trustful relationship with shareholders and reconsider our capital allocation policy;
- Ensure that all employees are financially aware and understand the necessity to make best use of our resources.

Ethics and Compliance

- Reinforce anti-corruption programme, update Group policies;
- Apply the same Ethics and Compliance standards throughout the Group;
- Promote culture of ‘Speaking Up’, integrity and transparency, including suppliers and partners.

Corporate Citizenship and Responsibility

- Strengthen our position as a trusted partner with all stakeholders, in our home countries and globally, by focusing on how we perform our operations and their socio-economic impact;
- Leverage our employees’ engagement and skills through the Airbus Corporate Foundation’s activities.

Team Airbus

- Drive Group-wide, Divisional and team level actions to meaningfully improve employee engagement over the next two years, thereby increasing performance, competitiveness and accelerating transformation and innovation;
- Accelerate the development and mobility of current and future leaders through the new Leadership University’s development of >12,000 people in 2015;

- Invest in smarter ways of working, collaborative tools and targeted restructuring that boost integration, connectivity and agility, hardwiring trust and cooperation in our ways of working and behaviours across organisational boundaries.

Global Outreach

- Ensure full deployment of the one-roof concept throughout the Group by year-end;
- Strive to further expand our worldwide footprint with local industrial presence (e.g. Airbus Final Assembly Line in Mobile, Alabama);
- Tap into talents and resources worldwide and hence strengthen our cultural and citizenship diversity.

2015 was a year of growth and progress for Airbus Group. The Group achieved a series of key milestones in major programmes, renewed and upgraded its product portfolio and took important decisions to adapt and streamline its business portfolio:

- the A320neo received joint Type Certification from European and US authorities;
- Airbus realized 14 A350 deliveries in the first full year of industrialisation;
- the E-Fan became the first all-electric, two-engine aircraft taking off by its own power to successfully cross the Channel;
- Lisa Pathfinder was successfully launched, paving the way for a new type of large space observatory to observe our universe as never before;
- first flight of the H160, the world's first fully composite civil helicopter is the cleanest and quietest in its field;
- test flights began for Perlan 2, which will push the frontiers of flight by becoming the first glider to reach the edge of space;
- Airbus Helicopters lay the foundation stone for a new factory in Brasov, Romania that will build the H215;
- Airbus Defence and Space was selected by OneWeb Ltd. to build 900 microsatellites which will help bring affordable global Internet access;
- A new corporate venture capital fund, Airbus Group Ventures, and A³, business innovation centre, were set up in Silicon Valley;
- Airbus' inaugural US manufacturing plant opened in Mobile, Alabama. By 2018, it will produce 40-50 single-aisle aircraft a year;
- A new algae cultivation facility was opened in Ottobrunn, Germany to research efficient processes for producing bio-kerosene and chemical products from algae;
- Airbus launched its Sustainable Aviation Engagement Programme to help airlines reduce their environmental footprint with tailored services and expertise;
- In its first year, the Airbus Foundation delivered 160 tonnes of aid and established a Memorandum of Understanding signed with The International Federation of Red Cross and Red Crescent Societies to offer additional products, technologies and services from the Group to help those in need; and
- Airbus Group N.V. realized another milestone in the transformation of its corporate governance in converting to a European Company (Societas Europaea) and became Airbus Group SE.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2015, the Company's issued share capital amounted to € 785,344,784 divided into 785,344,784 shares of a nominal value of € 1 each. The issued share capital of the Company as of such date represents 26.18% of the authorised share capital of € 3,000,000,000 comprising 3,000,000,000 shares. The holder of one issued share has one vote and is entitled to the profit in proportion to his participation in the issued share capital.

Modification of share capital or rights attached to shares

The shareholders' meeting has the power to authorize 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 shares issued for consideration other than cash and shares issued to employees of the Company or of a Group company. 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 issues 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 provide that a 75% voting majority is required for any shareholders' resolution to issue shares or to grant rights to subscribe for shares if the aggregate issue price is in excess of € 500,000,000 per share issuance, and no preferential subscription rights exist in respect thereof. The same voting majority requirement 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.

Pursuant to the shareholders' resolutions adopted at the AGM held on 27 May 2015, the powers to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital 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, provided that such powers shall be limited to 0.1% of the Company's authorised share capital, and
2. Funding the Company and its Group companies, 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 2016, and shall not extent to issuing shares or granting rights to subscribe for shares (i) if 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) for an aggregate issue price in excess of €500 million per share issuance.

At the AGM held on 27 May 2015, 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. In addition, and without prejudice to this authorisation, the Board of Directors was also authorised to repurchase up to 10% of the Company's issued share capital for a period of 18 months as of the date of the AGM held on 27 May 2015, at a price not less than the nominal value and at most 85 euros per share.

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 27 May 2015, the Board of Directors and the Chief Executive Officer 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.

The Company launched on 30 October 2015 a €1 billion share buyback for completion by 30 June 2016. (see "Notes to the Consolidated Financial Statements (IFRS) - Note 32: Total Equity" for further information).

Securities granting access to the Company's capital

Except for stock options granted for the subscription of the Company's shares (see "Notes to the Consolidated Financial Statements (IFRS) – Note 30: Share-Based Payment") there are no securities that give access, immediately or over time, to the share capital of the Company.

The table below shows the total potential dilution that would occur if all the stock options issued as at 31 December 2015 were exercised:

	Number of shares	**Percentage of diluted capital**	**Number of voting rights**	**Percentage of diluted voting rights***
Total number of the Company's shares issued as of 31 December 2015	785,344,784	99,966	785,344,784	99,966
Total number of the Company's shares which may be issued following exercise of stock options	264,500	0,034%	264,500	0,034%
Total potential share capital of the Company	785,609,284	100%	785,609,284	100%

(*) The potential dilutive effect on capital and voting rights of the exercise of these stock options may be limited as a result of the Company's share purchase programmes and in the case of subsequent cancellation of repurchased shares.

Changes in the issued share capital in 2015

In 2015, the Group's employees exercised 1,910,428 stock options granted to them through the stock option plans launched by the Company. As a result 1,910,428 new shares were issued in the course of 2015.

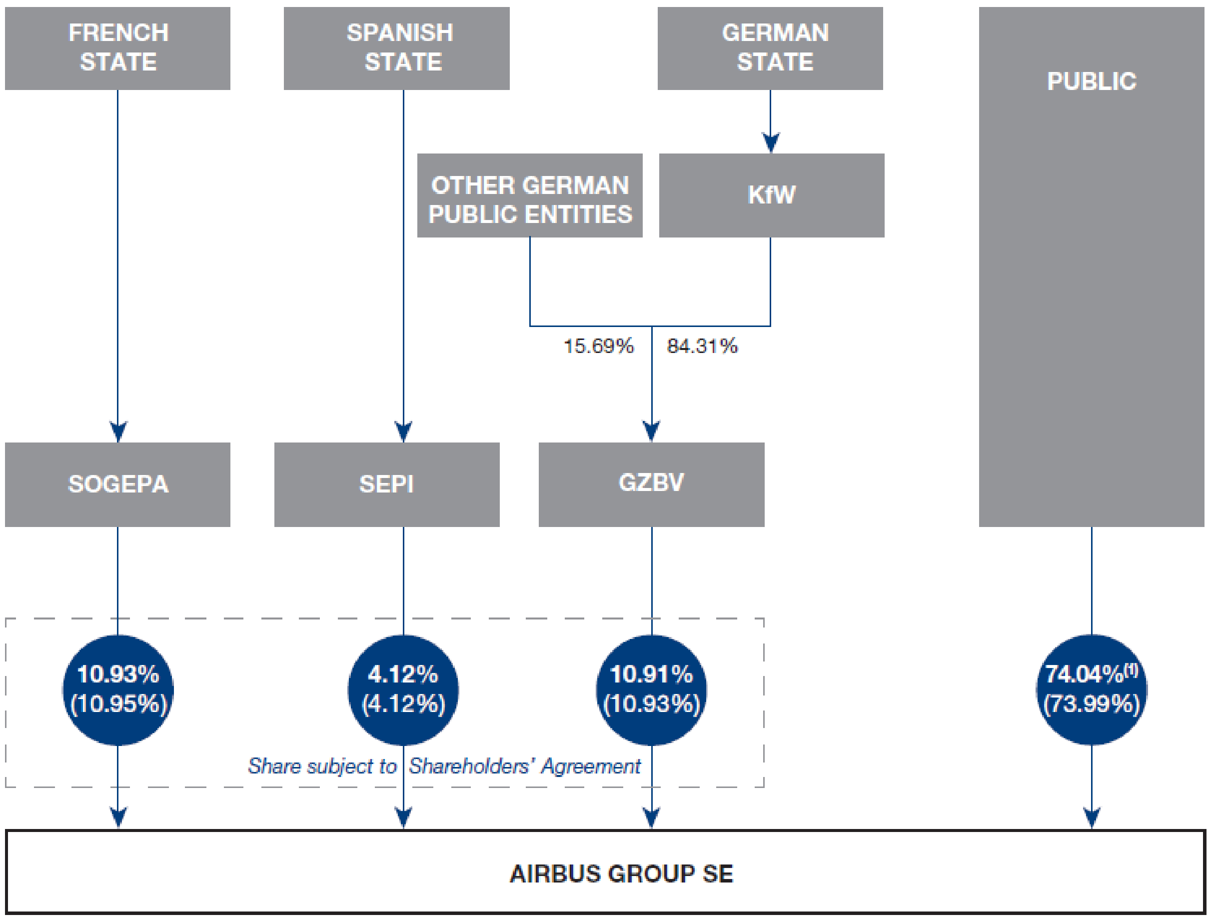
Repurchases and cancellations of shares in 2015

During 2015 (i) the Company repurchased in aggregate 4,078,346 shares and (ii) 2,885,243 treasury shares were cancelled.

Shareholding structure at the end of 2015

As of 31 December 2015, the French State held 10.93% of the outstanding the Company shares through Sogepa, the German State held 10.91% through GZBV, and the Spanish State held 4.12% through SEPI. The public (including the Group's employees) and the Company held, respectively, 73.85% and 0.19% of the Company's share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2015 (% of capital and of voting rights (in parentheses) before exercise of outstanding stock options granted for the subscription of the Company's shares).



1) Including shares held by the Company Itself (0.19%).

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 voting rights or capital interest 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 AFM immediately.

In addition, the below listed entities have notified the AFM of their substantial interest in the Company as of 31 December 2015. For further details, please refer to the website of the AFM at: **www.afm.nl**

- BlackRock, Inc. (4.20% of the capital interest and 4.99% of the voting rights); and
- Capital Group International Inc. together with Capital Research and Management Company (5.02% of the voting rights).

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 circumstances.

The persons who have the right to attend and vote at shareholders’ meetings are those who are so on record in a register designated for that purpose by the Board of Directors on the twenty-eighth 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 Airbus Group 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 S.A. 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. The use of such electronic means will depend on the availability of the necessary technical means and market practice.

Mandatory Disposal Threshold Restricting Ownership to 15%

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. 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, their Excess Shares would be transferred to a Dutch law foundation (“*Stichting*”), which can, and eventually must, dispose of them.

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 the Company 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: (a) 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 (b) 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 the date that the current Articles of Association entered into force (the "**Exemption Date**").

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 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 summarized 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, it concerns 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

On 5 December 2012, the Company, its then-core shareholders – Daimler AG ("**Daimler**"), Daimler Aerospace AG ("**DASA**"), Société de Gestion de l'Aéronautique, de la Défense et de l'Espace ("**Sogeade**"), Lagardère SCA ("**Lagardère**"), Société de Gestion de Participations Aéronautiques ("**Sogepa**") and Sociedad Estatal de Participaciones Industriales ("**SEPI**") – and Kreditanstalt für Wiederaufbau ("**KfW**"), a public law institution serving domestic and international policy objectives of the Government of the Federal Republic of Germany, reached an agreement (the "**Multiparty Agreement**") on far-reaching changes to the Company's shareholding structure and governance. The Multiparty Agreement was aimed at further normalising and simplifying the governance of the Company while securing a shareholding structure that allowed France, Germany and Spain to protect their legitimate strategic interests. This represented a major step forward in the evolution of the governance of the Company.

The Multiparty Agreement provided for significant changes to the Company's shareholding structure. In addition, a series of related transactions (collectively referred to as the "**Consummation**") occurred shortly after the Extraordinary General Meeting of the shareholders held on 27 March 2013. This resulted in several changes in the governance of the Company, including 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. The participation agreement among the Company's former core shareholders, as at 31 December 2012 including KfW, was terminated and replaced in part by a more limited shareholders' agreement (the "**Shareholders' Agreement**") among only Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG ("**GZBV**"), a subsidiary of KfW, Sogepa and SEPI.

The Shareholders' Agreement 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. Finally, the Multiparty Agreement provided for the entry into state security agreements with each of the French State and German State, which will be described in more detail below, and certain further undertakings of the Company with respect to selected matters that affect the interests of the Current Consortium Members.

3.2.1 CORPORATE GOVERNANCE ARRANGEMENTS

After the Consummation, the corporate governance arrangements of the Company were substantially changed. These changes are 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. Certain changes to the Company's corporate governance arrangements were provided for in the Articles of Association, including (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. In addition, there were changes in the composition of the Board of Directors and its internal rules.

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 on-going 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 postconcert 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 Airbus Group SE.

Governing law. Laws of the Netherlands.

Jurisdiction. 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 to the extent application to the courts is permitted to resolve any such dispute controversy or claim, the courts of the Netherlands shall have exclusive jurisdiction.

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 exercise 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.

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 on 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 current 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 Group (although they may be Members of the Board) nor (ii) have material on-going professional relationships with the Group.

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 were 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.

As disclosed in a press release dated 28 November 2014 the Company in an off-market block trade sold to Dassault Aviation approximately 8% of Dassault Aviation's share capital.

As was disclosed in a press release dated 25 March 2015, the Company sold 1.61 million shares in Dassault Aviation through a book-built offering to institutional investors. Following the exercise of the over-allotment option, the total number of Dassault Aviation shares sold by the Company in the placement reached nearly 1.73 million shares, representing 18.75% of the share capital of Dassault Aviation.

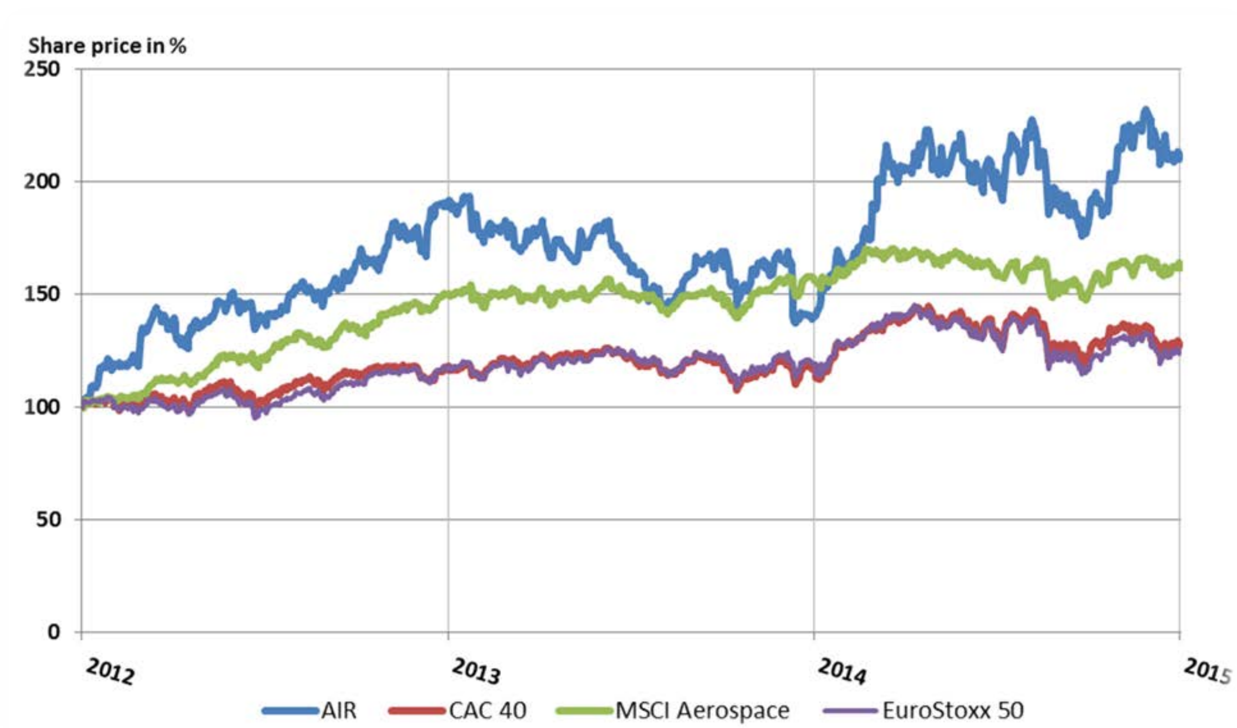
Stock Exchange Listings

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 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 ballistic missiles assets or of the shares of such companies carrying out such activity is considered and (b) a right to oppose the transfer of any such assets or shares. The Company, the French State and MBDA 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 2015



After seeing a period of consolidation in 2014, Airbus Group shares made a strong return into positive territory in 2015. Despite macroeconomic instability and volatile stock markets, the share advanced 50% during the course of the year, supported by the Group's solid operational and financial performance and a euro-dollar tailwind.

Starting from its low of €41.35 at the close of 31 December 2014, the Airbus Group share price breached for the first time ever the €60 mark at closing on 11 March and reached in August and November two new all-time highs of € 67.18 and € 68.44, respectively, each time following the disclosure of Airbus Group results.

In the first months of the year the Airbus Group share progressed, supported by favourable EUR/USD rates, following the launch of additional quantitative easing measures by the European Central Bank towards the end of January 2015, and Airbus Group's announcement in February of a production rate increase within the single-aisle programme to 50 aircraft per month by 2017.

Positive news flow on aircraft orders and progress on the A350 XWB ramp-up helped to maintain the share price at a relatively stable high level compared to the main market indices.

