

# Registration Document

||||| | 2015 | |||||

Airbus Group SE (the “**Company**” and together with its subsidiaries the “**Group**”) is a Dutch company, which is listed in France, Germany and Spain. The applicable regulations with respect to public information and protection of investors, as well as the commitments made by the Company to securities and market authorities, are described in this Registration Document (the “**Registration Document**”).

On 27 May 2015 at the Annual General Meeting of Shareholders (the “AGM”) of Airbus Group N.V., the conversion into a European Company was approved with the overwhelming majority of 99.99%. The conversion became effective on 28 May. Airbus Group N.V. is now called Airbus Group SE.

In addition to historical information, this Registration Document includes forward-looking statements. The forward-looking statements are generally identified by the use of forward-looking words, such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “plan”, “project”, “predict”, “will”, “should”, “may” or other variations of such terms, or by discussion of strategy. These statements relate to the Company’s future prospects, developments and business strategies and are based on analyses or forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements represent the view of the Company only as of the

dates they are made, and the Company disclaims any obligation to update forward-looking statements, except as may be otherwise required by law. The forward-looking statements in this Registration Document involve known and unknown risks, uncertainties and other factors that could cause the Company’s actual future results, performance and achievements to differ materially from those forecasted or suggested herein. These include changes in general economic and business conditions, as well as the factors described under “Risk Factors” below.

**This Registration Document was prepared in accordance with Annex 1 of EC Regulation No. 809 / 2004, filed in English with, and approved by, the *Autoriteit Financiële Markten* (the “AFM”) on 5 April 2016 in its capacity as competent authority under the *Wet op het financieel toezicht* (as amended) pursuant to Directive 2003 / 71 / EC. This Registration Document may be used in support of a financial transaction as a document forming part of a prospectus in accordance with Directive 2003 / 71 / EC only if it is supplemented by a securities note and a summary approved by the AFM.**

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# Risk Factors

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# Risk Factors

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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.

## 1. Financial Market Risks

### Global Economic and Sovereign Debt Concerns

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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 US 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 US 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 normalisation 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 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 US dollar. 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 ("EBIT\*"), other financial result, assets and liabilities.

See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.7 Hedging Activities" for a discussion of the Company's foreign currency hedging strategy. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.2.3 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements" for a summary of the Company's accounting treatment of foreign currency hedging transactions.

## Sales Financing Arrangements

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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

\* Unless otherwise indicated, EBIT\* figures presented in this report are Earning before Interest and Taxes, pre-goodwill impairment and exceptionals.

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

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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

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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

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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, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 29.1: Post-employment benefits — 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

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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.

# 2. Business-Related Risks

## Commercial Aircraft Market Factors

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Historically, order intake 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

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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

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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 the Company 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 Registration Document, 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 lifecycle. 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

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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

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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

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The Company offers its customers products and services that are technologically advanced, the design, manufacturing, components and materials utilised can be complex and require substantial integration and coordination along the supply chain. In addition, most of the Company's products must function under demanding operating conditions. 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. See “— Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.1.3 Significant programme developments, restructuring and related financial consequences in 2013, 2014 and 2015”. 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

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

## Availability of Government and Other Sources of Financing

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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

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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

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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

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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

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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

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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

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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 of 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 (SOC 1 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, military capability and associated costs 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, please refer to the "— Notes to the IFRS Consolidated Financial Statements — 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 nine 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.

## 3. Legal Risks

### Dependence on Joint Ventures and Minority Holdings

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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 Elektronik.

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

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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

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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

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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 programmes 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

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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

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The Company is currently engaged in a number of active legal and regulatory proceedings. See “— Information on Group Activities — 1.1.8 Legal and Arbitration Proceedings”. 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 — 4.1.4 Ethics and Compliance Organisation".

## 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.

# Chapter

# 1.

# Information on Group Activities

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# 1.1 Presentation of the Group

## 1.1.1 Overview

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Due to the nature of the markets in which the Company operates and the confidential nature of its businesses, any statements with respect to the Company's competitive position set out in paragraphs 1.1.1 through 1.1.6 below have been based on the Company's internal information sources, unless another source has been specified below.

With consolidated revenues of €64.5 billion 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 82% of its total revenues in the civil sector (compared to 82% in 2014) and 18% in the defence sector (compared to 18% in 2014). As of 31 December 2015, the Group's active headcount was 136,574 employees.

### Strategy

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 programme 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 optimisation, 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 "3<sup>rd</sup> 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<sup>3</sup> 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 realise 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 than 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 optimise our portfolio of business and to improve performance of our organisation.

### **Organisation of the Group's Businesses**

Airbus Group organises its businesses into the following three operating Divisions: (i) Airbus, (ii) Airbus Helicopters and (iii) Airbus Defence and Space. The chart set out in "General Description of the Company and its Share Capital — 3.3.6 Simplified Group Structure Chart" illustrates the allocation of activities among these three Divisions.

#### **Airbus**

Airbus is one of the world's leading aircraft manufacturers of passenger airliners, ranging in capacity from 100 to more than 544 seats. Across all its aircraft families Airbus' unique approach ensures that aircraft share the highest commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines.

Since it was founded in 1970 and up to the end of 2015, Airbus has received orders for 16,351 commercial aircraft from 387 customers around the world. In 2015, Airbus delivered 635 aircraft (compared to 629 deliveries in 2014) and received 1,190 gross orders (compared to 1,796 gross orders in 2014), or 55% of the gross worldwide market share (in value terms) of aircraft with more than 100 seats. After accounting for cancellations, net order intake for 2015 was 1,080 aircraft (compared to 1,456 aircraft in 2014). As of 31 December 2015, Airbus' backlog of commercial orders was 6,831 aircraft (compared to 6,386 aircraft in 2014).

In 2015, Airbus recorded total revenues of €45.9 billion – representing 71% of the Group's revenues. See "— 1.1.2 Airbus".

#### **Airbus Helicopters**

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

Airbus Helicopters delivered 395 helicopters in 2015 (471 in 2014) and received 403 gross orders in 2015 (compared to 426 gross orders in 2014). Order Intake amounted to €6.2 billion (2014: €5.5 billion) including 383 net orders before cancellation of 50 NH90 and Tiger from Germany and France. Civil contracts and military sales accounted each respectively for 50% of this order volume. At the end of 2015, Airbus Helicopters order book stood at 831 helicopters (2014: 893 helicopters).

In 2015, Airbus Helicopters recorded total revenues of €6.8 billion, representing 11% of the Group's revenues. See "— 1.1.3 Airbus Helicopters".

#### **Airbus Defence and Space**

Airbus Defence and Space is Europe's number one defence and space enterprise, the second largest space business worldwide and among the top ten global defence enterprises. Airbus Defence and Space puts a strong focus on core businesses: Space, Military Aircraft, Missiles and related systems and services.

Airbus Defence and Space is composed of four Business Lines: Military Aircraft; Space Systems; Communications, Intelligence & Security (CIS); and Electronics. It develops and engineers cutting-edge products in the field of defence and space, enabling governments, institutions and commercial customers alike to protect resources and people while staying connected to the world. Airbus Defence and Space solutions guarantee sovereignty in foreign affairs and defence matters.

In 2015, Airbus Defence and Space recorded total revenues of €13.1 billion, representing 20% of the Group's revenues. See "— 1.1.4 Airbus Defence and Space".

#### **Investments**

Among its significant investments, as of 31 December 2015, the Company held a 23.60% stake in Dassault Aviation, a major participant in the world market for military jet aircraft and business jets. As of 31 March 2015, the remaining equity investment in Dassault Aviation 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. See "— 1.1.6 Investments".

## Summary Financial and Operating Data

The following tables provide summary financial and operating data for the Group for the past three years.

### CONSOLIDATED REVENUES BY DIVISION FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

<i>(in €m)</i>	<b>Year ended 31 December 2015</b>	Year ended 31 December 2014	Year ended 31 December 2013
Airbus	45,854	42,280	39,494
Airbus Helicopters	6,786	6,524	6,297
Airbus Defence and Space	13,080	13,025	13,121
<b>Total Divisional revenues</b>	<b>65,720</b>	<b>61,829</b>	<b>58,912</b>
Other / HQ / Consolidation <sup>(1)</sup>	(1,270)	(1,116)	(1,345)
<b>Total</b>	<b>64,450</b>	<b>60,713</b>	<b>57,567</b>

(1) "Other / HQ / Consolidation" comprises 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.

### CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	<b>Year ended 31 December 2015</b>		Year ended 31 December 2014		Year ended 31 December 2013	
	<i>Amount in €bn</i>	<i>In percentage<sup>(1)</sup></i>	<i>Amount in €bn</i>	<i>In percentage<sup>(1)</sup></i>	<i>Amount in €bn</i>	<i>In percentage<sup>(1)</sup></i>
Europe	20.1	31.1%	20.3	33.4%	20.3	35.3%
North America	10.2	15.9%	9.7	16.0%	8.7	15.1%
Asia / Pacific	18.8	29.1%	19.4	31.9%	19.3	33.4%
Rest of the World <sup>(2)</sup>	15.4	23.9%	11.3	18.7%	9.3	16.2%
<b>Total</b>	<b>64.5</b>	<b>100%</b>	<b>60.7</b>	<b>100%</b>	<b>57.6</b>	<b>100%</b>

(1) Percentage of total revenues after eliminations.

(2) Including the Middle East.

### CONSOLIDATED ORDERS BOOKED FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	<b>Year ended 31 December 2015</b>		Year ended 31 December 2014		Year ended 31 December 2013	
	<i>Amount in €bn</i>	<i>In percentage<sup>(1)</sup></i>	<i>Amount in €bn</i>	<i>In percentage<sup>(1)</sup></i>	<i>Amount in €bn</i>	<i>In percentage<sup>(1)</sup></i>
<b>Orders booked<sup>(2)</sup></b>						
Airbus <sup>(3)</sup>	139.1	87.1%	150.1	89.4%	199.2	91.9%
Airbus Helicopters	6.2	3.9%	5.5	3.3%	5.8	2.7%
Airbus Defence and Space	14.4	9.0%	12.2	7.3%	11.8	5.4%
<b>Total Divisional orders</b>	<b>159.7</b>	<b>100%</b>	<b>167.8</b>	<b>100%</b>	<b>216.8</b>	<b>100%</b>
Other / HQ / Consolidation	(0.7)		(1.4)		(0.4)	
<b>Total</b>	<b>159.0</b>		<b>166.4</b>		<b>216.4</b>	

(1) Before "Other / HQ / Consolidation".

(2) Without options.

(3) Based on catalogue prices for commercial aircraft activities.

### CONSOLIDATED BACKLOG FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013<sup>(1)</sup>

	<b>Year ended 31 December 2015</b>		Year ended 31 December 2014		Year ended 31 December 2013	
	<i>Amount in €bn</i>	<i>In percentage<sup>(2)</sup></i>	<i>Amount in €bn</i>	<i>In percentage<sup>(2)</sup></i>	<i>Amount in €bn</i>	<i>In percentage<sup>(2)</sup></i>
Airbus <sup>(3)</sup>	952.4	94.6%	803.6	93.6%	625.6	91.8%
Airbus Helicopters	11.8	1.2%	12.2	1.4%	12.4	1.8%
Airbus Defence and Space	42.9	4.2%	43.1	5.0%	43.2	6.4%
<b>Total Divisional backlog</b>	<b>1,007.1</b>	<b>100%</b>	<b>858.9</b>	<b>100%</b>	<b>681.2</b>	<b>100%</b>
Other / HQ / Consolidation	(1.2)		(1.4)		(0.6)	
<b>Total</b>	<b>1,005.9</b>		<b>857.5</b>		<b>680.6</b>	

(1) Without options.

(2) Before "Other / HQ / Consolidation".

(3) Based on catalogue prices for commercial aircraft activities.

## Relationship between Airbus Group SE and the Group

Airbus Group SE itself does not engage in the core aerospace, defence or space business of its Group but coordinates related businesses, sets and controls objectives and approves major decisions for its Group. As the parent company, Airbus Group SE conducts activities which are essential to the Group activities and which are an integral part of the overall management of the Group. In particular, finance activities pursued by Airbus Group SE are in support of the business activities and strategy of the Group. In connection therewith, Airbus Group SE provides or procures the provision of services to the subsidiaries of the Group. General management service

agreements have been put in place with the subsidiaries and services are invoiced on a cost plus basis.

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

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

## 1.1.2 Airbus

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Airbus is one of the world's leading aircraft manufacturers of passenger airliners, ranging in capacity from 100 to more than 544 seats. Across all its aircraft families Airbus' unique approach ensures that aircraft share the highest commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines. See “— 1.1.1 Overview” for an introduction to Airbus.

### Strategy

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

#### Building a Leaner, More Fully Integrated Company

In order to build a leaner, more fully integrated company and thereby bolster its competitiveness, Airbus is adapting its organisation to foster an entrepreneurial spirit and empower more teams, while maintaining harmonised processes across all sites. For series programmes, additional responsibilities and means have been delegated to plants for delivery at increased rates.

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

Airbus continuously seeks to develop and deliver new products to meet customers' evolving needs, while also improving its existing product line. The A330neo (new engine option) is one of the evolutions to the A330 Family and the A320neo (new engine option) is one of many product upgrades to the A320 Single-Aisle Family to maintain its position as the most advanced and fuel-efficient single-aisle aircraft family.

Airbus is also currently pursuing (i) development and production on the A350 XWB programme, and (ii) research on the development of new aircraft in the short-range, medium-range and long-haul segments.

To support the A350 XWB ramp-up and other production increases, a new super transporter is under development, with the first of five Beluga XL aircraft to enter into service in 2019.

#### Expanding its Customer Services Offering

Airbus seeks to remain at the forefront of the industry by expanding its customer services offering to meet customers' evolving needs. As a result, Airbus has developed a wide range of value-added and customised services which customers can select based on their own make or buy policy and needs. This approach provides Airbus operators with solutions to significantly reduce their operating costs, increase aircraft availability and enhance the quality of their operations.

### Market

#### Market Drivers

The main factors affecting the commercial aircraft market include passenger demand for air travel, cargo activity, economic growth cycles, national and international regulation (and deregulation), the rate of replacement and obsolescence of existing fleets and the availability of aircraft financing sources. The performance, competitive posture and strategy of aircraft manufacturers, airlines, cargo operators and leasing companies as well as wars, political unrest, pandemics and extraordinary events may also precipitate changes in demand and lead to short-term market imbalances.

In recent years, China and India have emerged as significant new aircraft markets. According to internal estimates, they are expected to constitute the first and fourth most important markets by aircraft delivery value, respectively, in the next twenty years. As a result, Airbus has sought to strengthen its commercial and industrial ties in these countries. New aircraft demand from airlines in the Middle East has also become increasingly important, as they have rapidly executed strategies to establish a global presence and to leverage the benefits the region can deliver.

The no-frills / low-cost carriers also constitute a significant sector, and are expected to continue growing around the world, particularly in Asia, where emerging markets and continued deregulation should provide increased opportunities. While Airbus single-aisle aircraft continue to be a popular choice for these carriers, demand for Airbus' range of twin-aisle aircraft may also increase as some of these carriers develop or further develop their long-range operations.

**Overall growth.** The long-term market for passenger aircraft depends primarily on passenger demand for air travel, which is itself primarily driven by economic or GDP growth, fare levels and demographic growth. Measured in revenue passenger kilometres, air travel increased in every year from 1967 to 2000, except for 1991 due to the Gulf War, resulting in an average annual growth rate of 7.9% for the period. Demand for air transportation also proved resilient in the years following 2001, when successive shocks, including 9/11 and SARS in Asia, dampened demand. Nevertheless, the market quickly recovered.

More recently, the financial crisis and global economic difficulties witnessed at the end of 2008 and into 2009 resulted in only the third period of negative traffic growth during the jet age, and a cyclical downturn for airlines in terms of traffic (both passenger and cargo), yields and profitability. Preliminary figures released at the end of 2015, by the International Civil Aviation Organisation (ICAO), confirmed that some 3.5 billion passengers made use of the global air transport network for their business and tourism needs in 2015. The annual passenger total is up 6.4% compared to 2014. They also stated the number of departures reached approximately 34 million globally, and world passenger traffic, expressed in terms of total scheduled revenue passenger-kilometres (RPKs), posted an increase of 6.8% with approximately 6,562 billion revenue passenger kilometres being performed.

In the long-term, Airbus believes that air travel remains a growth business. Based on internal estimates, Airbus anticipates a growth rate of 4.6% annually during the period 2014-2034. If the actual growth rate equals or exceeds this level, Airbus expects that passenger traffic, as measured in revenue passenger kilometres, would more than double in the next fifteen years.