The positive trend continued until the middle of the year, when a period of turbulence set in, with growing concerns over the Greek debt crisis, geopolitical turmoil, particularly in the Middle East, and the fall in commodity prices to historical lows. In addition, market uncertainties in emerging countries and declining growth rates in China brought overall markets down, and during the two months of August and September the Airbus Group share price fell 18%, weighed down by the Group's backlog exposure to emerging markets.

Early in October, the US Federal Reserve delayed an expected interest rate increase, giving equity markets a boost. For Airbus Group investors, the Nine-Month results release on 30 October provided further grounds for optimism, with news of a further single aisle production rate increase and confirmation of a €1 billion share buyback. This information, as well as the certification of the A320neo both in USA and Europe, helped to push the share price higher, leading to the all-time high at the end of November.

During the last month of the year, the stock declined, despite several target price increases by analysts, following new historical lows in the price of oil and a slightly stronger euro against the dollar. In addition, investor concerns around the product cycle, wide-body secondary market pricing and potential A320neo delays gained influence on the share price. On 31 December 2015 the Airbus Group share price closed at € 62.00.

Thanks to the strong year on year performance the Airbus Group share price outperformed the MSCI Aerospace benchmark and wider markets. In the same period, the CAC 40 rose 8.5%, while the DAX and the MDAX moved up 9.6% and 22.7% respectively. The EuroStoxx50 climbed 3.9%.

3.4 Dividend policy

In December 2013, the Group formalised a dividend policy demonstrating a strong commitment to shareholders' returns. This policy targets sustainable growth in the dividend within a payout ratio of 30%-40%.

Therefore, based on earnings per share (EPS) of € 3.43, the Board of Directors will propose to the Annual General Meeting the payment to shareholders of a dividend of € 1.30 per share on 4 May 2016 (FY 2014: € 1.20).

The record date should be 3 May 2016. This proposed dividend represents a pay-out ratio of 38% and a year-on-year dividend per share increase of 8%.

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 twelve (12) Directors, who each retire at the close of the annual general meeting 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 nationals (including the Chairman of the Board of Directors) and a majority of such majority (*i.e.*, 4/7) must be both European Union nationals and residents. No Director may be an active civil servant. The Board of Directors has one (1) Executive Director and eleven (11) non-Executive Directors. While the Board of Directors appoints the Chief Executive Officer of the Company (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 (9) 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 Code and meets additional independence standards. Specifically, where the Dutch Code would determine 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 independence, in relevant part, by reference to such Director's relationships with shareholders who own at least 5% of the Company. Under the Dutch Code and the Board Rules, all non-Executive Directors (including the Chairman) other than Mr Ralph D. Crosby, qualify as an "Independent Director". This number is consistent with the requirement set forth in the Board Rules.

The Remuneration, Nomination and Governance Committee 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 Remuneration, Nomination and Governance Committee, in recommending candidates for the Board of Directors, and the Board of Directors, in its resolutions proposed to the shareholders' meeting regarding proposals to appoint or replace a resigning or incapacitated Director, are both required to apply the following principles:

- The preference for the best candidate for the position, and
- 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 the Company (in particular among the nationals of the four (4) Member States of the European Union where these main industrial centres are located).

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 (A) two (2) of the Directors submitted to the shareholders for appointment 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 (B) two (2) of the Directors submitted to the shareholders for appointment 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 Remuneration, Nomination and Governance Committee 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 schedule, the Remuneration, Nomination and Governance Committee considers the continuity of company-specific knowledge and experience within the Board while it takes into account that a Director may at the time of his 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, 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 of the Directors (a "**Simple Majority**"), but certain decisions must be made by a 2/3 majority (i.e., eight (8) favourable votes) of the Directors regardless of whether 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 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, makes decisions with respect to the management of the Company. However, the CEO may 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 the Group;
- Debating and approving the overall strategy and the strategic plan of the Group;

- Approving the operational business plan of the Group (the “Business Plan”) and the yearly budget (the “Yearly Budget”) of the Group, including the plans for Investment, 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 Remuneration, Nomination and Governance Committee;
- Approving the relocation of the headquarters of the principal companies of the Group and of the operational headquarters of the Company (Qualified Majority);
- Approving decisions in connection with the location of new industrial sites material to the Group as a whole or the change of the location of existing activities that are material to the Group;
- Approving decisions to invest and initiate programmes financed by the Group, 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 the Group, 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 the Group 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 (10) 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 (8) 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 with 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 their duties and avoiding any and all conflicts of interest.

Airbus Group Board Of Directors

Name	Age	Since	Term expires	Director expertise	Status	Primary occupation & Other Public Company Board	Attendance to the Board meetings	Committee Memberships: Audit	Committee Memberships: Remuneration Nomination and Governance
 Denis RANQUE	64	2013	2016	Global Industrial Business / Engineering & Technology / Manufacturing & Production / Aerospace Industry / Defence Industry / Information & Data Management	Independent	Chairman of the Board of Directors of Airbus Group SE	9/9		
 Thomas ENDERS	57	2005, *re-elected in* 2013	2016	Global Industrial Business / Manufacturing & Production / Aerospace Industry / Geopolitical Economics / Defence Industry	Executive	Chief Executive Officer of Airbus Group SE	9/9		
 Manfred BISCHOFF	73	2013	2016	Global Industrial Business / Manufacturing & Production / Aerospace Industry / Finance & Audit / Defence Industry	Independent	Chairman of the Supervisory Board of Daimler AG	7/9		
 Ralph D. CROSBY	68	2013	2016	Global Industrial Business / Engineering & Technology / Manufacturing & Production / Aerospace Industry / Defence Industry	Non-Independent	Former Member of the Management Boards of Airbus Group SE and of Northrop Grumman	9/9		
 Hans-Peter KEITEL	68	2013	2016	Global Industrial Business / Engineering & Technology / Manufacturing & Production / Geopolitical Economics	Independent	Vice President of the Federation of German Industry (BDI)	9/9		Member
 Hermann-Josef LAMBERTI	60	2007, *re-elected in* 2013	2016	Global Industrial Business / Finance & Audit / Geopolitical Economics / Information & Data Management	Independent	Former Member of the Management Board of Deutsche Bank AG	8/9	Chairman	
 Anne LAUVERGEON	56	2013	2016	Global Industrial Business / Engineering & Technology / Manufacturing & Production / Geopolitical Economics	Independent	Partner of Efficiency Capital and Chairman and CEO of A.L.P S.A.	8/9	Member	
 Lakshmi N. MITTAL	65	2007, *re-elected in* 2013	2016	Global Industrial Business / Engineering & Technology / Manufacturing & Production / Aerospace Industry / Finance & Audit / Asia	Independent	Chairman and Chief Executive Officer of ArcelorMittal	9/9		Member
 María Amparo MORALEDA MARTÍNEZ	51	2015	2018	Global Industrial Business / Engineering & Technology / Finance & Audit / Information & Data Management	Independent	Former General Manager of IBM Spain and Portugal	5/5 (from AGM 2015)	Member	
 Sir John PARKER	73	2007, *re-elected in* 2013	2016	Global Industrial Business / Engineering & Technology / Manufacturing & Production / Aerospace Industry / Defence Industry	Independent	Chairman of Anglo American PLC	8/9		Chairman
 Michel PEBEREAU	74	2007, *re-elected in* 2013	2016	Global Industrial Business / Finance & Audit / Geopolitical Economics	Independent	Honorary President of BNP Paribas S.A.	7/9	Member	
 Jean-Claude TRICHET	73	2012, *re-elected in* 2013	2016	Global Industrial Business / Engineering & Technology / Manufacturing & Production / Aerospace Industry / Finance & Audit / Geopolitical Economics	Independent	Honorary Governor of Banque de France and former President of the European Central Bank	9/9		Member
								5 meetings 80% average Attendance rate	6 meetings 96% average Attendance rate

Status as of the date of this Board Report.
The professional address of all members of the Board of Directors for any matter relating to Airbus Group is Mendelweg 30, 2333 CS Leiden, the Netherlands.

Chairman *Member*

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

More details regarding the curriculum vitae and other mandates of all members of the Board of Directors can be found at the Company's website **www.airbusgroup.com**.

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 2015

Board of Directors meetings

The Board of Directors met 9 times during 2015, and was regularly informed of developments through business reports from the Chief Executive Officer, including progress on the strategic and operational plans. The average attendance rate at these meetings was at 91%.

Throughout 2015, the Board of Directors received reports on the technical and commercial progress of significant programmes, such as A400M, A350XWB, A320neo, A380, and the X6. During two off-site Board meetings, one in Seville at the A400M final assembly line, and the other in Toulouse, the Board seized the opportunity to meet with local management and with the operative workforce.

In 2015, the Board initiated the Group's digital transformation and streamlined its defence business. It reviewed the Airbus product policy and cost competitiveness as well as the evolution of Airbus Helicopters. Directors supported Management's initiative to establish a corporate venture capital fund, dubbed Airbus Group Ventures, as well as a business innovation centre in Silicon Valley to enhance the Company's ability to identify and capitalize on innovative and transformational technologies and business models. Furthermore, the Board welcomed the selection of Airbus Defence and Space by OneWeb Ltd. as its industrial partner for the design and manufacturing of its fleet of initially more than 900 small satellites.

Moreover, the Board of Directors focused on the Group's financial results and forecasts, asset management, compliance in key business processes and in major programmes, as well as efficiency, innovation and corporate social responsibility initiatives. It reviewed Enterprise Risk Management results, the internal audit plan, and reoriented the Group's compliance programme by implementing a reinforced anti-corruption policy called 'Business Development Support Initiative'.

Directors also reviewed the Board succession process and envisioned a Board staggering plan proposed for approval at this year's AGM in which four out of twelve Directors are either renewed or replaced every year at each AGM after 2016 to avoid large bloc replacements of Directors at one single AGM, with the corresponding loss of experience and integration challenges.

Board evaluation 2015

In December 2014 the Board of Directors mandated Spencer Stuart to perform a comprehensive evaluation of the Board and its Committees through individual interviews of all Directors. The interviews covered Directors' expectations, governance fit, Board effectiveness, Board composition, Committees as viewed from the Board and as viewed by their members, Board areas of expertise and working processes, chairmanship, interaction with executive management, shareholders, and stakeholders.

The subsequent discussion of the report by the whole Board in February last year was action-oriented and resulted in a 'Board Improvement Action Plan' for the year 2015. In the meeting on February 23, 2016 the Board reviewed the implementation progress of this action plan and Directors unanimously agreed that the following improvement measures have been launched or are already successfully realized:

- Semi-annual deep-dive in risk management;
- Rotation opportunities of Audit Committee membership;
- Identification of new Board candidates based on Board skills matrix;
- Introduction of further female candidates to reach 25% (i.e. 3) women on Board in 2016;
- Refreshed induction program for new Board of Directors members;
- Non-executive sessions scheduled at the end of each Board meeting;
- Identification of individual potential top-executive successors;
- Inclusion of Governance into the Remuneration and Nomination Committee;
- Intensification of exchange with Heads of Business Units and their direct reports;
- Integration of Board members' input when agendas of Board meetings are drafted;
- Increase of information circulated to Directors particularly in-between meetings (e.g. analyst reports);
- Integration of outside expertise to Board meetings as required.

The Board of Directors decided that a formal evaluation of the functioning of the Board and its Committees with the assistance of a third party expert is conducted every three years. In the year succeeding the outside evaluation, the Board will perform a self-evaluation and focus on the implementation of the improvement action plan resulting from the third party assessment. In the intervening second year the General Counsel will issue a questionnaire and consult with Board members to establish an internal evaluation. The next Board evaluation will be performed by the General Counsel for the year 2016.

4.1.3 BOARD COMMITTEES

The Audit Committee

Pursuant to the Board Rules, the Audit Committee makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim (Q1, H1, Q3) accounts, as well as the appointment of external auditor and the determination of his remuneration. Moreover, the Audit Committee has the 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 accounts and it monitors the adequacy of the Group's internal controls, accounting policies and financial reporting. It also oversees the operation of the Group's ERM system and the Compliance Organisation.

The Chairman of the Board of Directors and the Chief Executive Officer are invited to attend meetings of the Audit Committee. The Chief Financial Officer and the Head of Controlling & Accounting are requested to attend meetings to present management proposals and to answer questions. Furthermore, the Head of Corporate Audit and the Chief Compliance Officer are requested to report to the Audit Committee on a regular basis.

The Audit Committee is required to meet at least four times a year. In 2015, it fully performed all of the above described duties, and met 5 times with an average attendance rate of 80%. The average attendance rate was lower than usual due to the unavailability of former Board member Josep Piqué i Camps. The average attendance rate of the Audit Committee would have otherwise been 93%.

The Remuneration, Nomination and Governance Committee

Based upon the recommendations resulting from the Spencer Stuart Board evaluation at year-end 2014, the Board decided to systematically include governance matters into the Remuneration and Nomination Committee as part of its 'Improvement Action Plan'. In its meeting on July 30 the Board approved the corresponding change of the Internal Rules and renamed the Committee into: Remuneration, Nomination and Governance Committee ("**RNGC**").

Pursuant to the Board Rules, the Remuneration, Nomination and Governance Committee 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, Group 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 Group Executive Committee. The rules and responsibilities of the Remuneration, Nomination and Governance Committee have been set out in the Board Rules.

The Chairman of the Board of Directors and the Chief Executive Officer are invited to attend meetings of the Remuneration, Nomination and Governance Committee. The Head of Airbus Group Human Resources is requested to attend meetings to present management proposals and to answer questions.

In addition, the Remuneration, Nomination and Governance Committee reviews top talents, discusses measures to improve engagement and to promote diversity, reviews the remuneration of the Group Executive Committee members for this year, the LTIP, and the variable pay for the previous year.

Finally, the Remuneration, Nomination and Governance Committee performs regular evaluations of the Company's corporate governance and makers proposals for changes to the Board Rules or the Articles of Association.

The guiding principle governing management appointments in the Group 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 Remuneration, Nomination and Governance Committee is required to meet at least twice a year. In 2015 it fully performed all of the above described duties and met 6 times with an average attendance rate of 96%.

4.1.4 EXECUTIVE COMMITTEE NOMINATION AND COMPOSITION

The CEO proposes all of the Members of the Executive Committee of the Company (the "**Executive Committee**") for approval by the Board of Directors, after consultation with (a) the Chairman of the Remuneration, Nomination and Governance Committee and (b) 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 the Group (in particular among the nationals of the four (4) Member States of the European Union where these main industrial centres are

located); and

- At least 2/3 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 the Group's business and he shall be accountable for its proper execution accordingly. The Executive Committee supports the CEO in performing this task. The Executive Committee members shall jointly contribute to the overall interests of the Company in addition to each member's individual operational or functional responsibility within the Group. The CEO endeavours to reach consensus among the members of the Executive Committee. In the event a consensus is not reached, the CEO is entitled to decide the matter.

4.2 Conflict of interest

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 avoided (please refer to the Board Rules and to the Code of Ethics both available on the Company's website: **www.airbusgroup.com**). 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 concerning the matters concerned. The Board of Directors must approve any decision to enter into a transaction where a Director has conflicts of interest that are material to the Company or the individual Director. In 2015 no transactions were reported where there was a conflict of interest that was material to the Company. There were, however, related-party transactions: for an overview, please see: "[Notes to the Consolidated Financial Statements (IFRS) – Note 8: Related Party Transactions]".

4.3 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of 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 most of the current recommendations of the Dutch Code, it must, in accordance with the "apply or explain" principle, provide the explanations below.

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

For the financial year 2015, the Company states the following:

1. Vice-Chairmanship

Provision III.4.1(f) of the Dutch Code recommends the election of a vice-chairman, to deal with the situation when vacancies occur.

The Board of Directors is headed by the Chairman of the Board of Directors. In case of dismissal or resignation of the Chairman, the Board of Directors shall immediately designate a new Chairman. There is therefore no need for a vice-Chairman to deal with the situation when vacancies occur.

2. Termination indemnity

Provision II.2.8 of the Dutch Code recommends that the maximum remuneration in the event of dismissal be one year's salary, and that if the maximum of one year's salary would be manifestly unreasonable for an Executive Board Member who is dismissed during his first term of office, such Board Member be eligible for severance pay not exceeding twice the annual salary.

The Company foresees a termination indemnity for the Chief Executive Officer equal to one and a half times the annual total target salary in the event that the Board of Directors has concluded that the Chief Executive Officer can no longer fulfil his position as a result of change of the Company's strategy or policies or as a result of a change in control of the Company. The termination indemnity would be paid only provided that the performance conditions assessed by the Board of Directors would have been fulfilled by the Chief Executive Officer.

3. Securities in Airbus Group as long-term investment

Provision III.7.2 of the Dutch Code recommends that non-Executive Directors who hold securities in the Company should keep them as a long-term investment. It does not encourage non-Executive Directors to own shares.

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

4. Dealings with analysts

Provision IV.3.1 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 Company strives to comply with composition guidelines whereby the Board of Directors would be composed in a balanced way if it contains at least 30% women and at least 30% men. These percentages are based on those included in a Dutch draft bill that is expected to come into force in the course of 2016 in continuation of legislation in force up to 31 December 2015 stipulating the same percentages. With the election of Amparo Moraleda to the Company's Board of Directors at the AGM held on 27 May 2015, the female representation on the Board increased to 16.7%. The Company is pleased with this development and will continue to promote gender diversity within its Board of Directors by striving to increase the proportion of female Directors.

For information on the operation of the shareholders' meeting and its key powers and on shareholders' rights and how they can be exercised, please refer to section 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, please refer to section 4.1.1 “Composition, power and rules, section, 4.1.2 “Operation of the Board of Directors in 2015”, and section 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, please refer to section 3.1 “Shareholding and voting rights – Shareholding structure at the end of 2015“, section 3.2 “Relationships with Principal Shareholders“, section 4.1.1 “Composition, powers and rules“, section 3.1 “Shareholding and voting rights – Amendments to the Articles of Association“ and section 3.1 “Shareholding and voting rights – Modifications of share capital or rights attached to shares”

4.4 Remuneration Report

4.4.1 INTRODUCTION

The Board of Directors and the Remuneration and Nomination Committee (“**RNGC**”) are pleased to present the 2015 Remuneration Report.

The Report comprises the following sections:

- 4.4.2 presents the Company’s Remuneration Policy;
- 4.4.3 sets out the changes to the Remuneration Policy that will be proposed for adoption by the 2016 AGM;
- 4.4.4 illustrates how the Remuneration Policy was applied in 2015 in respect of the CEO, the only Executive Member of the Board of Directors. (The cumulated remuneration of all Group Executive Committee Members is presented in the “Notes to the Consolidated Financial Statements (IFRS) — Note 8: Related Party Transactions”;
- 4.4.5 illustrates how the Remuneration Policy was applied in 2015 in respect of the non-Executive Members of the Board of Directors;
- 4.4.6 miscellaneous.

4.4.2 REMUNERATION POLICY

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 (which is comprised of non-Executive Directors).

It should be noted that although the Policy relating to executive remuneration only refers to the CEO, these principles are also applied to the other members of the Group Executive Committee, who do not serve on the Board of Directors, and to a large extent to all executives across the Group. Upon proposal by the CEO, the RNGC analyses and recommends, and the Board of Directors decides the remuneration of the Members of the Group Executive Committee.

A — Executive Remuneration – Applicable to the CEO

a) Remuneration Philosophy

The Company's remuneration philosophy has the objective of providing remuneration that will attract, retain and motivate high calibre executives, whose contribution will ensure that the Company achieves its strategic and operational objectives, thereby providing long-term sustainable returns for all shareholders.

The Board of Directors and the RNGC are committed to making sure that the executive remuneration structure is transparent and comprehensible for both executives and investors, and to ensure that executive rewards are consistent and aligned with the interests of long-term shareholders.

Before setting the targets to be proposed for adoption to the Board of Directors, the RNGC considers the financial outcome scenarios of meeting performance targets, as well as of maximum performance achievements, and how these may affect the level and structure of the executive remuneration.

b) Total Direct Compensation and Peer Group

The Total Direct Compensation for the CEO comprises a Base Salary, an Annual Variable remuneration ("**VR**") and a Long-Term Incentive Plan ("**LTIP**"). The three elements of the Total Direct Compensation are each intended to comprise 1/3 of the total, assuming the achievement of performance conditions is 100% of target.

The level of Total Direct Compensation for the CEO is set at the median of an extensive peer group. The benchmark is regularly reviewed by the RNGC and is based on a peer group which comprises:

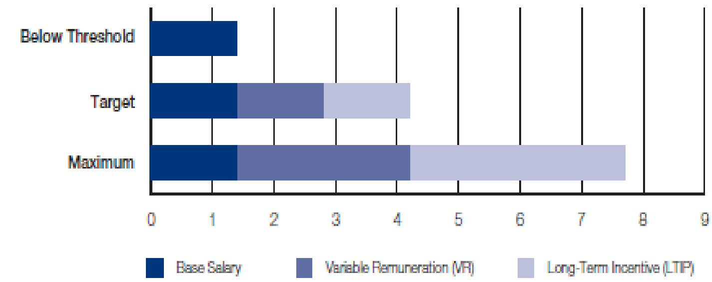
- Global companies in Airbus Group's main markets (France, Germany, UK and US); and
- Companies operating in the same industries as Airbus Group worldwide.

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)
Annual Variable Remuneration (VR)	Rewards annual performance based on achievement of company performance measures and individual objectives.	Collective (50% of VR): divided between EBIT* (45%); FCF (45%) and RoCE (10%). 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.
Long-Term Incentive Plan (LTIP)	Rewards long term commitment and company performance, and engagement on financial targets subject to cumulative performance over a three-year period.	Vesting ranges from 0% to 150% of initial grant, subject to cumulative performance over a three-year period. In principle, no vesting if cumulative negative EBIT*. If 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. Since 2012, the overall pay-out is capped at a maximum 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.

* Unless otherwise indicated, **EBIT*** figures presented in this report are Earning before Interest and Taxes, pre-goodwill impairment and exceptionals.

Scenarios CEO total direct compensation 2015



Indications are in million euros.

"Below Threshold" includes annual base Salary; Annual Variable Remuneration at 0%; LTIP not vesting.

"Target" includes Base Salary, Annual Variable Remuneration at target and LTIP grant face value.

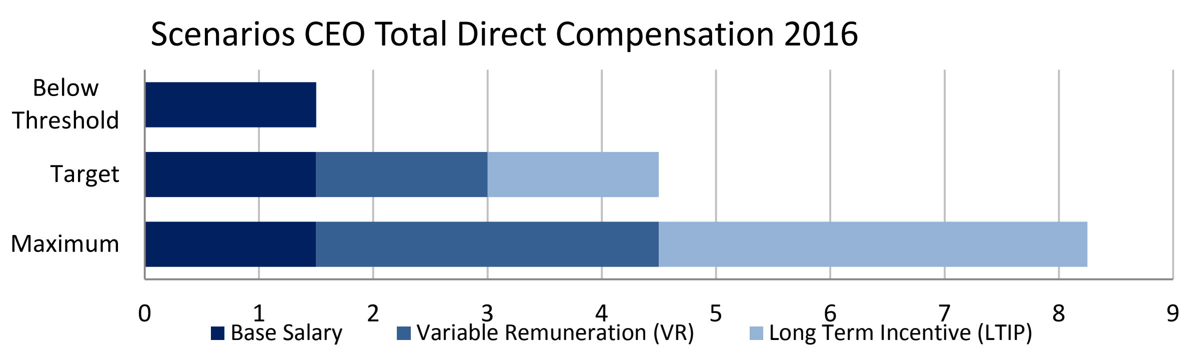
"Maximum" includes Base Salary; maximum Annual Variable Remuneration value (200%); LTIP grant projected at vesting date (250%).

Proposal of policy from 2016

The Remuneration Committee regularly benchmarks the CEO's Total Direct Compensation (Base Salary, Annual Variable Remuneration and LTIP) against an extensive peer group. The last review took place in October 2014, and was completed with the assistance of an independent consultant: Towers Watson. The relevant peer groups that were considered were proposed by Towers Watson, and comprised 31 companies having comparable economic indicators such as revenue, number of employees, and market capitalization. Financial institutions were excluded from the peer group (you may refer to Paragraph 4.4.4 below for further details).

This review showed that the CEO's Total Direct Compensation was slightly below the median level of the peer group. Based on these findings and with regards to the track record of the CEO, the RNGC recommended to increase the Total Target Remuneration of the CEO by 7% to € 3,000,000 (€ 1,500,000 Base Salary + € 1,500,000 Target Variable Pay). in the frame of the renewal of his mandate. This increase takes into consideration the fact that his remuneration was not reviewed since 2012 and is in line with the salary policy applied to employees across the Group over that period.

As illustrated in the table below, the structure of the CEO's Total Direct Compensation will remain unchanged in 2016. Indeed, the on-target levels of Annual Variable Remuneration and LTIP will each amount to 100% of the CEO's base salary.



Indications are in million euros.
"Below Threshold" includes annual base Salary; Annual Variable Remuneration at 0%; LTIP not vesting.
"Target" includes Base Salary, Annual Variable Remuneration at target and LTIP grant face value.
"Maximum" includes Base Salary; maximum Annual Variable Remuneration value (200%); LTIP grant projected at vesting date (250%).

c) Base Salary

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

d) Annual Variable Remuneration

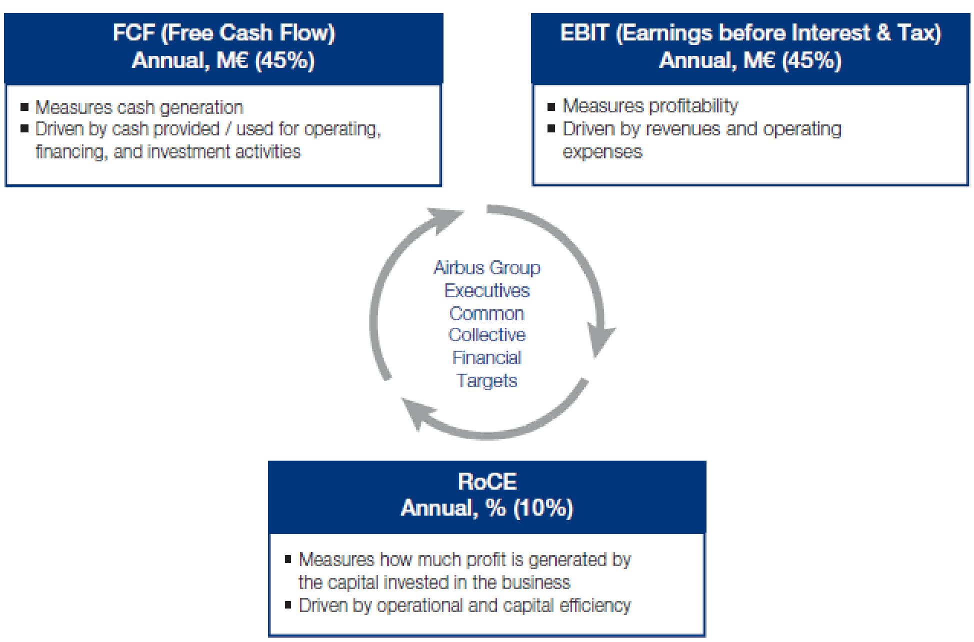
The variable remuneration is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of the variable remuneration for the CEO is targeted at 100% of Base Salary; it is capped at a maximum level of 200% of Base Salary. The entire variable remuneration is at-risk, and therefore if performance targets are not achieved sufficiently, no variable remuneration is paid.

The performance measures that are considered when awarding the variable remuneration to the CEO are split equally between Common Collective performance measures and Individual performance measures.

Common Collective Component

The Common Collective component is based on EBIT* (45%), Free Cash Flow (45%) and RoCE (10%) objectives. Each year, the Airbus Group Board of Directors sets the goals for these key value drivers at Group and Division levels. The Common Collective financial targets relate closely to internal planning and to guidance given to the capital market (although there may be variations therefrom).

To calculate the Common Collective annual achievement levels, actual EBIT*, Free Cash Flow and RoCE performance are compared against the targets that were set for the year. This comparison forms the basis to compute achievement levels, noting that the actual EBIT*, Free Cash Flow, and RoCE levels are occasionally adjusted for a limited number of factors which are outside management control (such as certain foreign exchange impacts or unplanned Merger and Acquisition activities). The RNGC's intention is to ensure ambitious financial targets and to incentivise the CEO's commitment to meeting these targets.



Individual

The Individual element focuses on **Outcomes** and **Behaviour**. Individual Performance is assessed in these two important dimensions:

- **Outcomes** encompass various aspects of what the CEO can do to contribute to the success of the business: specific business results he helps achieve, projects he drives and processes he helps improve. The individual targets of the CEO are comprehensive and shared with all employees via the Company Top Priorities;
- **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 Group Executive Committee, quality of communication, encouragement of innovation, etc. A specific part of the Behaviour assessment relates to ethics, compliance and quality issues.

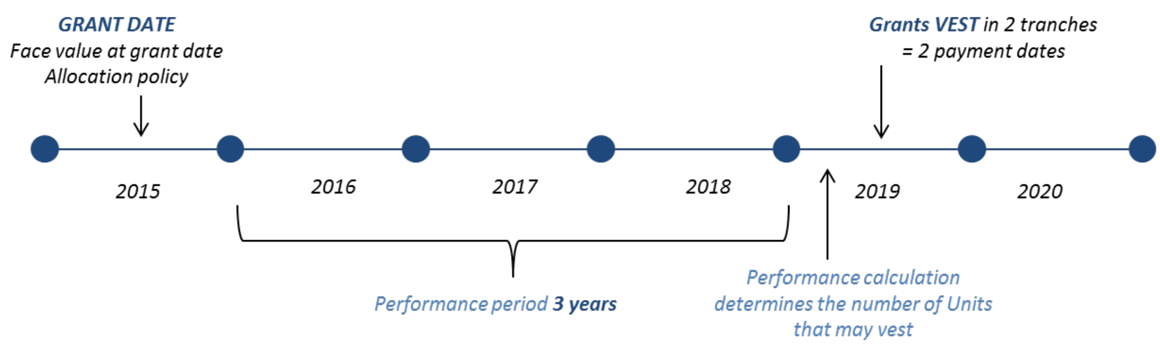
e) Long-Term Incentive Plan

For the CEO, the Company's current Long-Term Incentive Plan ("**LTIP**") is comprised only of Performance Units. One Unit is equal in value to one Airbus Group share.

Performance Units

Performance Units are the long-term equity-related incentive awards that are currently granted to the CEO. LTIP awards are granted each year. Each grant is subject to a three-year cumulative performance objective. At the end of the three-year period, the grant is subjected to a performance calculation to determine whether and to what extent it should vest. Depending on continued employment, grants attributed until 2013 will vest in four tranches, the payment of which takes place approximately 6, 12, 18 and 24 months following the end of the performance period. Depending on continuous employment, grants attributed from 2014 would vest in two tranches, the payment of which would take place approximately 6 and 18 months following the end of the performance period.

LTIP-Scheme



At the date of grant, the CEO must decide what portion of the allocation (subject to the performance calculation) will be released as cash payments and what portion will be converted into shares. At least 25% (and up to 75%) of the award must be deferred into shares, and will only be released on the last vesting date.

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

For the CEO, the value of the Performance Unit allocation is capped, at the time of grant, at 100% of Base Salary. The number of Units that vest can vary between 0% and 150% of the Units granted, subject to cumulative performance over a three-year period. The level of vesting is subject to the following performance measures:

- 0-50% of the allocation: The Board of Directors has the discretion to decide that this element of the Performance Unit award will not vest if Airbus Group reports negative cumulated **EBIT*** results;
- 50-150% of the allocation: This element of the Performance Unit award vests based on one performance criteria: average **Earnings Per Share**. Starting with the 2013 plan, the Company proposes that this element be based on two performance criteria: average **Earnings Per Share** (75%) and cumulative **Free Cash Flow** (25%).

For reasons of confidentiality, the precise targets set for the cumulated FCF and average EPS, even though they have been properly established in a precise manner, cannot be publicly disclosed as these objectives are in part linked to Airbus Groups' strategy. Nonetheless, for the sake of transparency and to ensure compliance with best market practices, forward-looking information demonstrating the stringency of the targets set by the Board of Directors are provided for the previous long term incentive plans.

The vesting of Performance Units is subject to the following maximum caps:

- the maximum level of vesting is 150% of the number of Units granted;
- the value that could result from share price increases is capped at 200% of the reference share price at the date of grant;
- the overall pay-out is capped at 250% of the value at the date of grant.

f) Share Ownership Guideline

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

g) Benefits

The benefits offered to the CEO comprise a company car and accident insurance. Travel cost reimbursements are based on the Company travel policy as applicable to all employees.

h) Retirement

The CEO is entitled to a retirement benefit. The Company's policy is to provide a pension at retirement age that equals 50% of Base Salary, once the CEO has served on the Group Executive Committee for five years. This pension can increase gradually to 60% of Base Salary, for executives who have served on the Group Executive Committee for over ten years, and have been Airbus Group employees for at least 12 years.

i) Contracts and Severance

In the case of contract termination, the CEO is entitled to an indemnity equal to 1.5 times the Total Target Remuneration (defined as Base Salary and target Annual Variable Remuneration) with respect to applicable local legal requirements if any. This will not apply if the CEO mandate is terminated for cause, in case of dismissal, if he resigns or, if the CEO has reached retirement age.

The CEO's contract includes a non-compete clause which applies for a minimum of one year, and can be extended at the Company's initiative for a further year. The Board of Directors has the discretion to invoke the extension of the non-compete clause. The compensation for each year that the non-compete clause applies is equal to 50% of the last

Total Annual Remuneration (defined as Base Salary and Annual Variable Remuneration most recently paid) with respect to applicable local legal requirements if any.

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 without cause. The vesting of past LTIP awards follows the plans' rules and regulations and is not accelerated in any case. LTIP awards are forfeited for executives who leave the Company of their own initiative, but this is subject to review by the Board of Directors.

j) Clawback

Recent changes to Dutch law introduced the possibility for the Company to deduct or claw back part of the CEO's variable cash remuneration (*i.e.* VR) or equity-related remuneration (excluding the LTIP element settled in cash) served by the Company if certain circumstances arise.

Any revision, claw back, or amounts deducted from the CEO's remuneration will be reported in the financial notes of the relevant Annual Report.

k) Loans

Airbus Group does not provide loans or advances to the CEO.

B — Non-Executive Remuneration – Applicable to non-Executive Members of the Board

The Company's Remuneration Policy with regard to non-Executive Members of the Board of Directors is aimed at ensuring fair compensation and protecting the independence of the Board's members.

Fees and Entitlements

Non-Executive Members of the Board are currently entitled to the following:

- a base fee for membership or chair of the Board;
- a Committee fee for membership or chair on each of the Board's Committees;
- an attendance fees for the attendance of Board meetings.

Each of these fees is a fixed amount. Non-Executive Members of the Board 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.

Under the current policy, members of the Board are entitled to the following fees:

Fixed fee for membership of the Board EUR / year

- Chairman of the Board: 180,000
- Member of the Board: 80,000

Fixed fee for membership of a Committee EUR / year

- Chairman of a Committee: 30,000
- Member of a Committee: 20,000

Attendance fees EUR / Board meeting

- Chairman: 10,000
- Member: 5,000

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).

Proposal of policy from 2016

In order to recognize the increase in Board members' responsibilities, their greater time commitment and the Group's continuous need to attract and retain highly competent members, a comprehensive review of the Board remuneration policy was undertaken in 2015.

In October, an independent consultant, KornFerry, completed a benchmark on the remuneration of non-executive Directors and the Chairman of the Board. The analysis reviewed 60 comparable companies from 7 countries (France, Germany, Italy, Netherlands, Spain, Switzerland and the UK) and the aerospace/defence sector (BAE Systems, Boeing, Dassault Aviation, Finmeccanica, General Dynamics, Honeywell, Lockheed Martin, Northrop Grumman, Raytheon, Rolls Royce, Safran, Textron, Thales, United Technologies Corp). The findings of the benchmark showed that Airbus Group's Chairman total compensation was among the lowest across the peer group; also, non-executive Directors' remuneration was below the average.