**Cyclicalities.** Despite an overall growth trend in air travel, aircraft order intake can vary significantly from year to year, due to the volatility of airline profitability, cyclicalities of the world economy, aircraft replacement waves and occasional unforeseen events which can depress demand for air travel. However, new product offerings and growth across the market has resulted in good levels of order activity in recent years. In the last four years, order totals comfortably exceeded record Airbus deliveries thus strengthening both order book and backlog totals.

Despite some cyclicalities in air traffic, Airbus aims to secure stable delivery rates from year to year, supported by a strong backlog of orders and a regionally diverse customer base. At the

end of 2015, Airbus' commercial backlog stood at 6,831 aircraft, representing more than ten years of production at current rates. Through careful backlog management, close monitoring of the customer base and a prudent approach to production increases, Airbus has successfully increased annual deliveries for 14 years running, even through the economic crisis of 2008-2009.

**Regulation / Deregulation.** National and international regulation (and deregulation) of international air services and major domestic air travel markets affect demand for passenger aircraft as well. In 1978, the US deregulated its domestic air transportation system, followed by Europe in 1985. The more recently negotiated "Open Skies Agreement" between the US and Europe, which became effective in 2008, allows any European or US airline to fly any route between any city in the EU and any city in the US. Other regions and countries are also progressively deregulating, particularly in Asia. This trend is expected to continue, facilitating and in some cases driving demand. In addition to providing greater market access (which may have formerly been limited), deregulation may allow for the creation and growth of new airlines or new airline models, as has been the case with the no-frills / low-cost airline model, which has increased in importance throughout major domestic and intra-regional markets since deregulation (e.g., in the US and Europe).

**Airline network development: "hub" and "point-to-point" networks.** Following deregulation, major airlines have sought to tailor their route networks and fleets to continuing changes in customer demand. Accordingly, where origin and destination demand prove sufficiently strong, airlines often employ direct, or "point-to-point" route services. However, where demand between two destinations proves insufficient, airlines have developed highly efficient "hub and spoke" systems, which provide passengers with access to a far greater number of air travel destinations through one or more flight connections.

The chosen system of route networks in turn affects aircraft demand, as hubs permit fleet standardisation around both smaller aircraft types for the short, high frequency and lower density routes that feed the hubs (between hubs and spokes) and larger aircraft types for the longer and higher density routes between hubs (hub-to-hub), themselves large point-to-point markets. As deregulation has led airlines to diversify their route network strategies, it has at the same time therefore encouraged the development of a wider range of aircraft in order to implement such strategies (although the trend has been towards larger-sized aircraft within each market segment as discussed below).

Airbus, like others in the industry, believes that route networks will continue to grow through expansion of capacity on existing routes and through the introduction of new routes, which will largely be typified by having a major hub city at least at one end of the route. These new route markets are expected to be well served by Airbus' latest product offering, the A350 XWB. In addition, the A380 has been designed primarily to meet the



significant demand between the major hub cities, which are often among the world's largest urban centres (such as London, Paris, New York and Beijing). Airbus has identified 47 major hub cities in its current market analysis, with this number expected to grow to over 92 by 2034. Airbus believes that it is well positioned to meet current and future market requirements given its complete family of products.

**Alliances.** The development of world airline alliances has reinforced the pattern of airline network development described above. According to data from Ascend, a UK-based aviation industry consultancy, just over one-third of the world's jetliner seats being flown today are operated by just 13 airlines as of January 2016. In the 1990s, the major airlines began to enter into alliances that gave each alliance member access to the other alliance members' hubs and routings, allowing airlines to concentrate their hub investments while extending their product offering and market access.

### Market Structure and Competition

**Market segments.** According to a study conducted by Airbus, a total of 17,350 passenger aircraft with more than 100 seats were in service with airlines worldwide at the beginning of 2014. Currently, Airbus competes in each of the three principal market segments for aircraft with more than 100 seats.

"Single-aisle" aircraft, such as the A320 Family, have 100 to more than 200 seats, typically configured with two triple seats per row divided by one aisle, and are used principally for short-range and medium-range routes.

"Twin-aisle" or "wide-body" aircraft, such as the A330 / A350 XWB Families, have a wider fuselage with more than 210 seats, typically configured with eight seats per row and with two aisles. The A330 / A350 XWB Families are capable of serving all short- to long-range markets.

"Very large aircraft", such as the A380 Family, are designed to carry more than 400 passengers, non-stop, over very long-range routes with superior comfort standards and with significant cost-per-seat benefits to airlines, although such aircraft can also be used over shorter ranges in high-density (including domestic) markets.

Freight aircraft, which form a fourth, related segment, are often converted ex-passenger aircraft. See "— Regional Aircraft, Aerostructures, Seats and Aircraft Conversion — EFW".

Airbus also competes in the corporate, VIP business jet market with the ACJ, an A319-based Corporate Jetliner, and the A318 Elite. As well as these, other members of the Airbus family can serve the business jet market in private, corporate shuttle and in government / VIP roles.

**Geographic differences.** The high proportion of single-aisle aircraft in use in both North America and Europe reflects the predominance of domestic short-range and medium-range flights, particularly in North America due to the development of hubs following deregulation. In comparison with North America

and Europe, the Asia-Pacific region uses a greater proportion of twin-aisle aircraft, as populations tend to be more concentrated in fewer large urban centres. The tendency towards use of twin-aisle aircraft is also reinforced by the fact that many of the region's major airports limit the number of flights, due either to environmental concerns or to infrastructure constraints that limit the ability to increase flight frequency. These constraints necessitate higher average aircraft seating capacity per flight. However, Airbus believes that demand for single-aisle aircraft in Asia will grow over the next 20 years, particularly as domestic markets in China and India and low-cost carriers continue to develop in the region. Aircraft economics will also help to drive aircraft size, with airlines looking to reduce the cost per seat through higher density aircraft cabins and the use of larger aircraft types and variants where possible.

**Competition.** Airbus has been operating in a duopoly since Lockheed's withdrawal from the market in 1986 and Boeing's acquisition of McDonnell Douglas in 1997. As a result, the market for passenger aircraft of more than 100 seats is now effectively divided between Airbus and Boeing. According to the manufacturers' published figures for 2015, Airbus and Boeing, respectively, accounted for 45% and 55% of total commercial aircraft deliveries, 58% and 42% of total net orders (in units), and 54% and 46% of the total year-end backlog (in units), an industry record. Airbus commercial aircraft deliveries (635 in 2015) were the 14th year in a row of increased production at Airbus.

Nevertheless, the high technology and high value nature of the business makes aircraft manufacturing an attractive industry in which to participate, and besides Boeing, Airbus faces aggressive international competitors who are intent on increasing their market share. Regional jet makers Embraer and Bombardier, coming from the less than 100-seat commercial aircraft market, continue to develop larger airplanes (such as the new 100- to 149-seat C-Series launched by Bombardier). Additionally, other competitors from Russia, China and Japan will enter the 70- to 150-seat aircraft market over the next few years.

### Customers

As of 31 December 2015, Airbus had 387 customers and a total of 16,351 Airbus aircraft had been ordered, of which 9,520 aircraft had been delivered to operators worldwide. The table below shows Airbus' largest commitments in terms of total gross firm orders by customer for the year 2015.

Customer	Firm orders <sup>(1)</sup>
Indigo	250
Wizzair	110
Avianca	100
IAG Group	65
GECAS	60
Air Lease Corporation	59
International Air Finance Corporation (Saudi Arabian Airlines)	50

(1) Options are not included in orders booked or year-end backlog.

## Products and Services

### The Family Concept — Commonality across the Fleet

Airbus' aircraft families promote fleet commonality. This philosophy takes a central aircraft and tailors it to create derivatives to meet the needs of specific market segments, meaning that all new-generation Airbus aircraft share the same cockpit design, fly-by-wire controls and handling characteristics. Pilots can transfer among any aircraft within the Airbus family with minimal additional training. Cross-crew qualification across families of aircraft provides airlines with significant operational flexibility. In addition, the emphasis on fleet commonality permits aircraft operators to realise significant cost savings in crew training, spare parts, maintenance and aircraft scheduling. The extent of cockpit commonality within and across families of aircraft is a unique feature of Airbus that, in management's opinion, constitutes a sustainable competitive advantage.