In the meeting on February 23, 2016 the Board confirmed the recommendation of the RNGC to increase the total target remuneration of the Chairman of the Board of Directors to EUR 300,000 (currently EUR 240,000) while that of a non-executive Director shall increase to EUR 140,000 (currently EUR 110,000). The calculation is based on 6 regular Board meetings per year. This increase is the first since the comprehensive revision and modification of the Board remuneration policy launched by the Board of Directors in 2007.

Incentivising Board attendance the new Board remuneration policy will double the attendance fee of a non-executive Director to EUR 10,000 while leaving the fixed fee unchanged. The Chairman's remuneration will be increased with regards to both the fixed fee by EUR 30,000 and the attendance fee by EUR 5,000. However, attendance fees will decrease by 50% in case of an attendance by phone.

For personal reasons, Denis Ranque decided to waive the portion of his remuneration as Chairman of the Board of Directors which exceeds EUR 240,000 (his current total target remuneration) until further notice. The Board recommended that the Company makes an annual contribution of € 60,000 to the Airbus Group Foundation as long as Denis Ranque waives the part of his remuneration which exceeds € 240,000.

The following entitlements remain:

- A base fee for membership or chair of the Board;
- A committee fee for membership or chair on each of the Board's Committees;
- An attendance fees for the attendance of Board meetings.

Under the new policy, and in greater details, members of the Board would be entitled to the following fees:

CHAIRMAN OF THE BOARD

The proposal is to increase the Chairman's remuneration with regards to both the fixed fee and the attendance fee:

- Fixed fee: 210,000
- Attendance fee: 15,000

Attendance fees shall decrease by 50% in case of an attendance by phone.

NON-EXECUTIVE DIRECTORS

The proposal is to increase the attendance fees of the non-executive directors; the objective being to incentivise the attendance. The fixum would remain unchanged,

- Fixed fee: 80,000
- Attendance fee: 10,000

MEMBERSHIP OF A COMMITTEE

The remuneration for the membership of a Committee would remain unchanged

- Chairman of a Committee: 30,000 per year (no attendance fee)
- Member of a Committee: 20,000 per year (no attendance fee)

C – Employee Share ownership plan (ESOP)

Enabling employees to participate in the results of the company is a key element in the Airbus Group benefits policy. Since its creation, the Company has developed a philosophy based on sharing the added value created by the Company with all employees (including the CEO). Therefore, the Company has regularly offered qualifying employees the opportunity to purchase shares on favourable terms through the ESOP.

Pursuant to shareholders' resolutions adopted at the AGM, the powers to issue shares and to set aside preferential subscription rights of existing shareholders have been granted to the Board of Directors. Such powers include the approval of ESOP.

4.4.3 PROPOSED AMENDMENTS OF THE REMUNERATION POLICY

At the 2016 AGM, the Board of Directors is proposing that shareholders adopt a number of amendments to the Airbus Group Remuneration Policy.

The following changes are being proposed:

- **CEO remuneration:** The remuneration of the CEO was not reviewed since 2012. Therefore, in the frame of the renewal of his mandate, the Company proposes to increase the remuneration of the CEO as described above.This increase takes into consideration the track record of the CEO and is in line with the salary policy applied to employees across the Group over that period.

- **Non-executive remuneration:** In order to recognize the increase in responsibilities, greater time commitment and the continuous need to attract and retain highly competent Board members, a review of the Board remuneration policy was undertaken in 2015, the first comprehensive revision since 2007. As described in detail above, the Company proposes to increase the remuneration of the Chairman and that of the non-executive Board members to be in line with market practice, incentivise attendance and recognize the strategic role played by the Board of Directors in the Airbus Group' developments.
- **LTIP:** In order to maintain the alignment with shareholders' interests, and to ensure both the Company and the beneficiaries benefit from new tax and social regimes (offered by the Macron Act in France in favour of French tax resident employees), the Company intends to replace all or part of future LTIP allocations with substantially similar instruments, such as performance shares or other equity-related allocations. As with the Performance Units, the value of the CEO's LTIP allocation would continue to be capped as a percentage of Base Salary at the date of grant and be subject to performance conditions. The other features would remain unchanged (performance conditions assessed over a 3 year period based on relevant financial criteria: average Earning Per Share and cumulated Free Cash Flow) with stringent targets set, as demonstrated by the past Group practice.
- **ESOP:** The Company intends to implement an ESOP in 2017, subject to approval by the Board of Directors, open to all qualifying employees (including the CEO). The Company intends to replace future ESOP through the issuance of shares or free distribution of shares of other existing or new securities giving access to the capital as a matching contribution. This plan would aim at favouring the development of employee shareholding.

4.4.4 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2015: CEO

a) Benchmarking

The RNGC regularly benchmarks the CEO's Total Direct Compensation (Base Salary, Annual Variable Remuneration and LTIP) against an extensive peer group.

The last review took place in October 2014, and was completed with the assistance of an independent consultant: Towers Watson. The relevant peer groups that were considered were proposed by Towers Watson, and comprised 31 companies* having comparable economic indicators such as revenue, number of employees, and market capitalisation. Financial institutions were excluded from the peer group.

Based on this review the RNGC concluded again this year, that the CEO's Total Direct Compensation was slightly below the median level of the peer group.

[***France**: Air Liquide, Danone, Michelin, Renault, Sanofi, Schneider Electric, GDF Suez, Vinci. **Germany**: BASF, Bayer, BMW, Daimler, Lufthansa, Deutsche Post World Net, Deutsche Telekom, E.ON, Henkel, RWE, SAP, Siemens, ThyssenKrupp. **UK**: Anglo American, BP, GlaxoSmithKline, Glencore, Imperial Tobacco, Rio Tinto, Rolls-Royce, Royal Dutch Shell, Unilever. **US**: AT&T, Boeing, Caterpillar, Cisco Systems, Coca-Cola, General Electric, IBM, Intel, Johnson & Johnson, Microsoft, Pfizer, Procter and Gamble, United Technologies, Verizon.]

b) Base Salary

For 2015, the Base Salary was set by the Board of Directors at € 1,400,004 (unchanged compared to the annualised salary paid in the previous year). The CEO's Base Salary level was set in July 2012, shortly after his appointment. Any review of the CEO's Base Salary will also take into consideration salary increases of employees across the Group.

c) Annual Variable Remuneration

As stipulated in the Company's Remuneration Policy, the CEO's Annual Variable remuneration is targeted at 100% of Base Salary and capped at 200% of Base Salary. It is subject to the fulfilment of Collective and Individual performance targets.

For 2015, the Annual Variable Remuneration amounted to an aggregate € 1,932,000 composed of € 987,000 for the Common Collective Component (141%), and € 945,000 for the Individual part (135%).

The **Common Collective Component** results from a composite **141% achievement** of EBIT*, Free Cash Flow and RoCE objectives.

This achievement mainly reflects a significant **Free Cash Flow** before M&A over-performance against the budgeted target and guidance given to the market; the main drivers of that success were the solid operational performance, healthy pre-delivery payments inflows, and on-going efforts to control working capital during programme ramp-up phase.

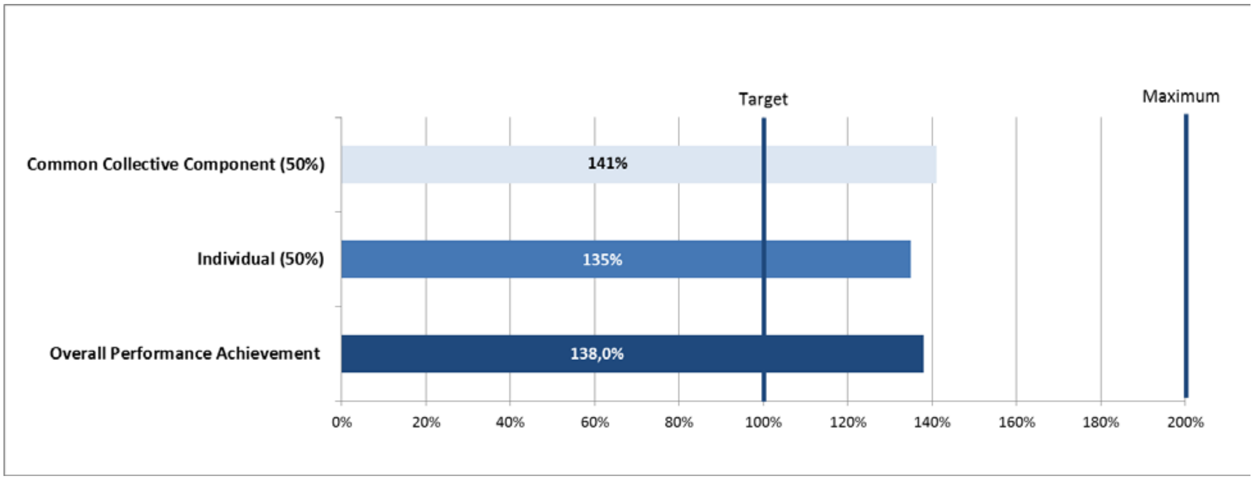
EBIT*, compared to the budgeted target and guidance, was globally good, in spite of an unplanned A400M provisions. Finally, **RoCE** slightly exceeded the target, thanks to a well-controlled capital employed.

Normalisation adjustments of EBIT* were made to exclude currency exchange differences against the budget rate, or those arising from phasing mismatches. Importantly, the impact of M&A (especially the Dassault shares sale) was excluded from EBIT* and Free Cash Flow to determine the achievement level.

The **Individual part** results from a high achievement level of 135% out of 200%, assessed by the RNGC and approved by the Board on the basis of the CEO's performance and behaviour, mostly with respect to the eight Group priorities agreed at the start of the year (see: Chapter 2 - Summary 2015). For each of these outcomes, leadership, personal performance and contributions were examined.

The **factors determining the high assessment** were among other achievements: a solid financial and operational performance with a record order book supporting the commercial aircraft ramp-up plans and driving operational efficiency (e.g.: break even on the A380 programme, delivery of 14 A350s in the first year of industrialization, acceleration of the A350 and A400M ramp-ups and A320neo transition, signature of Ariane 6, launch of the X6); an initiated digital strategy (e.g.: selection of OneWeb to build 900 small satellites to enable global internet access, creation of a new corporate venture capital and business innovation center in Silicon Valley, and the implementation of a cyber security improvement plan); reinforcement of corporate social responsibility (e.g.: opening of new algae cultivation facility to produce bio-kerosene and chemical products, launching of a programme to help airlines reduce their environmental footprint with tailored services and expertise), reinforced anti-corruption policy and programme (e.g.: updating Group policies with overarching standards of business conduct, integrity and transparency, including for suppliers and business partners); a reinforced worldwide footprint with local industrial presence (e.g.: inauguration of Airbus Final Assembly Line in Alabama, launching of 'Make-in-India' initiative).

Performance against Target



d) Long-Term Incentive Plan

Granting 2015

As stipulated in the Company's Remuneration Policy, the CEO is eligible for a Performance Unit award under the Company's LTIP. The value of the Performance Unit award is capped at 100% of Base Salary at the date of grant. During 2015 the CEO was granted 24,862 Performance Units.

The table below gives an overview of the Performance Units granted to the Chief Executive Officer in 2015 pursuant to the LTIP:

	Unit plan: number of Performance Units	
	Granted in 2015	**Vesting dates**
Thomas Enders	24,862	Vesting schedule is made up of 2 tranches over 2 years: (i) 50% expected in June 2019; (ii) 50% expected in June 2020.

*There is no obligation under the Dutch Financial Supervision Act to notify the cash units under the LTIP to the AFM. The CEO's cash units are therefore no longer reflected in the AFM register.

Vesting values in 2015

In 2015, the CEO received both cash payments and vested shares in connection with the vesting of 2010 and 2011 LTIP awards:

- **Cash:** The total cash payment to the CEO amounted to € 3,148,629.
- **Shares:** In connection with the 2010 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the CEO received 18,496 vested shares on the fourth vesting date for the 2010 LTIP (4th November 2015).

In connection with the 2011 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 8,224 Performance Units was delayed and these will be released in the form of shares on the fourth vesting date for the 2011 LTIP (which will take place in 2016).

In connection with the 2012 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 12,575 Performance Units will be delayed and these will be released in the form of shares on the fourth vesting date for the 2012 LTIP (which will take place in 2017).

LTI overview: granting and vesting

Date of grants	Number	Share price at grant date	Value at grant date	(Un)conditional	Performance achievement	Units with performance achievement	Dates of vesting	2014 Share value at vesting dates
2010	54,400	€ 18.40	€ 1,000,960	Conditional	136%	73,984	4 vestings in 2014 - 2015	3rd vesting – 6 May 2015 : € 62.17 4th vesting – 4 November 2015 : € 57.97
2011	51,400	€ 21.41	€ 1,100,474	Conditional	128%	65,792	4 vestings in 2015 - 2016	1st vesting – 6 May 2015 : € 62.17 2nd vesting – 4 November 2015 : € 57.97
2012	50,300	€ 27.83	€ 1,399,849	Conditional	Not yet known	Not yet known	4 vestings in 2016 - 2017	Not yet known
2013	30,300	€ 46.17	€ 1,398,951	Conditional	Not yet known	Not yet known	4 vestings in 2017 - 2018	Not yet known
2014	29,500	€ 47.45	€1,399,775	Conditional	Not yet known	Not yet known	2 vestings in 2018 - 2019	Not yet known
2015	24,862	€ 56.31	€1,399,979	Conditional	Not yet known	Not yet known	2 vestings in 2019 - 2020	Not yet known

Calculations may involve rounding to the nearest unit.

Performance conditions of 2011 LTI plan:

The performance conditions were determined as follows:

- if the Airbus Group reports negative cumulated EBIT* results, the definitive grant shall be 0%.
- 50% to 150% of the allocation would be granted on a linear basis depending on three year average EPS for the 2012, 2013 and 2014 fiscal years, with the three year average EPS target for an allocation of 100% equal to 1.55 euro.

Review of achievement of performance conditions:

The Board of Directors on 26th of February 2015 noted the achievement of the performance conditions of the 2011 plan, i.e. for the 2012, 2013 and 2014 fiscal years: The three year average EPS, was € 2.10, after normalization to align it with policies in force when setting the target (notably IAS11).

Date of grants	Number of units	Target average EPS for a 100% allocation	Achieved average EPS	Resulting vesting in percentage	Resulting vesting in number	For comparison, average EPS for the last 3 reported years at the date of grants
2010	54,400	0.90 euro	1.54 euro	136%	73,984	0.15 euro*
2011	51,400	1.55 euro	2.10 euro	128%	65,792	0.56 euro**

[*Average EPS of 2009, 2008 and 2007] [** Average EPS of 2010, 2009 and 2008.]

e) Share ownership

The CEO owned 64,521 Airbus Group shares on 31/12/2015, which represents more than 200% base salary. He herewith respects the Group's share ownership policy.

f) Employee Share Ownership Plan (ESOP)

In March 2015, the Company has invited employees of the Group to subscribe for a share matching plan whereby the Company matched a certain number of directly acquired shares with a grant of matching shares. This ratio varied depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 50%. The total offering was up to 2 million shares of the Company, open to all qualifying employees.

Under the umbrella of the ESOP 2015, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed in March 2015.

Although the CEO was eligible to the plan, he did not participate to the ESOP 2015 plan favouring the development of a shareholding among other employees of the Group.

g) Benefits

As stipulated in the Company's Remuneration Policy the CEO's benefits comprise a Company car and accident insurance. The monetary value of these benefits for 2015 amounted to € 69,050.

h) Retirement

As of 31 December 2015, the present value of the CEO's pension defined benefit obligation including deferred compensation amounted to € 17,118,048 vs. 18,584,426 a year ago. While the plan benefits remain identical, the present value of the pension obligation was calculated applying a 1.9% discount rate in 2014 compared to a 2.3% discount rate in 2015, which mainly explains the change in value. For the fiscal year 2015, the current service and interest costs related to the CEO's pension promise represented an expense of € 1,079,861. This obligation has been accrued in the Consolidated Financial Statements.

The defined benefit obligation for the CEO's Company pension results from the Company's pension policy as described above and takes into account (1) the seniority of the CEO in the Company and on its Group Executive Committee and (2) the significantly lower public pension promise deriving from the German social security pension system, compared to a pension resulting from membership in the French pension system.

i) Clawback

The Board has not applied any claw back in 2015.

4.4.5 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2015: NON-EXECUTIVE FEES

The RNGC recommended and the Board of Directors decided not to increase non-executive fees in 2015, and therefore the non-executive fees remain unchanged from the level set in October 2007. The CEO is the only Member of the Board of Directors who is not entitled to any Board membership fee.

Summary table of the 2015 and 2014 fees of all non-Executive Members of the Board (current and former):

	Directors' remuneration related to 2015*			Directors' remuneration related to 2014		
	Fixum	**Attendance Fees****	**Total**	Fixum	Attendance Fees	Total
	(in €)	***(in €)***	***(in €)***	*(in €)*	*(in €)*	*(in €)*
Current Non Executive Board Members						
Denis Ranque	180,000	70,000	250,000	180,000	70,000	250,000
Manfred Bischoff	80,000	25,000	105,000	80,000	25,000	105,000
Ralph D Crosby Jr	80,000	35,000	115,000	80,000	35,000	115,000
Hans-Peter Keitel	100,000	35,000	135,000	100,000	30,000	130,000
Hermann-Josef Lamberti	110,000	30,000	140,000	110,000	35,000	145,000
Anne Lauvergeon	100,000	30,000	130,000	100,000	30,000	130,000
Lakshmi N. Mittal	100,000	35,000	135,000	100,000	30,000	130,000
Maria Amparo Moraleda Martínez***	50,000	20,000	70,000	N/A	N/A	N/A
Sir John Parker	110,000	30,000	140,000	110,000	35,000	145,000
Michel Pébereau	100,000	25,000	125,000	100,000	30,000	130,000
Jean-Claude Trichet	100,000	35,000	135,000	100,000	35,000	135,000
Former Non Executive Board Members						
Josep Piqué i Camps	41,668	0	41,668	100,000	15,000	115,000
TOTAL	**1,151,668**	**370,000**	**1,521,668**	**1,160,000**	**370,000**	**1,530,000**

* The Fixum related to 2014 was paid in 2015; the Fixum related to 2015 was paid 50% in July 2015 and 50% in January 2016.
** The Board meetings of March 24 and June 3 were telephone-based and it was agreed that no remuneration will be paid for it.
*** Member of the Company Board of Directors, Audit Committee as of 27/05/2015.

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 Ethics and Compliance Organisation

In June 2013 the CEO described the importance of the Company's dedication towards Ethics and Compliance ("**E&C**") in the following way: "Within the Airbus Group, it's not just our results that matter – it's the way we achieve them". The Airbus Group Ethics and Compliance Programme ("**the Airbus Group E&C Programme**") seeks to ensure that the Group's business practices conform to applicable laws and regulations as well as to ethical business principles and thus establish a culture of integrity. The Company is convinced that such a culture helps to sustain the Group's global competitiveness.

There are two foundation documents in the Group E&C Programme: the "Standards of Business Conduct" which were revised in 2013 and "Our Integrity Principles" which summarises the Group's 6 key Ethics and Compliance commitments and which was rolled out group-wide to each individual employee in 2013 by his / her manager.

Those foundation documents are complemented by policies addressing specific topics and providing the necessary framework for Airbus Group to operate. In light of regulatory investigations and commercial disputes, the Group has determined to enhance certain of its policies, procedures and practices, including ethics and compliance. The Group is accordingly in the process of revising and implementing improved procedures, including those with respect to its engagement of consultants and other third parties, in particular in respect of sales support activities, and is conducting enhanced due diligence as a pre-condition for future or continued engagement and corresponding payment. The Group believes that these enhancements to its controls and practices best position it for the future, particularly in light of advancements in regulatory standards. The Group cannot exclude that these changes lead to additional commercial disputes or other consequences in the future.

In terms of organization, in 2015 the decision was made to merge the Ethics & Compliance Organisation with the Legal Department under the ultimate responsibility of the Group General Counsel. The Group General Counsel reports to the CEO and is now a Group Executive Committee member and reports to the Board. In order to maintain the necessary independence, the SVP Group Ethics and Compliance Officer ("**ECO**"), reports to the Group General Counsel and has access to the Audit Committee of the Board of Directors.

This integration at Group level was then replicated at Division level. As a result, the Divisions' Ethics and Compliance Officers now report to their respective Division General Counsel who themselves report to the Group General Counsel. The Divisions' Ethics & Compliance Officers also have a dotted line to the Group ECO.

To further ensure its independence, the decision was also made to fully integrate the new Legal and Compliance function, such that the Division General Counsels report only to the Group General Counsel.

The Ethics and Compliance organization is made of 5 pillars:

- The E&C Programme sets the rules and policies and deals with the allegations and investigations;
- The International Compliance Office addresses corruption and bribery risks;
- The Export Compliance Office ensures that the activities of the Group comply with all relevant export control rules and with the internal “sensitive countries” policy;
- The Procurement Compliance Officer supervises compliance in the supply chain; while
- The Data Protection Compliance Officer is in charge of data privacy risk.

Under the responsibility of the Group General Counsel, each Division has a Divisional E&C Organisation that is embedded within the business through a network of E&C representatives. In recent years, we have enlarged our footprint of E&C representatives and they are now present in all functions and locations of the Business.

Furthermore, in 2015 we maintained five E&C Country Managers in the following zones: Brazil, India, Russia Middle East and Africa, China. The E&C Country Managers report to the Group Ethics & Compliance organization.

Like previous years, E&C was a top priority for the Group in 2015 and the E&C Organisation had a set of objectives. Similarly, each of our Executives had E&C objectives to meet.

Our E&C Cycle includes the following steps which are put in motion by empowered E&C Resources:

Employees, customers, suppliers, and third-party intermediaries are encouraged to freely share their E&C concerns with the management or with E&C resources. While we have a non-retaliation principle, we recognise that a confidential channel for reporting may be useful and we have an alert system called OpenLine. Subject to local legal restrictions, OpenLine is available to employees of controlled entities in France, Germany, Spain, the UK, Australia, Brazil, Canada, China, Mexico and Saudi Arabia. It has been extended to India in 2015. A separate system is also available for the USA. The Airbus Group OpenLine can be used by employees to raise concerns in relation with Corruption and Bribery, Accounting, Finance, Anti-Competitive practices, Harassment, Conflicts of Interest, Quality or Product Safety.

The Group General Counsel reports quarterly to the Audit Committee. The report contains details on Group significant compliance allegations, including the allegations described above under “Notes to the Consolidated Financial Statements (IFRS) — Note 36: Litigation and claims”. As a matter of transparency and to leverage on lessons learnt, this report is shared with the top management.

4.6 Enterprise Risk Management System

The aerospace and defence industry’s complex programmes delivered over volatile market cycles, amplify risk and opportunity. Airbus Group’s 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 Group and its main subsidiaries, ERM facilitates achieving and applying common understanding, methodology, practice and language. ERM is a permanent top-down and bottom-up process, which is executed across Airbus Group Divisions on each level of the organisation. It is designed to identify and manage risks and opportunities focusing on business-relevant aspects. A particular focus is put on the operational dimension due to the importance of Programmes and Operations for Airbus Group.

Required key activities in Risk and Opportunity Management are:

- anticipation of future events and conditions;
- early warning;
- early risks reduction;
- seizing and capturing of opportunities.

Enterprise Risk Management is an operational process embedded into day-to-day management activities of Programmes, Operations and Functions. A reporting synthesis is made and consolidated on a regular basis (quarterly and yearly).

The aim of the ERM process is to:

- identify, assess, control and mitigate risks, and seize and capture opportunities;
- monitor the ERM process and to report status and results;
- allow risk-adjusted decisions and management processes (e.g. planning; decision-making);
- enhance risk-response/opportunity-capture decisions and actions;
- identify and manage cross-enterprise risks/opportunities by understanding interrelated impacts.

Through ERM, the Airbus Group Management enables the:

- management of the risk profile associated to the Company’s strategy;
- management of the risks associated with the Company activities;
- ERM reporting to the Board of Directors and Audit Committee (AC) respectively;

The Airbus Group Board of Directors supervises the:

- corporate strategy and the risks inherent to the business activities;
- design and effectiveness of the internal risk management and control systems.

ERM Process

The objectives, principles and process for the ERM system as endorsed by the Board of Directors are set forth in the Company's ERM Policy and communicated throughout the Group. The Company's ERM Policy is supplemented by various manuals, guidelines, handbooks, etc. External standards that contribute to the Company's ERM system include the Internal Control and ERM frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organisation (ISO).

The ERM system comprises an integrated hierarchical bottom-up and top-down process to enable better management and transparency of risks and opportunities. At the top, the Board of Directors and the Audit Committee discuss major risks and opportunities, related risk responses and opportunity capture as well as the status of the ERM system, including significant changes and planned improvements. This is based on systematic bottom-up information including management judgement. The results are then fed back into the organisation.

The ERM process consists of four elements:

- the operational process, which consists of a sequence of eight consistent standardised components to enhance operational risk and opportunity management;
- the reporting process, which contains procedures for the status reporting of the ERM system and the risk/opportunity situation;
- the compliance process, which comprises procedures to assess the effectiveness of the ERM system; and
- the support process, which includes procedures to maintain and increase the quality of the ERM system.

The ERM process applies to all relevant sources of risks and opportunities, which are potentially affecting the Company activities, its businesses as well as its organisation in the short-, middle- and long-term. The ERM process is part of the management process and interrelated with the other processes. The details of application of the ERM process vary with the risk appetite of management and the size, structure and nature of the organisational unit, programme/project, department or process. Nonetheless, the fundamental principles of the Company's ERM Policy generally apply.

For the main risks to which the Group is exposed. See "— Chapter 4.7 (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 supervises the design and effectiveness of the ERM system including management actions to mitigate the risks inherent in the Company's business activities. The board discusses the major risks based on ERM reporting or as required depending on development of business risks. The board is supported by the Audit Committee, which discusses at least yearly the activities with respect to the operation, design and effectiveness of the ERM system;
- the Group's Chief Executive Officer, backed by the Group Executive Committee, is responsible for an effective ERM system, the related internal environment (i.e. values, culture) and risk philosophy. He is supported by the Group's Chief Financial Officer, who supervises the Head of Risk and Opportunity Management Airbus & Airbus Group, and the ERM system design and process implementation;
- the Head of Risk and Opportunity Management Airbus & Airbus Group 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 on Group and Division level focusing on the operational dimension, early warning and anticipation culture development while actively seeking to reduce overall

risk criticality. The risk management organisation is structured as a cross-divisional Centre of Competence ("CoC") and pushes for a proactive risk management culture; and

- the management on executive levels assume responsibility for the operation and monitoring of the ERM system in their respective area of responsibility. They seek to ensure transparency and effectiveness of the ERM system and adherence to its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate responses to increase probability and impact of opportunities.

ERM Effectiveness

The ERM effectiveness is analysed by:

- Corporate Audit, based on internal corporate audit reports;
- ERM CoC, based on ERM reports, confirmation letters, in situ sessions (risk reviews etc.), participation to key controls (e.g. major Programme Maturity Gate Reviews).

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.
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 Business Units to top management.
Management	**ERM confirmation letter procedure** Entities and department heads that participate in the annual ERM compliance procedures have to sign ERM confirmation letters.
ERM department	**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.
Ethics and Compliance	**Alert System** Detect deficiencies regarding conformity to applicable laws and regulations as well as to ethical business principles.

Board Declaration

The Board of Directors believes to the best of its knowledge that the internal risk management and control system over financial reporting has worked properly in 2015 and provides reasonable assurance that the financial reporting does not contain any errors of material importance.

No matter how well designed, all ERM systems have inherent limitations, such as vulnerability to circumvention or overrides of the controls in place. Consequently, no assurance can be given that the Company's ERM system and procedures are or will be, despite all care and effort, entirely effective.

4.7 Risk Factors

The Company is subject to many risks and uncertainties that may affect its financial performance. The business, results of operation or financial condition of the Company could be materially adversely affected by the risks described below. 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.

4.7.1 FINANCIAL MARKET RISKS

Global Economic and Sovereign Debt Concerns

As a global company, the Company's operations and performance depend significantly on market and economic conditions in Europe, the US, Asia and the rest of the world. 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 those in the Near and Middle East, Ukraine, Africa and other regions). Any such disruption or downturn could affect the Company's activities for short or extended periods and have a negative effect on the Company's future results of operation and financial condition.

In recent years European financial markets have experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro-zone to reduce their budget deficits and refinance or repay their sovereign debt obligations as they come due. The European Central Bank and euro-zone policy makers have so far succeeded to stabilise the euro-zone and the European banks. However, austerity measures as well as lower credit supply to the real economy have slowed down economic activity and as a result consumer prices are far below the target levels. The European Central Bank has amplified its expansive monetary policy in order to fight against deflationary trends, induce economic growth and complement structural reforms. The policy includes negative deposit rates and a quasi open-ended quantitative easing programme started in March 2015 and further extended in December 2015 to an equivalent of about € 1.5 trillion which triggered a weakening of the euro. The progressive implementation of an institutional framework for Eurozone has decreased the immediate pressure on EU sovereign debt but risks for medium term economic prospects remain.

Improving economic fundamentals such as in particular the low unemployment rate in the U.S. have triggered the first increase in interest rates of 0.25% by the Federal Reserve in nearly a decade signalling confidence in the continued strength and sustainability of a U.S. recovery. The strong labour market, the recovery of the housing prices, and low energy cost support the recovery of the US economy. However, a further strengthening of the US dollar, the slowdown of growth in Emerging Countries, the fall of equity markets and more globally the development of risk aversion may reduce the growth dynamic in the US. Risks on growth and more importantly deflationary risks linked to the drop of oil price might reduce the pace and magnitude of the further normalization of the US monetary policy. Medium term concerns about the increasing budget deficit and the sustainability of sovereign debt will likely have to be addressed over the next several years through a combination of tax increases, agreed budget cuts or budget sequestration in defence and entitlement spending, combined with an increase in the debt ceiling to finance further borrowing. This could negatively affect economic growth in the US and worldwide, the creditworthiness of US Treasury securities and the exchange rate of the US dollar against other major currencies (in particular euro or pound sterling), which may in turn adversely impact the Company's sales in the defence sector, the market value of the Company's investments or the exchange rates at which the Company is able to hedge its foreign currency exposure.

China has acknowledged additional downward revisions in its GDP growth targets, confirming fears of a slowdown in the world's largest growth engine. This reversion in Chinese demand is exacerbating pressures on global commodity markets and subsequently to other economies with high exposure on commodities such as Russia, Middle East or Brazil. Beside the diverging policies of European Central Bank and Federal Reserve, In parallel, the reduction of monetary easing by the Federal Reserve Bank and the expected increase of US treasury yields impact financial markets of emerging countries, in particular those with high current account deficits. The noticeable slowdown of emerging markets results in cuts of policy rates and the devaluation of local currencies against USD. The continued reallocation of investments to the US and the devaluation of emerging market currencies deteriorate the external refinancing conditions for issuers from emerging countries including our customers in these countries.

If economic conditions were to deteriorate, or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in credit, currency, commodity and equity markets. This could have a number of effects on the Company's business, including:

- requests by customers to postpone or cancel existing orders for aircraft (including helicopters) or decision 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;
- 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;
- further reductions in public spending for defence, homeland security and space activities, which go beyond those budget consolidation measures already proposed by governments around the world;
- financial instability, inability to obtain credit or insolvency of key suppliers and subcontractors, thereby impacting the Company's ability to meet its customer obligations in a satisfactory and timely manner;
- continued de-leveraging as well as mergers, rating downgrades and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by the Company for its businesses or restrict its ability to implement desired foreign currency hedges;
- default of investment or derivative counterparties and other financial institutions, which could negatively impact the Company's treasury operations including the cash assets of the Company; and
- decreased performance of the Group's cash investments due to low and partly negative interest rates.

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.

Foreign Currency Exposure

A significant portion of the Company's revenues is denominated in US dollars, while a major portion of its costs is incurred in euro, and to a lesser extent, in pounds sterling. Consequently, 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. The Company has therefore implemented a long-term hedging portfolio to help secure the rates at which a portion of its future US dollar-denominated revenues (arising primarily at Airbus) are converted into euro or pound sterling, in order to manage and minimise this foreign currency exposure.

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 it has been the case in the past and as the 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 results of operation and financial condition. 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 changes in exchange rates, which may be significant.

When effectively hedged, the Company recognises fair value changes of the derivative portfolio in equity until instruments' maturity. If the US dollar appreciates against the euro compared to the rate at which the Company has hedged its future US dollar denominated revenues the mark to market of the derivative portfolio becomes negative. Hence, the Company's equity is accordingly reduced which could eventually result into restrictions of equity otherwise available for dividend distribution or share buy-backs. Currency exchange rate fluctuations in those 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, pre-goodwill impairment and exceptionals, other financial result, assets and liabilities.

Sales Financing Arrangements

In support of sales, the Company may agree to participate in the financing of selected customers. As a result, the Company has a portfolio of leases and other financing arrangements with airlines and other customers. The risks arising from the Company's sales financing activities may be classified into two categories: (i) credit risk, which concerns 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. Measures taken by the Company to mitigate these risks include optimised financing and legal structures, diversification over a number of aircraft and customers, credit analysis of financing counterparties, provisioning for the credit and asset value exposure, and transfers of exposure to third parties. No assurances may be given that these measures will protect the Company from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market.

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 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. The Company regularly reviews its exposure to asset values and adapts its provisioning policy in accordance with market findings and its own experience. However, no assurances may be given that the provisions taken by the Company will be sufficient to cover these potential shortfalls. 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 outstanding backstop commitments to provide financing related to orders on Airbus' and ATR's backlog. While past experience suggests it is unlikely that all such proposed financing actually will be implemented, the Company's sales financing exposure could rise in line with future sales growth depending on the agreement reached with customers. Despite the measures taken by the Company to mitigate the risks arising from sales financing activities as discussed above, 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 results of operation and financial condition.

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 and cash investments. However, the Group 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, Moody's and Fitch Ratings. 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. 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 future results of operation and financial condition.

Moreover, the progressive implementation of new financial regulations (Basel III, EMIR, CRD4, Bank Restructuring Resolution Directive, Dodd Frank Act, Volcker Rules, 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.

Equity Investment Portfolio

The Company holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. Equity investments are either accounted for using the equity method (associated companies), if the Company has the ability to exercise significant influence, or at fair value. If fair value is not readily determinable, the investment is measured at cost.

As of 31 December 2014, the Company's principal investment in associates was Dassault Aviation. The book value of this investment was € 2.4 billion. Following the partial sale, the remaining equity investment in Dassault Aviation has been reclassified as asset held for sale. As such, the Company is still exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies. For equity investments other than associates, which make up only a fraction of the Company's total assets, the Company regards the risk of negative changes in fair value or impairments on these investments as non-significant.

Treasury shares held by the Company are not considered to be equity investments. Additionally, treasury shares are not regarded as being exposed to risk, as any change in value of treasury shares is recognised directly in equity only when sold to the market and never affects net income. Treasury shares are primarily held to hedge the dilution risk arising from employee stock ownership plans and the exercise by employees of stock options.

Pension Commitments

The Company participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. For information related to these plans, see "Notes to the Consolidated Financial Statements (IFRS) — Note 29.1: Provisions for retirement plans". 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 are driven by (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) 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 taxes), which could in turn have a negative effect on its future financial condition.

Tax Issues

As a multinational group with operations and sales in various jurisdictions, the Company is subject to a number of different tax laws. It is the Company's objective to adhere to the relevant tax regulations in the different countries and to ensure tax compliance while structuring its operations and transactions in a tax-efficient manner. The structure of the Company's organisation and of the transactions it enters into are based on its own interpretations of applicable tax laws and regulations, generally relying on opinions received from internal or independent tax counsel, and, to the extent necessary, on rulings or specific guidance from competent tax authorities. There can be no assurance that the tax authorities will not seek to challenge such interpretations, in which case the Company or its affiliates could become subject to tax claims. Moreover, the tax laws and regulations that apply to the Company's business may be amended by the tax authorities, which could affect the overall tax efficiency of the Company.