In addition, technological innovation has been at the core of Airbus' strategy since its creation. Each product in the Airbus family is intended to set new standards in areas crucial to airlines' success, such as cabin comfort, cargo capacity performance, economic performance, environmental impact and operational commonality. Airbus innovations often provide distinct competitive advantages, with many becoming standard in the aircraft industry.

**A320 Family.** With more than 12,400 aircraft sold and more than 6,800 delivered, Airbus' family of single-aisle aircraft, based on the A320, includes the A319 and A321 derivatives, as well as the corporate jets family (ACJ318, ACJ319, ACJ320 and ACJ321). Each aircraft in the A320 Family shares the same systems, cockpit, operating procedures and cross-section.

At 3.95 metres diameter, the A320 Family has the widest fuselage cross-section of any competing single-aisle aircraft. This provides a roomy passenger cabin, a high comfort level and a spacious under floor cargo volume. The A320 Family incorporates digital fly-by-wire controls, an ergonomic cockpit and a lightweight carbon fibre composite horizontal stabiliser. The use of composite material has also been extended to the vertical stabiliser. The A320 family's competitor is the Boeing 737 series.

#### A320 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

Model	Entry-into-service	Passenger capacity <sup>(1)</sup>	Range (km)	Length (metres)	Wingspan (metres)
A318	2003	107	5,750	31.4	34.1
A319	1996	124	6,850 <sup>(2)</sup>	33.8	35.8
A320	1988	150	6,100 <sup>(2)</sup>	37.6	35.8 <sup>(3)</sup>
A321	1994	185	5,950 <sup>(2)</sup>	44.5	35.8 <sup>(3)</sup>

(1) Two-class layout.

(2) Range with sharklets.

(3) Wingspan with sharklets.

To ensure this market leader keeps its competitive edge, Airbus continues to invest in improvements across the product line, including development of the A320neo (new engine option) Family. The A320neo incorporates many innovations including latest generation engines, Sharklet wing-tip devices and cabin improvements, which together will deliver up to 20% in fuel savings by 2020. The A320neo received joint Type Certification from the European Aviation Safety Agency (EASA) and the Federal Aviation Administration (FAA) in November 2015. The A320neo with Pratt & Whitney engines was the first variant in the Neo Family to receive Type Certification. The A320neo with CFM engines will be certified later followed by the A321neo and A319neo in both engine variants.

This new engine option will be available for the A321, A320 and A319 aircraft models, with an entry-into-service of the A320neo first, to be followed by the A321neo and the A319neo. With 4,508 firm orders received from 79 customers since its launch in December 2010, the A320neo Family has captured 60% of the market.

The first A320neo has been delivered in January 2016 to launch customer Lufthansa.

In October 2015, Airbus announced the decision to further increase the production rate of the Single Aisle Family to 60 aircraft a month in mid-2019, following thorough studies on production ramp-up readiness in the supply chain and in Airbus' facilities.

To enable the ramp-up, an additional production line is being built in Hamburg, which is being financed by equity, and will be operational in 2017. In parallel Airbus will integrate cabin furnishing activities for A320 aircraft produced in Toulouse into the final assembly line in Toulouse, and thereby harmonizing the production process across all A320 Family production sites worldwide.

In 2015, Airbus received 1,015 gross orders for the A320 Family of aircraft (945 net), and delivered 491 aircraft.

**A330 Family.** With 1,603 aircraft sold and 1,257 delivered, the A330 Family covers all market segments with one twin-engine aircraft type and is designed to carry between 247 and 277 passengers. The A330 Family offers high levels of passenger comfort as well as large under-floor cargo areas. The competitors of the A330 Family are the Boeing 767, 777 and 787 aircraft series.

The newest evolution to the A330 Family is Airbus' A330neo (new engine option), comprising the A330-800neo and A330-900neo versions. These aircraft incorporate latest generation Rolls-Royce Trent 7000 engines. The first delivery is scheduled for end 2017.

In 2015, Airbus received 52 net orders for the A330neo.

The platform for developing the Neo is Airbus' 242-tonne maximum take-off weight A330 variant. This upgrade was first applied to the A330-300 with the first enhanced A330-300

variant delivered to Delta Airlines in May 2015 and subsequently for the A330-200.

Airbus is also adapting the A330-300 to rapidly growing markets, where the aviation infrastructure is struggling to keep up with surging demand. The A330 Regional, the lower-weight variant will carry up to 400 passengers on shorter haul missions resulting in significant cost savings. Saudi Arabian Airlines became the A330-300 Regional launch customer with an order announced in June 2015.

Airbus is investing hundreds of millions of euros per year in the A330 Family to keep the aircraft at the leading edge of innovations.

In 2015, Airbus received 156 gross orders for the A330 Family of aircraft including 52 for the A330neo (136 net), and delivered 103 aircraft to customers.

#### A330 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

Model	Entry-into-service	Passenger capacity <sup>(1)</sup>	Maximum range (km)	Length (metres)	Wingspan (metres)
A330-200	1998	247	13,450	59.0	60.3
A330-300	1994	277	11,750	64.0	60.3

(1) Three-class configuration.

**A380.** The double-deck A380 is the world's largest commercial aircraft flying today. Its cross-section provides flexible and innovative cabin space, allowing passengers to benefit from wider seats, wider aisles and more floor space, tailored to the needs of each airline. Carrying 544 passengers in a comfortable four-class configuration and with a range of 8,200 nm /

15,200 km, the A380 offers superior economic performance, lower fuel consumption, less noise and reduced emissions. The A380's competitor is the Boeing 747-8.

In 2015, Airbus received 3 gross orders for the A380 (2 net), and delivered 27 aircraft.

#### A380 TECHNICAL FEATURES

Model	Entry-into-service	Passenger capacity <sup>(1)</sup>	Maximum range (km)	Length (metres)	Wingspan (metres)
A380-800	2007	544	15,200	73.0	79.8

(1) Four-class layout.

**A350 XWB Family.** The A350 XWB is an all-new family of wide-body aircraft, designed to accommodate between 280 and 366 passengers. The A350 XWB features A380 technology, a wider fuselage than that of competing new generation aircraft, and a greater use of composite material. The A350 XWB's main competitors are the Boeing 787 and 777 aircraft series.

With the Ultra-Long Range version of the A350-900 launched in 2015, the A350 XWB demonstrates its versatility by offering the capability to perform flights of up to 19 hours.

We also continue to develop the A350-1000, with an entry-into-service in mid-2017.

In 2015, Airbus received 16 gross orders for the A350 XWB Family (-3 net), and delivered 14 aircraft to 4 operators (Qatar Airways, Latam, Vietnam Airlines and Finnair).

#### A350 XWB FAMILY TECHNICAL FEATURES

Model	Entry-into-service	Passenger capacity <sup>(1)</sup>	Maximum range (km)	Length (metres)	Wingspan (metres)
A350-900	2014	325	14,350	66.8	64.7
A350-1000	2017	366	14,800	73.7	64.7

(1) Two-class layout.



## Customer Services

Airbus Customer Services' prime role is to support its customers in operating their Airbus fleet safely and profitably and to the satisfaction of passengers all around the world. As a result of its continued growth, Airbus' customer base has increased consistently over the past years reaching 8,600 aircraft in-service operated by 400 airlines. The Airbus fleet is maintained by 100 Maintenance and Repair Organisations and partially owned by 100 leasing companies.

A worldwide network of more than 5,000 people covers all areas of support from technical engineering / operational assistance and spare parts supply, to crew and maintenance training. Hundreds of technical specialists provide Airbus customers with advice and assistance to Airbus customers 24 hours a day, 7 days a week. There are more than 250 representatives positioned around the world in more than 150 stations close to the airlines they serve, and an international network of support centres, training centres and spares' warehouses.

Beyond the core customer support activities, Airbus Customer Services department has developed a wide range of modular and customised services driven by the unique added value that an aircraft manufacturer can bring. These services are clustered around five main domains of activity: Flight Hours and LRU Solutions, Upgrades Solutions, Material and Supply chain Solutions, training solutions and e-Solutions for Flight Operations, Engineering and Maintenance. Innovative and integrated solutions have been developed in these domains, such as Power by the Hours Tailored Support Package (FHS-TSP), which provide integrated engineering, maintenance and component packages to enable customers to reduce their investments and support costs while increasing operational reliability.