4.7.2 BUSINESS-RELATED RISKS

Commercial Aircraft Market Factors

Historically, the market for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and cargo activity, which are in turn primarily influenced by economic or gross domestic product ("GDP") growth. 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, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) evolution of fuel price, (vii) deregulation and (viii) environmental constraints imposed upon aircraft operations. The market for commercial aircraft could continue to be cyclical, and downturns in broad economic trends may have a negative effect on its future results of operation and financial condition.

The commercial helicopter market could also be influenced by a number of factors listed above and in particular with the significant drop of the price of oil in 2015, the Company is impacted by a postponement of investments in the acquisition of new platforms by offshore helicopter players and a reduction of flight hours. The uncertainty on the lead time of the market recovery and the low oil price may have an impact on Airbus Helicopters financial results and could lead to cancellations or loss of bookings.

Terrorism, Pandemics and Other Catastrophic Events

As past terrorist attacks and the spread of pandemics (such as H1N1 flu) have demonstrated, terrorism and pandemics may negatively affect public perception of air travel safety and comfort, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest in a given region may also affect the willingness of the public to travel by air. Furthermore, major airplane crashes may have a negative effect on the public's or regulators' perceptions of the safety of a given class of aircraft, form of design, airline or air traffic. As a result of terrorism, geopolitical instability, pandemics and other catastrophic events, an airline may be confronted with sudden reduced demand for air travel and be compelled to take costly security and safety measures. In response to such events, and the resulting negative impact on the airline industry or particular airlines, the Company may 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, the occurrence of catastrophic events could disrupt the Company's internal operations or its ability to deliver products and services to customers. Disruptions may be related to threats to physical security and infrastructure, information technology or cyber-attacks or failures, damaging weather or acts of nature and other crises. Any significant production delays, or any destruction, manipulation, theft or improper use of the Company's data, information systems or networks could have a significant adverse effect on the Company's future results of operation and financial condition as well as on the reputation of the Company and its products and services.

Security Risks

The Company is exposed to a number of different types of potential security risk, arising from actions that may be intentional and hostile, accidental, or negligent. Industrial espionage, cyber-attacks (including systems sabotage), data breach, identity theft and intellectual property breach are the main types of risk that we may face in this category. The risk to the availability and integrity of our industrial control systems, manufacturing processes, and products is growing, with the increase of interconnectivity and digitalization, and with a growing gap developing between the defences of older, relatively insecure industrial systems and the capabilities of potential attackers.

In this context, the Company's extensive information and communications systems are exposed to cyber security risks, which are rapidly changing, and increasing in sophistication and potential impact.

As of the date of this report, the most serious cyber security risk is the Advanced Persistent Threat (APT), where technically capable and determined attackers use sophisticated methods, frequently including carefully crafted malicious software, to covertly extract information from our systems. These risks mostly arise from external connections to our systems, and can be exacerbated if we extend trusted connections to partners or suppliers. APT could be used to impact the security of our products through direct cyber-attack on the product itself, or through the compromise of the product's security design, or active disruption of the product's security functions, either of which could take place at any stage of the product’s life-cycle. While the Company has undertaken significant effort to prevent such events from happening, no assurance can be given that these efforts will successfully prevent attacks or damage from such attacks.

Malicious software (including but not limited to petty cyber-criminality) of a more general kind predominantly poses a threat to the integrity and availability of our products and business systems, potentially impacting our business continuity.

The occurrence of one or several of such risks could lead to severe damage including but not limited to significant financial (including through additional investment required), contractual or reputation performance degradation as well as loss of intellectual property data and information, operational business degradation or disruptions, and product or services malfunctions.

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 and systems that it needs to manufacture its products.

The Company relies upon the good performance of its suppliers and subcontractors to meet the obligations defined under their contracts. Supplier performance is continually monitored and assessed so that supplier development programmes can be launched if performance standards fall below expectations. In addition, the Company benefits from its production’s lead times inherent flexibility to compensate for a limited non-performance of suppliers, protecting the Company’s commitments towards its customers. In certain cases, dual sourcing may be utilised to mitigate the risk. No assurance can be given that these measures will fully protect the Company from non-performance of a supplier which could disrupt production and in turn may have a negative effect on its future results of operation and financial condition.

Changes to the Company’s production or development schedules may impact suppliers so that they initiate claims under their contracts for financial compensation. However the robust, long-term nature of the contracts and a structured process to manage such claims, limits the Company’s exposure. Despite these mitigation measures, there could still be a negative effect on the future results of operation and financial condition 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 catastrophes which could interrupt deliveries. Country-based risk assessment is applied by the Company to monitor such exposures and to ensure that appropriate mitigation plans or fall-back solutions are available for deliveries from zones considered at risk. Despite these measures, the Company remains exposed to interrupted deliveries from suppliers impacted by such events which could have a negative effect on the future results of operation and financial condition of the Company.

Suppliers (or their sub-tier suppliers) may also experience financial difficulties requiring them to file for bankruptcy protection, which could disrupt the supply of materials and parts to the Company. However, financial health of suppliers is analysed prior to selection to minimise such exposure and then monitored during the contract period to enable the Company to take action to avoid such situations. In exceptional circumstances, the Company may be required to provide financial support to a supplier and therefore face limited credit risk exposure. If insolvency of a supplier does occur, the Company works closely with the appointed administrators to safeguard contractual deliveries from the supplier. Despite these mitigation measures, the bankruptcy of a key supplier could still have a negative effect on the future results of operation and financial condition of the Company.

Industrial Ramp-Up

As a result of the large number of new orders for aircraft recorded in recent years, the Company intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft (including helicopters). 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 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 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 the three Divisions, which carry their own resource demands. Therefore, the failure of any or all of these factors could lead to missed 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. This risk increases as the Company and its competitors announce even higher production rates. Good progress has been made in 2015 and the supply chain is in general more stable. Specific areas of risk with suppliers of cabin equipment continue to be carefully managed.

Technologically Advanced Products and Services

The Company offers its customers products and services that are technologically advanced, the design, manufacturing, components and materials utilized 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. Even though the Company believes it employs sophisticated design, manufacturing and testing practices, 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 A350 XWB, A400M, H175 or H160 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 or performance of the Company's products and services could have a significant adverse effect on the Company's future results of operation and financial condition 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. Due to the overall economic environment and competing budget priorities, several countries have reduced their level of public spending. This is especially true with respect to defence and security budgets, where certain countries have already implemented substantial reductions. Any termination or reduction of future funding or cancellations or delays impacting existing contracts may have a negative effect on the Company's future results of operation and financial condition. In the case 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 geographical 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 future results of operation and financial condition.

Availability of Government and Other Sources of Financing

Since 1992, the EU and the US have 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 sought to unilaterally withdraw from this agreement, which eventually led to the US and the EU 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. The terms and conditions of any new agreement, or the final outcome of the formal WTO 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 European Commission and the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to the Company.

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 favourable 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. In some areas, competitors may have more extensive or more specialised engineering, manufacturing and marketing capabilities than the Company. In addition, some of the Company's largest customers may develop the capability to manufacture products or provide services similar to those of the Company. This would result in these customers supplying 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 enterprises with different business models 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 or market share.

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. 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. There can be no assurances that the Company will attract and retain the personnel it requires to conduct its operations successfully. Failure to attract and retain such personnel or an increase in the Company's employee turnover rate could negatively affect the Company's future results of operation and financial condition.

Restructuring, Transformation and Cost Saving Programmes

In order to improve competitiveness, offset rising procurement costs and achieve profitability targets, among other things, the Company and its Divisions have launched several restructuring, transformation, cost saving and competitiveness programmes over the past several years. These include group-wide programmes, as well as Division- or Corporate-specific programmes such as the Airbus Defence and Space restructuring plan.

Anticipated cost savings under these programmes are based on estimates, however, and actual savings under these programmes may vary significantly. In particular, the Company's cost reduction measures are based on current conditions and do not take into account any future cost increases that could result from changes in its industry or operations, including new business developments, wage and cost increases or other factors. The Company's failure to successfully implement these planned cost reduction measures, or the possibility that these efforts may not generate the level of cost savings it expects going forward, could negatively affect its future results of operation and financial condition.

In addition to the risk of not achieving the anticipated level of cost savings from these programmes, the Company may also incur higher than expected implementation costs. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated. Restructuring, closures, site divestitures and job reductions may also harm the Company's labour relations and public relations, and have led and could lead to work stoppages and/or demonstrations. In the event that these work stoppages and/or demonstrations become prolonged, or the costs of implementing the programmes above are otherwise higher than anticipated, the Company's future results of operation and financial condition may be negatively affected.

Acquisitions, Divestments, Joint Ventures & Strategic Alliances

As part of its business strategy, the Company may acquire or divest businesses and form joint ventures or strategic alliances. Acquisitions and divestments are inherently risky because of difficulties that may arise when integrating or carving out people, operations, technologies and products. There can be no assurance that any of the businesses that the Company acquires can be integrated or carved out successfully and as timely as originally planned or that they will perform well and deliver the expected synergies once integrated or separated. In addition, the Company may incur significant acquisition or divestment, administrative and other costs in connection with these transactions, including costs related to integration or separation of acquired businesses. While the Company believes that it has established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful.

Public-Private Partnerships and Private Finance Initiatives

Defence customers, particularly in the UK, increasingly request proposals and grant contracts under schemes known as public-private partnerships ("PPPs") or private finance initiatives ("PFIs"). PPPs and PFIs 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 PFI contracts, for example through Paradigm with Skynet 5 and related telecommunications services, and in the AirTanker (FSTA) project. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the lifetime 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 on-going 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 (while this list does not purport to be exhaustive, it highlights the current risks believed to be material by management and could have a significant impact on the Group’s results and financial condition):

A350 XWB programme. In connection with the A350 XWB programme, after fourteen successful deliveries to four airlines in 2015, the Company faces the following main challenges: ensuring satisfaction of first operators and high quality support to its operations; maintaining supply chain performance and production ramp-up; controlling and reducing the level if outstanding work in final assembly line; managing recurring costs beyond the initial ramp-up phase; maintaining customisation and head of versions ramp-up; and maintaining the development schedule of A350 1000 XWB to ensure entry in service as planned.

A380 programme. In connection with the A380 programme, the Company faces the following main challenges: secure order flow in order to maintain current rate of production in the medium term; making continued improvements to lower the resources and costs associated with designing each customised “head of version” aircraft for new customers, in order to allow a higher number of head of version to be completed each year; and managing maturity in service. Further reduction of fixed costs to protect break even at lower volumes has started. However the success of some of the running sales campaigns will be key to mitigate the risk of the reduced backlog.

A320neo programme. In connection with the A320neo programme, the Company faces the following main challenges: management of stress in the supply chain as a result of the industrial ramp-up; meeting the engine development status including performance targets, and its schedule; ensuring the availability of skilled personnel for the programme; ensuring maturity and service readiness for early operations. The transition from A320ceo (current engine option) to A320neo (new engine option) has begun in 2016 and will finish in 2019. The main focus will be with the slower start of PW engine deliveries for A320neo, as well as further ramp-up.

A330 programme. In connection with the A330 programme, the Company proactively addressed the current market situation by reducing production to rate 6 per month. The commercial transition has been secured at the lower rate, which helps mitigate against production gaps. The A330neo development progresses as planned and no new challenge emerged in 2015.

A400M programme. In connection with the A400M programme, the Company faces the following main challenges: finalising the development, tests and associated documentation to enable progressively enhanced aircraft capabilities through standard operational clearance (SOC1 to 3); such as cargo management and aerial delivery, self-defence and protection, air to air refuelling; continuing production ramp-up; managing the retrofit campaign and finalising the development of in-service support goods and services as well as providing high levels of service for integrated logistic support. Industrial efficiency and military capability remain a challenge during the ramp up phase. Management is working with the customers to agree a schedule of military capability enhancement and deliveries as well as reviewing the escalation formulae. Industrial recovery measures have been identified and management is focused on delivery, but risk remains. The mission capability roadmap (including the achievement of the respective milestones) and the delivery plan remain under negotiation with OCCAR/Nations and are expected to be finalised in 2016. For further information, see "— Notes to the Consolidated Financial Statements (IFRS) — Note 10: Revenues, cost of sales and gross margin".

NH90 and Tiger programmes. In connection with the NH90 and Tiger programmes, the Company succeeded in the negotiations of contract amendments with France and Germany, whilst renegotiations of some other contracts are still ongoing. In connection with multiple fleets entering into service it faces the challenge of assuring support readiness.

H175 programme. In connection with the H175 programme produced in cooperation with Avic, the Company faces the following main challenges: after the certification by EASA and the delivery of the 9 first H175 for Oil and Gas operations, the Company is proceeding with the industrial ramp-up, mastering the maturity plan of the aircraft and further certifications for new missions planned for 2016 and 2017.

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 are currently ongoing.

4.7.3 LEGAL RISKS

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
- three principal joint ventures: MBDA, ATR and Atlas Electronik.

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.

In addition, in those holdings in which the Company is a minority partner or shareholder, the Company's access to the entity's books and records, and as a consequence, the Company's knowledge of the entity's operations and results, is generally limited as compared to entities in which the Company is a majority holder or is involved in the day-to-day management.

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.

Intellectual Property

The Company relies upon patent, copyright, trademark and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its intellectual property rights in technology and products used in its operations. Despite these efforts to protect its intellectual property rights, any of the Company's direct or indirect intellectual property 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.

In addition, although the Company believes that it lawfully complies with the intellectual property rights granted to others, it has been accused of infringement on occasion and could have additional claims asserted against it in the future. These claims could harm its reputation, cost it money and prevent it from offering certain products or services. Any claims or litigation in this area, whether the Company ultimately wins or loses, could be time-consuming and costly, injure 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 damages.

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 controls, notably by the UK, France, Germany and Spain, where the Company carries out its principal military activities as well as by other countries where suppliers come from, 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 operation 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 programs 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.

Anti-Corruption Laws and Regulations

The Company seeks to comply with all applicable anti-bribery laws and regulations and is fully committed to preventing corruption in all operations conducted by the Company or by third parties acting on its behalf. To that end, an anti-corruption programme has been put in place to ensure adequate identification, assessment, monitoring and control of corruption risks. This programme oversees business development activities and various other operations such as mergers and acquisitions, financial investments or procurement activities. The anti-corruption programme ensures a long-term view on the evolution of the corruption risk and continuously updates and, as the case may be, reinforces the Company controls and procedures to prevent corruption while aiming at ensuring business success. These controls are based on extensive due diligence of the environment of the business operations and all the stakeholders associated with it. All due diligence follows a risk-based approach and is based on internal and external information and expertise. Moreover, the anti-corruption programme provides comprehensive targeted training and communicates applicable policies to all Company employees.

Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in administrative, civil or criminal liabilities including significant fines and penalties, suspension or debarment of the Company from government or non-government contracts for some period of time, and could also have a significant adverse effect on the reputation of the Company.

Legal and Regulatory Proceedings

The Company is currently engaged in a number of active legal and regulatory proceedings. See "Notes to the Consolidated Financial Statements (IFRS) — Note 36: Litigation and claims". The Company expects to continue to incur time and expenses associated with its defence, 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 operation or financial condition. An unfavourable ruling could also negatively impact the Company's stock price and reputation.

In addition, the Company is sometimes 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 operation and financial condition. See "— Corporate Governance — 4.5 Ethics and Compliance Organisation".

4.7.4 INDUSTRIAL AND ENVIRONMENTAL RISKS

Given the scope of its activities and the industries in which it operates, the Company is subject to stringent environmental, 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. This expenditure includes the identification and the prevention, elimination or control of physical and psychological risks to people arising from work, including chemical, mechanical and physical agents. Environmental protection includes 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. Moreover, new laws and regulations, the imposition of tougher licence 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 results of operation and financial condition.

If the Company fails to comply with health, safety and environmental 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 laws relating to contaminated sites can be imposed retrospectively, on a joint and several basis, and 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 results of operation and financial condition.

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, 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. Seizures of defective products may be pronounced, and the Company may incur administrative, civil or criminal liability. In the event of an accident or other serious incident involving a product, the Company may be required to conduct investigations and undertake remedial activities. Employees, customers and other third parties may also file claims for personal injury, property damage or damage to the environment (including natural resources). Any problems in this respect may also have a significant adverse effect on the reputation of the Company and its products and services.

5. Financial Performances and other Corporate Activities

The Group's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

5.1 Consolidated Financial Statements ("IFRS")

5.1.1 CONSOLIDATED INCOME STATEMENT ("IFRS")

(Please refer to the "Airbus Group SE – IFRS Consolidated Income Statements for the years ended 31 December 2015 and 2014").

5.1.2 REVENUES

Group revenues increased six percent to € 64.5 billion (2014: € 60.7 billion). This was mainly driven by Commercial Aircraft which registered an eight percent rise in revenues on higher deliveries of 635 aircraft (2014: 629 units), including 14 A350 XWBs, and the strengthening U.S. dollar. Despite lower overall deliveries of 395 units (2014: 471 units), Helicopters' revenues rose four percent and mainly reflected a higher level of services activities. Defence and Space's revenues were broadly stable despite the de-consolidation of launcher revenues with the creation of the Airbus Safran Launchers Joint Venture's first phase. A total of 11 A400M military transport aircraft were delivered in 2015.

5.1.3 EBIT* AND FINANCIAL RESULT

Airbus Group uses EBIT* pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the former EADS merger, as well as impairment charges thereon (please refer to the "Notes to the IFRS Consolidated Financial Statements – Note 9: Segment Information").

Group EBIT* before one-off – an indicator capturing the underlying business margin by excluding material non-recurring charges or profits caused by movements in provisions related to programmes and restructurings or foreign exchange impacts – rose to € 4,132 million (2014: € 4,066 million) with increases in all Divisions compensating the lower Dassault Aviation contribution.

Commercial Aircraft's EBIT* before one-off rose 10 percent to € 2,780 million (2014: € 2,529 million), reflecting a solid operational performance that included the A380 breakeven and cost control. Helicopters' EBIT* before one-off increased to € 427 million (2014: € 413 million), as lower deliveries were compensated by higher services activities, a favourable mix and progress on the Division's transformation plan. Defence and Space's EBIT* before one-off rose 15 percent to € 1,060 million (2014: € 920 million), driven by strong programme execution across all business lines and progress with its transformation plan.