Part of Airbus' growth strategy in the area of customer services consists of industrialised development. One recent step in implementing this strategy is the creation of a 100% Airbus subsidiary company named SATAIR Group: a world leading supplier of aircraft parts and service solutions for aircraft maintenance. The merger of the state-of-the-art service & support portfolios manager Satair and Airbus Material Management enhances availability of product and service for airlines' daily operation.

## Customer Finance

Airbus favours cash sales, and does not envisage customer financing as an area of business development. However, Airbus recognises the commercial need for manufacturers to assist customers in arranging financing of new aircraft purchases, and in certain cases to participate in financing those aircraft for the airline.

Extension of credit or assumption of exposure is subject to corporate oversight and monitoring, and follows strict standards of discipline and caution. Airbus' dedicated customer finance

team has accumulated decades of expertise in aircraft finance. When Airbus finances a customer, the financed aircraft generally serve as collateral, with the engine manufacturer participating in the financing. These elements assist in reducing the risk borne by Airbus. Airbus' customer financing transactions are designed to facilitate subsequent sell-down of the exposure to the financial markets, third-party lenders or lessors.

In 2015, Airbus continued to benefit from market appetite for both aircraft financing and sale and leaseback lessor opportunities. The markets, however, remain unpredictable and Airbus continues to allow for potential additional financing exposure. Management believes, in light of its experience, that the level of provisioning protecting Airbus from default costs is adequate and consistent with standards and practice in the aircraft financing industry. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations".

## Asset Management

The Airbus Asset Management Division was established in 1994 to manage and re-market used aircraft acquired by Airbus, originally as a result of customer bankruptcies, and subsequently in the context of certain buy-back commitments. The Division operates with a dedicated staff and manages a fleet comprised of used Airbus aircraft across the range of models. Through its activities, the Asset Management Division helps Airbus to respond more efficiently to the medium- and long-term fleet requirements of its customers.

Its key roles comprise commercial and risk management of the Airbus used aircraft portfolio, as well as the enhancement of all Airbus products' residual value. Most of the aircraft are available to customers for cash sale, while some can also be offered on operating lease whereby the Airbus Asset Management team then focuses on the sell down of the aircraft with lease attached.

At the end of 2015, the Airbus Asset Management portfolio contained 47 aircraft. Across the year 2015 the Airbus Asset Management Division succeeded to place 21 used aircraft.

The Asset Management Division also provides a full range of remarketing services, including assistance with entry-into-service, interior reconfiguration and maintenance checks.

## Production

### Industrial Organisation

Each task in the building of Airbus aircraft (from design to production) is allocated to a designated plant. The Airbus plants are typically organised around different aircraft components and sections, in component delivery teams. Each component delivery team is either in charge of one aircraft programme, or organised by manufacturing technology clusters depending on the optimum solution for each plant. Every plant is organised with production, engineering, quality, supply chain, manufacturing, engineering and logistics capabilities to ensure a seamless production flow of operations.

A transversal “Industrial Strategy & Systems” Centre of Competences is in charge of ensuring that harmonised and standardised processes, methods and tools are developed and implemented across the plants, in order to increase efficiency, based on best practices.

Following production by the respective plants, the various aircraft sections are transferred between the network of sites and the final assembly lines using dedicated transport means, such as the “Beluga” Super Transporters. To support the A380 production flow, Airbus has also integrated road, river and sea transport. Programme management is then responsible for the final assembly line activities. The programme management works closely with the plants to secure delivery of aircraft sections to the final assembly lines on time, cost and quality.

A new Airbus A320 Family final assembly line was constructed in Mobile, Alabama (US) and started production in 2015, with a first delivery of a Mobile-assembled aircraft expected in 2016.

## Engineering

Airbus Engineering is a global organisation that develops civil aircraft and aircraft components, and that conducts innovative research applicable to the next generation of aircraft. Airbus Engineering operates transnationally, with most engineers employed in France, Germany, the UK and Spain. A growing population of experienced aerospace engineers is also employed worldwide at five other engineering centres in Wichita (Kansas, US), Mobile (Alabama, US), Moscow (Russia), Bangalore (India) and Beijing (China).

A key part of the Airbus engineering organisation is the architect and integration centre, which ensures, together with a team of senior aircraft architects and the programme chief engineers, that a consistent and multi-disciplinary approach is applied during aircraft development.

In 2015, Airbus successfully achieved Type Certification of the A320neo, equipped with Pratt & Whitney engines, and began flight tests of the A320neo with CFM engines. The A330neo and Beluga XL successfully achieved the “End of Concept” phase and the A350 XWB Ultra-Long Range project has also been launched. Research & Technology activities delivered incremental innovations for existing aircraft, matured breakthrough technologies, with reinforced focus on industrial aspects. Airbus Engineering is a major contributor to numerous international initiatives dedicated to the preservation of the environment and the reduction of noise and CO<sub>2</sub> emissions. Fully integrated change projects are also implemented to continuously implement innovative and efficient ways of working.

## Regional Aircraft, Aerostructures, Seats and Aircraft Conversion

### ATR

ATR (*Avions de Transport Régional*) is a world leader in the 50- to 74-seat regional turboprop aircraft market. Its aircraft are currently operated by more than 200 airlines in over 100 countries. ATR is an equal partnership between Airbus Group and Alenia Aermacchi (Finmeccanica Group), with Airbus Group’s 50% share managed by Airbus. Headquartered in Toulouse in the south of France, ATR employs more than 1,200 people, with major operations in the Midi-Pyrénées and Aquitaine regions of France. Since the start of the programme in 1981, ATR has registered net orders for 1,796 aircraft (473 ATR 42s and 1,063 ATR 72s).

### Market

The regional turboprop aircraft industry has experienced growing concentration over the years. During the 1990s, a number of regional aircraft manufacturers merged, closed or ceased production, leading to the withdrawal from the market of BAe, Beechcraft, Fokker, Saab and Shorts, among others. Currently, the worldwide market for turboprop aircraft of 50-70 seats in production is dominated by two manufacturers: ATR and Bombardier.

After a number of years of declining activity, the regional turboprop aircraft market has experienced sustained growth since 2005 due to the advantages of turboprop aircraft over jet aircraft in terms of fuel efficiency and CO<sub>2</sub> emissions. In 2015, ATR delivered 88 new aircraft (compared to 83 in 2014) and recorded firm orders for 76 new aircraft (compared to 160 in 2014). In 2015, ATR received its 1500<sup>th</sup> firm order since the beginning of the programme.

As of 31 December 2015, ATR had a backlog of 260 aircraft (compared to 280 in 2014). The relative lower operating cost and reduced CO<sub>2</sub> emissions of turboprop aircraft, in an ever passenger-yield constrained environment, are expected to lead to sustained market activity over the coming years.

### Products and Services

**ATR 42 and ATR 72.** Commencing with the ATR 42 (50-seat), which entered service in 1985, ATR has developed a family of high-wing, twin turboprop aircraft in the 50- to 74-seat market that are designed for optimal efficiency, operational flexibility and comfort. In 1995, in order to respond to operators’ increasing demands for comfort and performance, ATR launched the ATR 42-500 and two years later, the ATR 72-500 (70-seat) series. In 2007, ATR launched the new -600 series with improved engines, new avionics and a new cabin. Like Airbus, the ATR range is based on the family concept, which provides for savings in training, maintenance operations, spare parts supply and cross-crew qualification. By the end of 2015, ATR had delivered 1278 aircraft.

**Customer service.** ATR has established a worldwide customer support organisation committed to supporting aircraft over their service life. Service centres and spare parts stocks are located in Toulouse, Paris, the greater Washington D.C. area, Miami, Singapore, Bangalore, Auckland, Kuala Lumpur, Toronto and Johannesburg.

ATR Asset Management also responds to the market for second-hand aircraft by assisting in the placement and financing of used and end-of-lease aircraft. By providing quality reconditioned aircraft at attractive prices, ATR Asset Management has helped both to broaden ATR's customer base, in particular in emerging markets, and to maintain the residual values of used aircraft. In the past, clients for such used aircraft have subsequently purchased new aircraft as they have gained experience in the operation of ATR turboprops.

In 2015, ATR continued to build its presence across the world by establishing a new representative office in Beijing. ATR was also introduced the first ATR 42-600 in Japan with Amakusa Airlines taking delivery of this aircraft.