Reported EBIT* rose slightly to € 4,086 million (2014: € 4,040 million), with net one-offs totalling € -46 million and comprising:

- A net charge of € 635 million related to the dollar pre-delivery payment mismatch and balance sheet revaluation driven by the devaluation of the euro versus the dollar compared to historical rates;
- A € 290 million net charge related to the A400M programme which is unchanged compared to the first half 2015 results disclosure;
- A net gain of € 90 million linked to divestments in Defence and Space and of Commercial Aircraft subsidiary CIMPA;
- A gain of € 41 million after reassessing and adjusting the provision for the restructuring at Defence and Space which is progressing well;
- A € 748 million net gain from the sale of an 18.75% stake in Dassault Aviation in the first half of 2015.

Net income and earnings per share (EPS) increased 15 percent to € 2,696 million (2014: € 2,343 million) and € 3.43 (2014: € 2.99) respectively. The finance result was € -687 million (2014: € -778 million) and included one-offs totalling € -218 million, mainly from a negative foreign exchange revaluation. 2015 net income and EPS were positively influenced by a lower effective tax rate following tax reduced capital gains from divestments.

Table 1 – EBIT* and Revenues by Division

by Division	**EBIT***			**Revenues**		
(Amounts in millions of Euro)	FY 2015	FY 2014	Change	FY 2015	FY 2014	Change
Commercial Aircraft	2,301	2,671	-14%	45,854	42,280	+8%
Helicopters	427	413	+3%	6,786	6,524	+4%
Defence and Space	745	409	+82%	13,080	13,025	0%
Headquarters/ Eliminations	613	547	-	-1,270	-1,116	-
Total	4,086	4,040	+1%	64,450	60,713	+6%

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

5.1.4 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (“IFRS”)

(Please refer to the “Airbus Group SE – IFRS Consolidated Statements of Financial Position at 31 December 2015 and 2014”).

Non-current assets

Intangible assets decreased by € -203 million to € 12,555 million (prior year-end: 12,758 M €) mainly at Airbus Defence and Space (€-169 million) mostly due to the reclassification of Business communications entities to group of assets held for sale. Intangible assets mainly relate to goodwill of € 9,907 million (prior year-end: € 9,979 million).

The annual impairment tests were performed in the fourth quarter 2015 and led to no impairment charge.

Property, plant and equipment increased by € +806 million to € 17,127 million (prior year-end: € 16,321 million) and includes leased assets of € 118 million (prior year-end: € 213 million). The increase was mainly driven by A350 XWB.

Investments accounted for under the equity method of € 1,326 million (prior year-end: € 3,391 million) mainly include the equity investments in MBDA, Atlas Group and ATR. Following the partial sale of Dassault Aviation shares, the remaining investment in Dassault Aviation has been reclassified as asset held for sale.

Other investments and other long-term financial assets of € 2,492 million (prior year-end: € 1,769 million) are related to Airbus for an amount of € 742 million (prior year-end: € 790 million), mainly concerning the non-current portion of aircraft financing activities.

Non-current other financial assets mainly comprise non-current derivative financial instruments. The increase by € +510 million to € 1,096 million (prior year-end: € 586 million) resulted from the positive variation of the non-current portion of fair values of derivative financial instruments (€ +429 million).

Non-current other assets increased by € +344 million to € 2,166 million (prior year-end: € 1,822 million) and mainly includes non-current prepaid expenses.

Deferred tax assets increased by € +1,042 million to € 6,759 million (prior year-end: € € 5,717 million) mainly as a result of variations in the fair values of derivative financial instruments.

The fair values of derivative financial instruments are included in non-current other financial assets (€ 931 million, prior year-end: € 502million), in current other financial assets (€ 349 million, prior year-end: € 208 million), in non-current other financial liabilities (€ -6,703 million, prior year-end: € -3,271 million) and in current other financial liabilities (€-3,884 million, prior year-end: € -2,232 million), which corresponds to a total net fair value of € -9,307 million (prior year-end: € -4,793 million). The volume of hedged US dollar-contracts increases from US dollar 88 billion as at 31 December 2014 to US dollar 102 billion as at 31 December 2015. The US dollar spot rate is USD/€ 1.09 and USD/€ 1.21 at 31 December 2015 and at 31 December 2014 respectively. The average US dollar hedge rate for the hedge portfolio of the Group improves from USD/€ 1.33 as at 31 December 2014 to USD/€ 1.28 as at 31 December 2015.

Non-current securities with a remaining maturity of more than one year increased by € +3,862 million to € 9,851 million (prior year-end: € 5,989 million). The movement is related to the cash management policy of the Group.

Current assets

Inventories of € 29,051 million (prior year-end: € 25,355 million) increased by € +3,696 million. This is mainly related to Airbus (€ +3,297 million) and Airbus Defence and Space (€ +635 million). In Airbus, the increase is due to work in progress mainly associated with the A350 ramp-up. In Airbus Defence and Space, this is mainly driven by the increased activity on A400M.

Trade receivables increased by € +1,079 million to € 7,877 million (prior year-end: € 6,798 million), mainly in Airbus Defence and Space.

Current other financial assets mainly comprise receivables from related companies and current derivative financial instruments. The increase by € +238 million to € 1,402 million (prior year-end: € 1,164 million) includes the positive variation of the current portion of fair values of derivative financial instruments (€ +141 million).

Current other assets mainly comprise VAT receivables and prepaid expenses. The increase by € +430 million to € 2,819 million (prior year-end: € 2,389 million) resulted from higher prepaid expenses (€ +176 million) and miscellaneous current other assets (€ +175 million).

Current securities with a remaining maturity of one year or less decreased by €-1,395 million to €1,788 million (prior year-end: € 3,183 million).

Cash and cash equivalents increased from € 7,271 million to € 7,489 million.

The assets and disposal group of assets classified as held for sale of €1,779 million (prior year-end: € 750 million) mainly include the remaining investment in Dassault Aviation of €1,253 million.

Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 5,966 million (prior year-end: € 7,061 million) representing a decrease of € -1,095 million. This decrease is due to a reduction in other comprehensive income of € -2,620 million related mainly to the mark to market revaluation of the hedge portfolio, and a dividend payment of € -945 million (1.20 € per share) and the share buy-back programme whereby the Group has bought back € 264 million of shares and recognised a financing liability of € 223 million for its irrevocable share buy-back commitment. This was partly offset by a net income of € +2,696 million, a convertible bond of € +53 million issued on 1 July 2015 and the contribution for exercised options of € +118 million.

Non-controlling interests decreased to € 7 million (prior year-end: € 18 million). This decrease is mainly derived from the mark to market revaluation of the hedge portfolio.

Non-current liabilities

Non-current provisions of € 9,871 million (prior year-end: € 10,400 million) include the non-current portion of pension provisions, which decreased by € -692 million to € 7,172 million (prior year-end: € 7,864 million), mainly due to an increase in the discount rates for the various pension schemes of the Group (France: 2.1% to 2.5%, Germany: 1.9% to 2.4% and UK: 3.6% to 3.9%). Other provisions are also included in non-current provisions and increased by € +163 million to € 2,699 million (prior year-end: € 2,536 million).

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions increased by € +57 million to € 6,335 million (prior year-end: € 6,278 million). On 1 July 2015, a convertible bond for € 500 million was issued with a 7 year-maturity. This bond bears a coupon of 0% and was issued at 102% of par. Its effective interest rate, after separation of the equity conversion option, is 1.386%. The increase due to this bond issue and due to a new € 296 million ($ 320 million) loan agreement with EIB in December 2015 with a 10 year-maturity, was compensated by the reclassification of a € 1 billion EMTN bond to short-term financing liabilities.

Non-current other financial liabilities mainly comprise non-current derivative financial instruments. The increase by € +4,116 million to € 14,038 million (prior year-end: € 9,922 million) resulted from the increase of the non-current portion of liabilities for derivative financial instruments (€ +3,432 million) and of European governments refundable advances (€ +696 million).

Non-current other liabilities increased by € +2,144 million to € 14,993 million (prior year-end: € 12,849 million). Advance payments received increased by € +2,241 million.

Current liabilities

Current provisions decreased by € -503 million to € 5,209 million (prior year-end: € 5,712 million) and comprise the current portion of pension provisions (€ 443 million) and other provisions (€ 4,766 million). The decrease is mainly due to the release, utilisation and net presentation of the A350 XWB programme losses against inventories (see inventories).

Short-term financing liabilities increased by € +1,717 million to € 2,790 million (prior year-end: € 1,073 million), mainly due to the above mentioned reclassification of a € 1 billion EMTN bond from long-term financing liabilities and also due to new commercial paper programmes totalling 505 M €.

Trade liabilities increased by € +1,580 million to € 11,763 million (prior year-end: € 10,183 million). This increase occurred mainly at Airbus.

Current other financial liabilities mainly comprise current derivative financial instruments. The increase by € +1,541 million to € 5,021 million (prior year-end: € 3,480 million) resulted from the increase of the current portion of liabilities for derivative financial instruments (€ +1,652 million).

Current other liabilities increased by € +1,815 million to € 27,037 million (prior year-end: € 25,222 million). Advance payments received increased by € +1,438 million.

The disposal group of liabilities classified as held for sale total € 231 million (prior year-end: € 680 million).

5.1.5 NET CASH

The net cash position at the end of 2015 was € 10.0 billion (year-end 2014: € 9.1 billion) after a 2014 dividend payment of € 945 million (2013: € 587 million), € 264 million spent under the share buyback and a pension contribution of € 217 million. The gross cash position on 31 December 2015 was € 19.1 billion (year-end 2014: € 16.4 billion) (please refer to the "Notes to the IFRS Consolidated Financial Statements - Note 34: Net cash").

Free cash flow before mergers and acquisitions improved to € 1,175 million (2014: € 1,109 million), reflecting the solid operational performance, healthy pre-delivery payment inflows and ongoing efforts to control working capital during the programme ramp-up phase. Proceeds of around € 1.7 billion in the first half of 2015 from the sale of Dassault Aviation shares boosted free cash flow to € 2,825 million (2014: € 2,002 million).

5.1.6 ORDER INTAKE AND ORDER BOOK

Group order intake in 2015 was € 159 billion (2014: € 166 billion), with the order book value reaching a record € 1,006 billion as of 31 December 2015 (year-end 2014: € 858 billion). Airbus received 1,080 net commercial aircraft orders (2014: 1,456 net orders), including 136 A330s. The 2015 gross orders of 1,190 aircraft included three A380s for new customer ANA. After 50 governmental helicopter cancellations, Airbus Helicopters received 333 net orders (2014: 369 units) including 107 H145s and 36 H175s. Order intake by value rose 18 percent at Airbus Defence and Space, with bookings including 14 additional A330 MRTTs and five telecommunications satellites. During the year, an agreement was also signed with OneWeb for 900 small telecommunications satellites.

Table 2 – Order Intake and Order Book by Division

by Division (Amounts in millions of Euro)	Order Intake(1)			Order Book(1)		
	FY 2015	FY 2014	Change	31st Dec 2015	31st Dec 2014	Change
Commercial Aircraft	139,062	150,085	-7%	952,450	803,633	+19%
Helicopters	6,168	5,469	+13%	11,769	12,227	-4%
Defence and Space	14,440	12,225	+18%	42,861	43,075	0%
Headquarters / Eliminations	-703	-1,349	-	-1,216	-1,416	-
Total	158,967	166,430	-4%	1,005,864	857,519	+17%

(1) Contributions from commercial aircraft activities to the Airbus Group Order Intake and Order Book are based on list prices.

5.2 Information on Airbus Group SE auditors

	Date of First Appointment	Expiration of Current Term of Office*
KPMG Accountants N.V. Laan van Langerhuize 1 – 1186 DS Amstelveen — the Netherlands Represented by R.J. Aalberts	10 May 2000	On the day of the Annual General Meeting of Airbus Group SE in 2016

* A resolution will be submitted to the Annual General Meeting of Shareholders in 2016,in order to appoint Ernst & Young Accountants LLP as the Company's auditors for the 2016 financial year.

KPMG Accountants N.V and its representative is registered with the NBA (Nederlandse Beroepsorganisatie van Accountants).

5.3 Human Resources

5.3.1 WORKFORCE INFORMATION

In 2015, 5,266 employees worldwide (thereof 2,512 in the core-division perimeter of Airbus, Airbus Defence and Space, Airbus Helicopters and Airbus Group Corporate Functions) were welcomed into the Group (5,211 in 2014), while 4,870 employees left the Group including partial retirements. With additional perimeter changes and long-term absence effects these are leading to a 2015 year-end Group workforce of 136,574 (138,622 in 2014). In terms of nationalities, 37.8% of the company's employees are from France, 33.9% from Germany, 9.2% from the UK and 8.9% are from Spain. US nationals account for 1.8% of employees. The remaining 8.5% are employees coming from a total of 130 other countries.

5.3.2 ORGANISATION OF HUMAN RESOURCES MANAGEMENT

The overall mission of the Group's Human Resources ("**HR**") function is to ensure that the company can attract, develop, and retain a world-class competent, motivated and flexible workforce which fits current and anticipated future business requirements. HR facilitates diversity, continuous integration and internationalisation of the Group and contributes to a common spirit. The HR strategy aims at making the company a global employer of choice and an innovative, inclusive and engaging place to work for all employees. HR supports managers in their leadership and people management duties and advises employees.
Since July 2013, Group Human Resources have been integrated under the same leadership role: Chief Human Resources Officer Airbus Group and Airbus, in order to ensure a collaborative platform model to support the Group evolution and maintain a high quality of delivery.

The Airbus Group Corporate HR governing team is composed of Heads of Centres of Competence, Head of International HR, Head of Business Services and Operations, together with the divisional HR Directors. The Divisional HR Directors have a double operational reporting line from the Divisions to the Group Chief Human Resources Officer and to the Head of the Division.

The main principles of this setup are:

- an agile & effective organisation with a light corporate HQ HR in charge of strategy/policy;
- a better delivery with improved collaboration throughout a matrix organisation as a rule for managerial levels (reporting into Centres of Competences & proximity / business HR), the suppression of ad hoc committees and the optimisation of contractual Service Level Agreements;
- enhanced competencies, with transversal Centres of Competence integrated through one line of reporting;
- an improved proximity for HR management (business partners) to ensure that the HR organisation meets operational needs.

Corporate HQ HR is mainly focused on defining state of the art long-term HR policies that participates in setting up and supporting Group Strategy. Transversal integrated Centres of Competences are in charge of defining group policies and associated processes. They will also advise management and HR in the divisions in their respective domain of expertise (e.g. Talent and Executive Management, Compensation and Benefits, Social Policy and Industrial Relations, etc.).

HR Business Services and Operations continue to provide comprehensive services and operational activities to all employees to manage payroll, recruitment or learning administration using a common global HR information system with a higher efficiency.

Finally, proximity and business HR management have been further enhanced and will continue to stay primary focal points to their respective businesses and play an active role in the on-going transformation of the company. This clear differentiation of roles and responsibilities, which is fully aligned with the new Airbus Group strategy, enables HR to operate as a service- and performance-oriented business player.

The entire HR function is committed to support the Group's restructuring and to play its role as a change facilitator.

5.3.3 2015 KEY ACHIEVEMENTS IN HUMAN RESOURCES

Mobility of employees within or across divisions is one of the main priorities for the overall benefit of both Airbus Group employees and the Group itself. In 2015, 11,278 employees changed jobs and the company has kept the challenging 10% target for 2016.

The company perceives the development of new competences, the creation of new ideas and the further intensification of professional networks as crucial for any successful advancement. Consequently, it is deploying significant efforts towards the analysis and development of all competences across the Group, in diversifying skills, gap-bridging development actions, and in a robust and customised training plan.
In this perspective and in order to secure the competences of the future, in 2015 Airbus Group has signed partnership agreements with nine leading aeronautics and engineering universities to ensure students graduate with the skills required by industry to face future challenges.

The group provided more than 2 million training hours to all employees in 2015 and launched its leadership university, reaching more than 20,000 leaders at all levels this year. This aims at strengthening the Group's approach to leadership and harmonising the activities across its divisions and subsidiaries, offering equivalent opportunities for all leaders to drive their development anywhere in the Group.

In 2015, 322 identified talents, of which 26.7% were women, participated in top talent development programmes, getting ready to take Executive and Top Executive roles in the future.

In March 2015, Airbus Group launched a new unified business network focusing on women's development. Named 'Balance for Business', the main objective of the initiative is to improve gender balance and spur the recognition and development of women across the Group. Upon its creation, the network was composed of over 2,000 employees, of which 10% were men.

The company´s commitment to act on the engagement survey results has led to the launch of a digitally-enabled, people-driven Business Transformation in 2015, with the aim of improving the experience of Airbus Group´s employees at work. This transformation, named PULSE, is supposed to drastically simplify the life of all employees, reducing the burden of redundant administrative tasks, allowing both managers and employees to be more efficient and deliver more value to the business. PULSE is not only about digital tools – it is mainly based on changing the ways of working of the company. This transformation aims at developing a new company culture.

Besides, in support of the overall digital transformation of the Group under the leadership of the Digital Programme Office, HR, Communications and ICT, delivered a new Group-wide employee portal to support communication, collaboration and connection of employees across all divisions for deployment from January 2016. HR also provided the "Digital Passport" – a user-centric learning tool accessible by all, to improve awareness and understanding of the digital transformation.

Finally, this year for the first time, Airbus Group rolled out the Awards for Excellence recognition scheme at Group- level to reward employees and teams for exceptional achievements. 1,103 projects were submitted in total this year with the aim of improving business performance.

5.4 Environmental matters

Airbus Group is evolving in a world which is increasingly more populated, more urban, has scarcer resources, with overall greater pressure on ecosystems, and a changing climate. Environmental topics are fast-changing, and Airbus Group is preparing itself for both long-term and rapid changes.