### Production

The ATR fuselage is produced in Naples, Italy, and ATR wings are manufactured in Merignac near Bordeaux, France. Final assembly takes place in Saint Martin near Toulouse on the Airbus production site. Flight-testing, certification and deliveries also occur in Toulouse. ATR outsources certain areas of responsibility to Airbus, such as wing design and manufacturing, flight-testing and information technology.

### STELIA Aerospace

At the end of 2014, Sogerma and Aerolia merged to become STELIA Group with effect from January 2015. The merger of Aerolia and Sogerma gave rise, on 1 January 2015, to the world No. 3 (as regards its turnover) in aerostructures, seats and aeronautical equipment.

STELIA Aerospace is a wholly-owned subsidiary of the Airbus Group, which offers global solutions for aeronautical manufacturers and airlines, as well as designs and produces aerostructures, crew seats and business and first class passenger seats. With a turnover of € 1.8 billion in 2015 and more than 6,100 employees worldwide, STELIA supports the major aeronautical players, such as Airbus, ATR, Boeing, Bombardier, Embraer or Dassault, Etihad and Thai. STELIA Group is present on 3 continents, in France in Méaulte, Mérignac, Rochefort, Saint-Nazaire, Salaunes, and Toulouse, and also in Canada, Morocco and Tunisia.

STELIA designs and produces large equipped fuselage sections and wings for civil and military aircraft manufacturers. STELIA has a significant Tubes & Pipes production activity that is designing and building solutions covering all ATA systems, ranging from fuel to hydraulics and fire suppression.

In the crew seats segment, STELIA is the joint world leader and offers support from design to production, including after-sales service. More than 40,000 seats have been delivered since 1973 and STELIA manufactures 2,500 pilot seats per year.

STELIA also designs and manufactures luxurious custom-made business and first class passenger seats for more than 40 airlines in the world.

### Premium AEROTEC

Premium AEROTEC is a wholly owned subsidiary of the Company (consolidated within Airbus) which was formed from the spin-off of the former German Airbus sites in Nordenham and Varel and the former Airbus Group site in Augsburg pursuant to the aerostructures reorganisation strategy initiated under the Power8 Programme. Premium AEROTEC has its own development unit with its main facilities at its Augsburg site and offices in Bremen, Hamburg, Munich / Ottobrunn and Manching. The management headquarters for the operational units are in Varel, while the company itself is headquartered in Augsburg. Premium AEROTEC GmbH also has a plant for processing aircraft components in Ghimbav / Brasov County in Romania.

The core business of Premium AEROTEC is focused on structures and manufacturing systems for aircraft construction and related development activities. The aim of Premium AEROTEC over the coming years is to further expand its position as the leading tier 1 supplier of civil and military aircraft structures.

Premium AEROTEC is a partner in all major European aircraft development programmes, such as the commercial Airbus aircraft families, the A400M military transport aircraft programme and the Eurofighter Typhoon. It plays a significant role in the design of new concepts in such fields as carbon composite technologies.

### Elbe Flugzeugwerke GmbH – EFW

EFW (consolidated within Airbus) combines various aviation and technology activities under a single roof: development and manufacturing of flat fibre-reinforced composite components for structures and interiors, the conversion of passenger aircraft into freighter configuration, maintenance and repair of Airbus aircraft as well as engineering services in the context of certification and approval.

In the business field of composite structures and interiors, EFW develops, designs and manufactures flat sandwich components for structure and cabin interior of the entire Airbus family. The product range includes floor and ceiling panels, cargo linings and bullet-proof cockpit doors (in total, 50,000 different shapes and layouts). The passenger-to-freighter conversion business comprises a standard extensive modification, carried out by order of the civil aircraft owner. The freighter conversion market

comprises cargo airlines, aerospace companies with small aircraft fleets as well as finance groups. As of today, more than 190 freighter aircraft have been converted for 39 customers throughout the world.

Airbus, ST Aerospace and EFW launched the A330 passenger-to-freighter (P2F) conversion programme on 19 May 2012 and ST Aerospace took 35% equity interest in EFW. First conversion is planned in 2016 (prototype). The A330P2F programme will offer customers two versions – the A330-200P2F and the larger A330-300P2F. Both will provide new levels of reliability and efficiency to P2F operators, offering better economics than

any medium widebody freighter available today as well as commonality with the already existing Airbus A330-200F.

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 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.

### 1.1.3 Airbus Helicopters

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Airbus Helicopters is a global leader in the civil and military rotorcraft market, offering one of the most complete and modern ranges of helicopters and related services. This product range currently includes light single-engine, light twin-engine, medium and medium-heavy rotorcraft, which are adaptable to all kinds of mission types based on customer needs. See “— 1.1.1 Overview” for an introduction to Airbus Helicopters.

#### Strategy

Airbus Helicopters' strategy is to continue driving improvement initiatives via its company-wide transformation plan, which places customer satisfaction and quality at the core of its operations, along with increasing industrial competitiveness – all while ensuring the highest levels of aircraft safety.

#### A Commitment to Innovation

After an unprecedented achievement in 2014 with the certification and the service introduction of the H145, H175 and H135, Airbus Helicopters pursued preparing the future – the H Generation – embodied by the launch of the flight-test phase of the new H160 medium-weight helicopter as planned for an entry-into-service planned in 2018 and the launch of the two-years concept phase of the next generation heavy-lift X6 helicopter tailored for the civil market.

Development also continue with the delivery of the first H145M to the German armed forces, only two years after the contract was awarded for the development of this new, militarised version of the leading H145 helicopter and at the Helitech exhibition in London, the company also announced an upgrade of the H135 equipped with the Helionix digital avionics suite developed by Airbus Helicopters and providing increased safety and reduced pilot workload.

Airbus Helicopters also unveiled a redefined, comprehensive services offering. The new “HCare” offering is a product of the company-wide transformation initiative, focusing on continuous improvement and customer satisfaction.

#### Focusing on Customers

Airbus Helicopters also marked significant progress with its transformation plan in 2015 by further enhancing customer support and services, with safety as the top priority. This was underscored by indicators of increasing fleet availability for customers and operators, and time delivery of planned spare parts ordered.

Airbus Helicopters also established an extended warranty offer to include three years or 2,000 flight hours, with the first year of labor included. Taking effect on 1 January 2015, this initiative is aligned with the company-wide transformation and demonstrates the priority placed on customer satisfaction.

#### Delivering Safety

Safety continues to be a top-level priority for Airbus Helicopters, which advanced this company-wide effort in several ways during 2014 – encompassing industry-leading efforts to propose and promote changes to enhance airworthiness, increase survivability and promote standardisation of operator fleet safety-related capabilities.

Major achievements in 2015, with the leading-edge H225 at the forefront of the developments, are the full implementation of the Flight Crew Operating Manual (FCOM) – a document outlining best practices and recommendations for oil and gas missions – by North Sea operators in 2015 and the certification of Rig N Fly, an advanced avionics solution for “one-touch” approaches to oil rigs.

#### Market Drivers

According to market forecasts produced by Airbus Helicopters, the Teal Group and Honeywell, between 9,500 to 10,500 civil helicopters and 6,000 (Teal Group excluding China and Russia) to 9,000 military helicopters are expected to be built globally over 10 years (all turbine helicopters). This forecast, particularly with respect to the military sector, relies to a large extent on large US development programmes.

Helicopters sold in the civil and parapublic sector, where Airbus Helicopters is a leader, provide transport for private owners and corporate executives, offshore oil operations, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Thanks to its existing mission segment diversity, the helicopter market is expected to prove resilient through the coming decade, even though one of the key Segment, Oil & Gas (in value), is currently experiencing troubled times. Airbus Helicopters believes that the demand over the next 10 years will be driven by large replacement needs from advanced economies and by growth from emerging economies. Airbus Helicopters' market data indicates that in 2015, worldwide deliveries of civil and parapublic turbine helicopters over a 1.3t MAUW stood at ~625 units.

Demand for military helicopters is mainly driven by budgetary and strategic considerations, and the need to replace ageing fleets. Airbus Helicopters believes that the advanced age of current fleets, the emergence of a new generation of helicopters equipped with integrated systems and the on-going introduction of combat helicopters into many national armed forces will contribute to increased military helicopter procurement over the next few years. Recent large-scale military programmes, such as those conducted by the US, Russia, China, India, South Korea, Saudi Arabia, Brazil and most western European countries have confirmed this trend. Nevertheless, demand from the military sector has historically been subject to large year-to-year variations due to evolving strategic considerations, and short-term growth potential may be limited due to increasing budgetary constraints on public spending in some regions like Western Europe, while other regions like Asia, Eastern Europe or Latin America are expected to continue growing. In fact, the political and military crisis in Ukraine and the emergence of the Islamic State has recently led to a major reassessment of threats perceptions and military strategies in much of Europe which could lead to some extent to new acquisitions. According to Airbus Helicopters' market data, worldwide deliveries of military turbine helicopters stood at ~885 units in 2015.