The updated environmental policy thus provides a clear and common guidance to all employees on the Group's vision related to environmental topics: eco-efficiency and innovation as drivers to improve our environmental footprint, continuous progress and anticipation to meet current and future environmental challenges, and stakeholders' engagement towards a more sustainable business.

5.4.1 COMPANY MANAGEMENT PRINCIPLES

The company maintains, improves and expands the certified Environmental Systems, deploys Risk & Opportunities management and supports the engagement of stakeholders with a transparent reporting on environmental company performance. As a result, 83% of Group employees operate under ISO 14001 certification, the Enterprise Risk Management policy is deployed to Environmental issues across the Group and Airbus Group is supporting joint initiatives throughout the Aerospace and Defence industry to improve its overall environmental performance in the most consistent and efficient manner. Risks with high criticality that are reported by several divisions include supply disruptions linked to non-compliance to environmental regulation and the stringency of the Aircraft CO_2 standard currently being prepared by the ICAO.

5.4.2 CONTINUALLY IMPROVING OUR SITES' ENVIRONMENTAL PERFORMANCE

The Group's Environmental Policy directs the way to improve environmental performance in the areas of energy efficiency, GHG emissions, air pollutant emissions, waste generation, water consumption, noise, substances of concern and local eco-systems. This commitment is reflected by concrete progress on industrial footprint reductions: -32% in energy use, -36% in CO_2 emissions, -20% in water consumption, - 36 % in waste production and -58% in volatile organic compound ("**VOC**") emissions (revenue-based figures 2006-2014). As an example, common lighting solutions are introduced across Airbus Group sites to reduce energy consumption for the top 22 sites in Europe which will save 20 GWh per year, equivalent to the annual consumption of nearly 5,990 households; biomass boiler technologies cutting CO_2 emissions on the Airbus Toulouse site, or 3D printing which drastically reduces waste in the manufacturing process, going from up to 95% with traditional means down to only 5% with this technology.

5.4.3 DEVELOPING PRODUCTS AND SERVICES THAT CONSIDER CURRENT AND FUTURE ENVIRONMENTAL CHALLENGES

The Group's Environmental Policy aims to developing more eco-efficient products and services by promoting and supporting Eco design and environmental innovation.

Airbus: The Airbus A350 XWB is designed to be eco-efficient: -25% fuel consumption than the current generation of aircraft, satisfying regulatory noise best standards, and comfortable margins in hydrocarbon emissions (99% below limit), carbon monoxide emissions (86% below limit), smoke emission (60% below limit) or nitrogen oxides emission (35% below limit). The recently certificated A320neo aircraft is expected to offer up to 20% fuel economy compared to older generation aircraft.

Airbus Helicopters: The recently unveiled H160 brings significantly improved performance, less fuel consumption and less CO_2 emissions, and the new canted Fenestron and Blue Edge blades result in lower sound levels. With the Bluecopter demonstrator, eco-efficiency objectives are met: decreasing of fuel consumption by as much as 40%, significantly reducing CO_2 emissions, and lowering noise to approximately 10 decibel effective perceived noise below ICAO noise certification limits.

CTO: The E-Fan successfully carried out its maiden flight in April 2014, and was awarded the prestigious Personal Aircraft Design Academy award the same year at the AirVenture Oshkosh Airshow. Airbus Group now intends to mature the aircraft for pilot training while also using it as a platform to develop the potential of electric propulsion.

Monitoring the Earth's atmosphere: Airbus Defence and Space is a pioneer in this field, designing and building the most sophisticated satellites for environmental monitoring, and developing a wide range of horizon-broadening services. The weather satellite CryoSat-2 is studying possible climate variations and trends by measuring changes in the thickness of polar ice, providing researchers with unprecedented accurate data.

Optimized Air Traffic Management (ATM) and aircraft operations: Airbus supports initiatives which improve fuel savings for operators during commercial service (single engine taxiing, electric taxiing, new ATM solutions)

Sustainable fuels for aviation: Airbus participates in research projects around the world (Brazil, Qatar, Romania, Spain, Australia and China), working as a catalyst for the development and industrialization of sustainable fuels which do not compete with food production or water use.

End of life solutions: Airbus and its Tarmac Aerosave joint venture use a proven method for dismantling and recycling the aircraft in safe and environmentally responsible conditions in two dedicated centres in France and Spain.

Airbus Defence and Space is contributing to the space debris issue, developing mitigation measures (such as post-mission disposal capabilities) as well as improvement measures (e.g. several concepts for space debris removal). The Division is also proposing dismantling capabilities and expertise to manage the end of life of pyrotechnical products in a safe and sustainable way.

5.4.4 KEY CHALLENGES

Global Market Based Measure and carbon standard: Airbus to support the development of global measures to manage the environmental impact of aviation through the ICAO. These measures should be agreed upon in September 2016, and include a CO2 emissions certification standard for aircraft and a Global Market Based Measure for the offsetting of CO2 emissions of aircraft in operations.

Sustainable aviation fuels: Airbus to focus on speeding up the use of sustainable fuels for aviation commercially so as to help meeting our industry targets of carbon neutral growth from 2020 and 50% CO2 reduction by 2050 compared to 2005.

Hazardous substances: Airbus Group to mitigate the risk of supply chain disruption due to substances that will be banned in short and middle time.

Zero-CO2: Airbus Group to work towards reducing dependency to fossil fuels for operations.

VOC: Airbus Group to maintain efforts to reduce volatile organic compound emissions in the frame of restrictive regulations and to reduce local air pollution.

ISO 14001: 2015, new version: Airbus Group sites to maintain certification in the frame of a more demanding new standard for Environmental Management System.

5.5 Research and Technology, Quality and Systems Engineering

The Airbus Group Corporate Technical Office (CTO) made significant contributions in 2015 to the Group’s overall strategic targets.

Airbus Group Innovations

Airbus Group Innovations is undergoing a transformation programme to become more agile, innovative and aligned with the needs of Airbus Group’s divisions. The global research and technology network was in the international spotlight during the year, with the E-Fan’s historic English Channel crossing in July, and the “Connected Cockpit” demonstrator exhibition that was displayed at several public appearances – both drawing significant attention. Among the highlights of Airbus Group Innovations’ research laboratories was interpreting automated airborne real-time sensor data during the Barracuda Unmanned Combat Air System demonstrator’s test campaign. Airbus Group Innovations also contributed to the Group’s external profile during Airbus Helicopters’ rotorcraft sales campaign in Poland.

Beyond Airbus Group Innovations’ activities in the company’s core countries, new partnerships were developed that will help the Group benefit from specific capabilities of regions around the world. This included Airbus Group Innovations’ cooperation for superconductivity research in Russia, the establishment of research chairs in Brazil (composite structures) and Canada (Artic environmental security), and an agreement in India for joint-funding of collaborative projects. In addition, Airbus Group Innovations developed its operations in Japan and South Korea with a focus on collaborative robotics (cobots) and energy storage, respectively.

New business ventures

The strategy for the Corporate Innovation Nursery was evolved to complement the new divisional and Silicon Valley innovation initiatives, and streamline internal processes. Two CTO spin-off businesses – APWorks, which is a leader in the field of 3D-printing, and the Group's TESTIA non-destructive testing and training company – continued their successful ramp-ups and growth. TESTIA launched a new "Smart Mobile Worker" business line dedicated to augmented reality applications for production and maintenance.

Cyber Security

The CTO's Product & Cyber Security Program Directorate focused on protecting Airbus Group's products, manufacturing systems and IT infrastructure from cyber threats. It also established partnerships with world-leading enterprises to share attack signatures and protection concepts. Moving forward, it will investigate protecting interfaces with customers, partners and suppliers, along with promising new technology for a cognitive cyber threat intelligence platform.

Quest quality-improvement program

Under CTO's direction, Quest is leading the implementation of a single Group-wide quality policy, with an emphasis on increasing customer focus, improving feedback loops in operations, and ensuring robust practical problem-solving is applied. The initiative has been rolled out to all divisions and corporate functions, with a significant training, up-skilling and quality-awareness program in full implementation on top of the normal quality training schedule.

Ludwig Boelkow Campus

The Ludwig Boelkow Campus has continued its forward momentum. The first-ever study program for the Bundeswehr's military pilots – called "Aeronautical Engineering" – was launched in October 2015 with academic classes held at the campus. The campus' AlgaeTec facility, which is a unique laboratory for biofuel research operated by the Technical University of Munich, also was inaugurated during the year.

6. Financial Targets for 2016

As the basis for its 2016 guidance, Airbus Group expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes no major disruptions.

2016 earnings and free cash flow guidance is based on a constant perimeter.

In 2016, Airbus expects to deliver more than 650 aircraft, and the commercial order book is expected to grow. In 2016, before M&A, Airbus Group expects stable EBIT* before one-off and EPS* before one-off compared to 2015. In 2016, before M&A, Airbus Group expects to deliver stable free cash flow compared to 2015.

7. Airbus Group Strategy

7.1 Commercial leadership, defence and space optimisation and value creation

After the introduction of the new Group strategy in 2013, the Group has successfully executed its rebranding and "Airbus" has become the reference on our various markets. The restructuring of our defence and space business is ongoing; with progress in executing the portfolio decisions around the mission statement "we make it fly". Furthermore, the internal transformation program at Airbus Helicopters has made significant progress.

Airbus Group continues to focus on leadership in commercial aeronautics, military aircraft, and space markets. The Group is driving incremental innovation, globalization, services and value-chain optimization, all of which will result in improved profitability and performance. Airbus Group raises its ambition by adding "Digitalization" as a further lever for change and by developing a new innovation strategy to "pioneer and foster disruptions in our industry".

The 8 strategic paths of the Airbus Group Strategy are as follows:

1. Strengthen market position and profitability while remaining a leader in commercial aeronautics

Airbus aims to be largely self-sufficient going forward, rather than attempting to rely on a balanced Group portfolio. Focus upon on-time, on-cost, on-quality is paramount given the huge backlog execution challenge. Therefore, the proven management of cycles and shocks needs to be continued and the efforts to mitigate against cycles and shocks has to be even further strengthened through focusing on innovation, services and a more global approach.

2. Preserve leading position in European defence, space and government markets by focusing on military aircraft, missiles, space and related services

Defence can no longer be a tool to manage and hedge against commercial cycles, but our ambition is to remain strong and actively shape our defence, space and governmental business. The focus will involve (i) developing high-performing, low-equity businesses such as missiles, launchers, combat and transport aircraft, entering into new growth areas when they are backed by government funding, and (ii) focusing on productivity improvements both through internal means and in the context of European optimisation to enable efficiencies and improve the Group's positioning on export markets. In Space, Airbus Group intends to strengthen its position increasing its stake in Arianespace and developing Ariane 6, if it is able to conclude the creation of Airbus Safran Launchers in its full scope.

Some business areas have been divested or are in the process to be divested as they do not fit the strategic goals and the Company sees possibilities to increase their development potential in different set-ups. These include satellite communication services (excluding key governmental business), Rostock System-Technik, ESG, or Fairchild Controls. The Group also maintains its path, of an orderly exit from Dassault's capital to maximise value. Despite the Company's strong track record and good prospects, this minority stake has no strategic interest for Airbus Group and a 18,8% stake has been sold in the first half of 2015 taking Airbus' share down to 23,4%. Further divestments are planned, e.g., the professional mobile radio business, and defence electronics, that have better perspectives in ownership structures more tailored to the nature of these businesses.

To achieve this goal, Airbus Group is using the following strategic levers:

3. Pursue incremental innovation potential within product programmes while pioneering and fostering disruptions in our industry, and developing necessary skills and competencies required to compete in the future

Airbus Group innovates every day to increase its competitive advantage by enhancing product performance, creating new customer benefits, and reducing costs. Our cutting-edge technologies and scientific excellence contribute to global progress, and to delivering solutions for society's challenges, such as environmental protection, mobility, and safety.

After many new product developments in recent years, the majority of the Group's revenues are generated today in segments where we have competitive, mature products that are far from the end of their lifecycle. Innovation will therefore target maintaining, expanding, and continually leveraging the competitiveness of the current products.

The Group raised its ambitions to pioneer and disrupt the aerospace industry in areas that will shape the market and our future and made a substantial effort in breakthrough innovation. Giving broader populations access to the "3rd dimension" by fostering air mobility is a dedicated target of the Group. In 2016, the Group will further explore innovation hot-springs beyond the Silicon Valley where the new Corporate Venture Capital fund and the Innovation Centre A^3 are currently ramping up their activity. Other examples include the Group's engagement in the OneWeb low cost satellite constellation of 900 units as well as the further expansion of dedicated facilities and tools for early stage innovation (e.g., Airbus Bizlab)

4. Exploit digitalization to enhance our current business as well as pursue disruptive business models

At Airbus Group, we realize that digitalization is a mega trend that needs to be addressed at a strategic level and also at all levels of the organisation. Our business can become more efficient with a mature use of digital technologies to drive higher quality of services, cost efficiency and improved operations performance. Therefore, digitalization has been validated as the 8th strategic path for Airbus Group. This new initiative will support the group's transformation by focusing on 5 main axes: (i) enabling high employee engagement, (ii) digital operational excellence, (iii) mastering our product data value chain and turning product data into insight, (iv) capturing the end user experience and (v) driving our business agility.

5. Adapt to a more global world as well as attract and retain global talents

With 77% of our backlog and 69% of our revenues coming from outside Europe, Airbus Group remains, more than ever, a global company. The strategy and the constant effort to globalize our businesses, especially in countries with substantial growth, have paid. This global footprint is also reflected in the diversity of our staff and skills, with employees outside Europe almost doubled in the last five years. Workforce in Asia and Latin America experienced the most important growth. Locally, products may need to be adapted and definitely serviced, but the main logic going forward is that the industry will retain its "global products for local markets" dynamic. Greenfield approaches have proven to ensure the Group a controlled entry and real citizenship, whilst partnerships and acquisitions are complementary tools. The setup of training JVs in Singapore and Malaysia as well as greenfield training investments in Mexico are the best example of the implementation of this strategy. Airbus Group is streamlining its set-up by consolidating its international presence, for example in India, China, and Middle East (Dubai), using a "one-roof" policy under the Airbus name.

6. Focus services on and around the Group's platforms

The strategy going forward is to focus on services where the Group can differentiate and add value for its customers according to the motto "no one knows our products better then we", aiming at developing long-term customer intimacy and bring competitive advantage to its customers. As services are executed locally, the portfolio will be adapted to the increasingly global customer base. The Group revenues in the service segment are around 13% of its total business. The ongoing acquisition of Navtech aims at supporting our strategy by strengthening our offering of flight operations solutions. Cooperation with military customers is set to increase substantially through maintenance and support services thanks to the new platforms to be delivered in the coming years, including over 250 Eurofighters, over 150 A400M aircraft, around 250 NH90s and 50 Tiger helicopters. In commercial, with production rates above 600 aircraft a year, the installed base is expanding rapidly, and new innovative services are being offered successfully.

7. Strengthen the value chain position

The Group's core capability is to master programme management and architect/integrator capabilities in order to market, develop, and manufacture large-scale aeronautics/space platforms, integrated systems, and related services. As the Group is much based on a strong platform prime role, managing the supplier base towards delivering to the final customer is key. We aim to strengthen and optimise selected strategic value chain areas to protect our Intellectual property, manage risks, increase profit, access services, and differentiate our offerings. The Group's suppliers provide a large proportion of the value in our products, necessitating a robust supply-chain governance framework. This is supported by processes and tools that foster partnership, risk mitigation and supplier performance development.

Deliver the result of the strategy:

8. Focus on profitability, value creation and market position; no need to chase growth at any cost. Actively manage portfolio

Thanks to strong organic growth potential, mainly in the commercial airplane business, the Group currently goes through a series of production ramp-ups and associated financial needs. On top of that, targeted investments will help to position the group for the future. The financial strength of the Group is an imperative to master these challenges, and to ensure that we have enough room for manoeuvre for strategic moves. A prerequisite is that the Airbus Group stay's attractive for investors, notably compared to its peers. And further efforts are planned to optimize our portfolio of business and to improve performance of our organization.

7.2 Key divisional priorities 2016

Airbus

- Meet A350 delivery targets, focus on ramp-up and cost control;
- Achieving a smooth entry-into-service of the A320neo with our customers and securing the industrial transition from ceo to neo;
- Raising production of the single-aisle family as we build towards rate 50 in 2017 and rate 60 mid-2019;
- Develop A330neo in accordance with milestones;
- Reaching – and going beyond – our efficiency and competitiveness targets for 2016;
- Introducing a roadmap and programme for the use of digital technology throughout Airbus; and
- Strengthening our focus on people development.

Airbus Defence and Space

In 2016, Airbus Defence and Space key priorities are:

- Deliver what we promise to make our products and services a success for our customers and achieve our operational and financial targets;
- Deliver A400M capability and ramp up;
- Prepare the future by increasing focus on Innovation chain, winning key sales campaigns and translating growth strategy into product policies;
- Boost competitiveness through digitalisation initiatives and a reinforced continuous improvement culture; and
- Engage people by attracting, retaining and developing talents with a focus on diversity while maintaining high safety, ethical and environmental standards.

Airbus Helicopters

Airbus Helicopters will pursue the execution of its strategy in 2016 by:

- Improving further, based on 2015's successes, the fleet availability of our customers, timely deliveries of spares, and operational costs;
- Ensuring the entry-into-service of new variants such as the H175 VIP, Panther MBe and the achievement of our key development milestones on H160;
- Focusing on major military campaigns and concluding contracts with pre-selection status; and
- Continue the focus on transformation to deliver on operational, financial targets and prepare the future in anticipation of a commercial market recovery.

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.airbusgroup.com.**

The Board of Directors hereby declares that, to the best of its knowledge:

- The financial statements for the year ended 31 December 2015 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 2015 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.

The Board of Directors

Denis Ranque, Chairman

Tom Enders, Chief Executive Officer

Manfred Bischoff, Director

Ralph Dozier Crosby, Jr., Director

Hans-Peter Keitel, Director

Hermann-Josef Lamberti, Director

Anne Lauvergeon, Director

Lakshmi N. Mittal, Director

María Amparo Moraleda Martínez, Director

Sir John Parker, Director

Michel Pébereau, Director

Jean-Claude Trichet, Director

Leiden, 23 February 2016