## Competition

Airbus Helicopters' primary competitors in the civil and parapublic sector are Agusta-Westland, Sikorsky and Bell Helicopter. The civil and parapublic sector has grown more competitive in recent years, with Sikorsky and Agusta-Westland having increased their market share in the heavy and medium helicopter classes, while Bell has increased its market share in the light helicopter classes.

The military sector is highly competitive and is characterised by competitive restrictions on foreign manufacturers' access to the domestic defence bidding process, sometimes to the virtual exclusion of imports. Airbus Helicopters decreased its share of the global market for military helicopters in unit and value (from 11% in unit in 2014 to 9% in 2015), and will focus on campaigns in 2015.

Airbus Helicopters' main competitors in the military sector are Agusta-Westland in Europe, and Sikorsky, Boeing and Bell Helicopter in the US Military sales accounted for 50% of Airbus Helicopters' revenues in 2015.

## Customers

More than 3,000 operators currently fly Airbus Helicopters' rotorcraft in over 150 countries. Airbus Helicopters' principal military clients are Ministries of Defence ("MoDs") in Europe, Asia, the US and Latin America. In the civil and parapublic sector, Airbus Helicopters has a leading market share in Europe, the US and Canada.

With 45% of the worldwide market share-based on deliveries, the versatility and reliability of Airbus Helicopters products have made them the preferred choice of the most prominent civil and parapublic customers (turbine helicopters over a 1.3t MAUW). The world's largest offshore operators (such as Bristow, CHC, Era and PHI) use Airbus Helicopters rotorcraft for passenger transport and offshore oil industry support. In the emergency medical services market segment, Airbus Helicopters rotorcraft dominate the fleets of large operators such as Air Methods in the US and ADAC in Germany. Agencies with high serviceability requirements, including police and armed forces, also rely on Airbus Helicopters products.



## Products and Services

Airbus Helicopters offers a complete range of helicopters that covers nearly the entire civil and military market spectrum, which it updates continuously with leading-edge technologies. This product range includes light single-engine, light twin-engine, medium and medium-heavy helicopters, and is based on a series of new-generation platforms designed to be adaptable to both military and civil applications. In addition, products share multiple technical features as part of a family concept approach.

The following table sets forth Airbus Helicopters' existing product line, consisting of optimised products for different mission types:

Helicopter Type	Primary Missions
<b>Light Single Engine</b>	
H120 (previously EC120) "Colibri"	Corporate / Private, Commercial Pax Transport & Multipurpose, Civil & Military Training
<b>Single Engine ("Ecoreuil" family)</b>	
H125 "Ecoreuil" (previously AS350) / H125M "Fennec" (previously AS550)	Public Services <sup>(1)</sup> , Military Utility <sup>(2)</sup> & Armed Reconnaissance, Corporate / Private, Commercial Pax Transport & Aerial Work
H130 (previously EC130)	Commercial Pax Transport & Multipurpose, Emergency Medical, Tourism, Corporate / Private
<b>Light Twin Engine</b>	
H135 / H135M (previously EC135 / EC635 / EC135 T3/P3)	VIP, Military Utility & Armed Reconnaissance, Emergency Medical, Public Services <sup>(1)</sup>
H145 / LUH (UH-72) / H145M (previously EC145 / LUH / EC645 / EC145 T2)	VIP, Military Utility <sup>(2)</sup> , Emergency Medical, Public Services <sup>(1)</sup>
<b>Medium ("Dauphin" family)</b>	
AS365 "Dauphin" / AS565 "Panther"	Military Naval Warfare Mission & Maritime Security, Public Services <sup>(1)</sup> (in particular Coast Guard & SAR), Oil & Gas, Commercial Pax Transport & Multipurpose
H155 (previously EC155)	Corporate / Private, VIP, Oil & Gas, Public Services <sup>(1)</sup>
H175 (previously EC175)	Corporate / Private, VIP, SAR, Emergency Medical, Public Services <sup>(1)</sup> , Oil & Gas
<b>Medium-Heavy</b>	
H215 (previously AS332) "Super Puma" / H215M (previously AS532) "Cougar"	Civil Utility, Military Transport / SAR, Oil & Gas
H225 / H225M (previously EC225 / EC725)	SAR, Combat-SAR, Military Transport, Oil & Gas, VIP, Public Services <sup>(1)</sup>
NH90 (TTH / NFH)	SAR, Military Transport, Naval
<b>Attack</b>	
Tiger	Combat, Armed Reconnaissance / Escort

(1) Public Services includes homeland security, law enforcement, fire-fighting, border patrol, coast guard and public agency emergency medical services.

(2) Civil Utility includes different kinds of commercial activities such as aerial works, electrical new gathering (ENG), passenger and cargo transport.

### Civil Range

Airbus Helicopters' civil range includes light single-engine, light twin-engine, medium and medium-heavy helicopters, which are adaptable to all mission types based on customer needs. To maintain and strengthen its competitive edge in the civil sector, Airbus Helicopters is pursuing a fast-paced product range renewal. This entails upgrades of existing platforms as well as development for the next generation of helicopters.

The newest products in this range are the H175, H145 and H135, which received their certification and have been delivered in 2014.

In the civil market, Airbus Helicopters is preparing the future – the H Generation – embodied by the all-new, medium-weight H160 civil helicopter which was unveiled and started flight testing, with a planned entry-into-service in 2018 and launched the two-year concept phase of the next-generation heavy-lift X6 helicopter, tailored for the civil market.

### Military Range

Airbus Helicopters' military range comprises platforms derived from its commercial range (such as the EC725 derived from the EC225) as well as purely military platforms developed for armed forces (the NH90 and the Tiger).

Designed for modern multi-mission capabilities and cost effectiveness throughout its lifecycle, the NH90 has been developed as a multi-role helicopter for both tactical transport (TTH) and naval (NFH) applications. The programme, mainly financed by the governments of France, Germany, Italy and the Netherlands, has been jointly developed by Airbus Helicopters, Agusta-Westland of Italy and Fokker Services of the Netherlands as joint partners in NATO Helicopter Industries ("NHI") in direct proportion to their countries' expressed procurement commitments. Airbus Helicopters' share of NHI is 62.5%. There were 35 NH90 deliveries in 2015, for a cumulative total of 267 deliveries as of the end of 2015. The NH90 fleet has accumulated ~90,000 flight hours.

The Tiger combat attack helicopter programme includes four variants based on the same airframe: the HAP (turreted gun, rockets and air-to-air missile), 40 of which have been ordered by France and 6 by Spain; the UHT (antitank missile, air-to-air missile, axial gun and rockets), 80 of which have been ordered by Germany; the ARH (antitank missile, turreted gun and rockets), 22 of which have been ordered by Australia; and the HAD (antitank missile, air-to-air missile, turreted gun, rockets and upgraded avionics and engines), 24 and 40 of which have been ordered by Spain and France, respectively. During 2015, in the frame of French “loi de programmation militaire” (law of military programmes management), Airbus Helicopters has been notified a decrease by 16 Tiger HAP and asked to perform the retrofit of 19 Tiger HAP already delivered in HAD variant. 7 additional Tiger HAD have been ordered by France in December. France finally ordered 66 Tiger HAD. On UHT, Germany, decreased its number of Tiger UHT by 12 H/C to 68 H/C in the frame of the German deal.

Overall in 2015, 16 Tigers were delivered, for a cumulative total of 135 deliveries by year-end. The Tiger fleet has accumulated more than 70,200 flight hours.

### Customer Services

With more than 3,000 operators in over 150 countries, Airbus Helicopters has a large fleet of some 12,000 in-service rotorcraft to support. As a result, customer service activities to support this large fleet generated 42% of Airbus Helicopters' revenues for 2015.

Airbus Helicopters' customer service activities consist primarily of maintenance, repairs, spare parts supply, training and technical support. In order to provide efficient worldwide service, Airbus Helicopters has established an international network of subsidiaries, authorised distributors and service centres.

### Production

Airbus Helicopters' industrial activities in Europe are conducted in four primary locations, two in France, one in Germany and one in Spain. The French sites are Marignane, in southern France, and La Courneuve, near Paris. The German site is located in Donauwörth, and the Spanish site is located in Albacete.

In the US, Airbus Helicopters, Inc. has two industrial sites: Grand Prairie, Texas and Columbus, Mississippi. Grand Prairie serves as the company's headquarters and main facility and also serves as the Airbus Helicopters Training facility for North America. The Columbus facility is dedicated to the assembly and delivery of the UH-72A Lakota and AS350.

In Australia, Australian Aerospace assembles, upgrades and maintains NH90 and Tiger for the country's armed forces; while a rotary-wing centre of excellence in Helibras — Itajuba, Brazil produces, assembles and maintains EC725 helicopters acquired by the Brazilian armed forces.

In November 2015, the heavyweight H215 was introduced along with a new industrial model and an expanded strategic partnership with Romania aiming at providing a modern and cost-effective solution for markets such as utility, peacekeeping operations and logistic support missions.

## 1.1.4 Airbus Defence and Space

Airbus Defence and Space develops and engineers cutting-edge products in the field of defence and space, enabling governments, institutions and commercial customers alike to protect resources and people while staying connected to the world. Airbus Defence and Space solutions guarantee sovereignty in foreign affairs and defence matters. See “— 1.1.1 Overview” for an introduction to Airbus Defence and Space.

Airbus Defence and Space in 2015 comprised the four Business Lines Military Aircraft, Space Systems, Communications, Intelligence & Security (CIS) and Electronics, the broad scope of which is detailed below. Further to a strategic portfolio review conducted in 2014, some activities from the business lines CIS and Electronics have been carved out with the target of a sale. These changes did not affect the majority of the year 2015, therefore activities subject to these changes are reported in this document and only remarks added.

- Military Aircraft designs, develops, delivers and supports military aircraft, and is the leading fixed-wing military aircraft

centre in Europe and one of the market leaders for combat, mission, transport and tanker aircraft worldwide. Key products include the Eurofighter, the A400M, the A330 MRTT and the C295/CN235 as well as Unmanned Aerial Systems.

- Space Systems covers the full range of civil and defence space systems. Its satellite system solutions for telecommunications, earth observation, navigation and science include spacecraft, ground segments and payloads. As the European prime contractor for launchers, orbital systems and space exploration, its key systems include Ariane launchers, the French deterrence force and the European participation to the International Space Station ISS. Beginning of the year, a 50/50 joint venture was launched with Safran named Airbus Safran Launchers, bringing together space launchers expertise from both companies.
- Communications, Intelligence & Security (CIS) brings together satellite and terrestrial communications, intelligence and security services and solutions. The customer base encompasses both the government sector – notably defence

and security forces – and the commercial sector, including transportation (maritime, airport, metro), energy (oil, gas and electricity), mining and agriculture. Key services and solutions include: military and commercial satellite communication services, Professional Mobile Radio communications, emergency response centres (such as 9-1-1/112), border surveillance systems, command & control (C4I) systems, cyber security solutions and services and observation-satellite-based geo-information services. Commercial satellite communication services and Professional Mobile Radio have been carved out for future sale.

- Electronics provides high-performance equipment for system integrators that serve both Airbus Defence and Space within the Airbus Group as well as external customers worldwide. Products are mainly for the civil, defence and security markets and cover ground, maritime, airborne and space applications. Key products include radars and IFF systems, electronic warfare equipment, avionics, space platform electronics, space payload electronics as well as optronic sensors. All but space electronics have been carved out for future sale.

## Strategy

The strategic ambition of Airbus Defence and Space is to be a global leader in Space, Military Aircraft, Missiles and related systems and services. The Division aims to preserve a leading position in Europe and build an international footprint in selected countries, delivering benchmark financial performance and sustainable growth. Following a full portfolio review, Airbus Defence and Space is taking steps to both divest non-core activities and invest in future growth. Significant progress has been made for carving out non-core businesses (defence electronics and border security, Secure Land Communications, commercial satellite communications services, and a number of participations and subsidiaries) while strategic growth options are being defined for the remaining core business.

**Military Aircraft.** Airbus Defence and Space is capitalising on its strong market position in transport, mission and combat aircraft and related services. In heavy transport, the focus will be on completing the development and delivery the A400M airlifter to its launch customers while ramping up sales campaigns in order to address the significant demand expected for this aircraft worldwide. For light & medium transport, Airbus derivatives – including the highly successful A330 MRTT (multi-role tanker transport) – and the Eurofighter combat aircraft, further export opportunities will be pursued while investing in future capability growth and innovation. Airbus Defence and Space is also aiming at establishing a substantive presence in the market for Unmanned Aerial Systems (UAS).

**Space.** Airbus Defence and Space has taken a major step towards future competitiveness in space transportation with the creation of the Airbus Safran Launchers (ASL) joint venture,

which will be responsible for developing, producing and marketing the next-generation European launcher, Ariane 6. As a leading manufacturer of telecommunications and Earth observation, navigation and science (ENS) satellites, as well as orbital and space exploration systems, Airbus Defence and Space is continuously investing in innovation to ensure its future positioning in these core segments. In addition, the ability to provide space-related services through its Communications, Intelligence & Security (CIS) business line, as well as space electronics equipment, enables Airbus Defence and Space to offer fully integrated space solutions to its customers.

**Missiles** are a growing and profitable business, in which Airbus Defence and Space already has a strong presence through its participation in the leading European missile maker, MBDA, as well as its military launcher business.

## Market

Airbus Defence and Space is mainly active in public and para-public markets. As a general trend, defence budgets are flat or slightly increasing in Europe. Market access outside the home countries may be subject to restrictions or preconditions such as national content. Nevertheless Airbus Defence and Space, in conjunction with Airbus Group, has already a strong export orientation as well as international presence and partnerships and will continue to develop them.

## Military Aircraft

### Customers

The Military Aircraft Business Line with its products Combat Aircraft, Military Transport Aircraft, Mission Aircraft and Unmanned Aerial Systems supplies the public sector, mainly armed forces.

Customer relationships in this segment are characterised by their long-term, strategic nature and long decision-making cycles. Once a contract is signed, contract life including considerable services business often carries on for decades.

Customers in the home countries of Airbus Defence and Space face budget pressures, leading the Group to focus on the export market. However, ageing material leads to the need for some ongoing or upcoming procurement decisions even in Europe, such as France's announcement for 12 A330 MRTT in 2014.

Unmanned Aerial Systems could lead to diversification into commercial markets. It is also a sector in which Europe has a strong need for investment, which could set the stage for new cooperation programmes. France, Germany, Italy and Spain have signalled their intention to cooperate on a medium altitude, long endurance Unmanned Aerial System and Airbus Defence and Space is designated to participate in the two-year definition study of the system.



## Competitors

The market for military aircraft is dominated by large- and medium-sized American and European companies capable of complex system integration. Among the competitive factors are affordability, technical and management capability, the ability to develop and implement complex, integrated system architectures and the ability to provide timely solutions to customers. In particular special mission aircraft, such as heavy tankers, are derived from existing aircraft platforms. Adapting them requires thorough knowledge of the basic airframe, which generally only the aircraft manufacturer possesses. The skills necessary for the overall systems integration into the aircraft are extensive and the number of participants in the world market is very limited.

The main competitors in military transport and mission aircraft include Boeing, Lockheed Martin, UAC, Kawasaki, Ilyushin and AVIC.

Heavy military transport (> 14t payload) has been driven historically by US policy and budget decisions, and therefore has been dominated by US manufacturers. The A400M represents the Group's entry into this market, at a time when nations worldwide are expected to begin upgrading and replacing their existing fleets.

Competitors in the segment of combat aircraft include Boeing, Dassault, Lockheed Martin, Saab and Sukhoi.

In the Unmanned Aerial Systems market segment, Israeli and US firms are well established and other European companies such as BAE Systems, Dassault and Thales compete for new European projects. The market itself features strong growth with significant opportunities in Europe and Asia Pacific.

## Market Trends

The sale of aircraft is expected to remain sound in the transport and special mission aircraft segments and even grow considerably for the heavy transport segment, where the A400M occupies a unique position leading to a market forecast of 300 within the next 30 years.

The Eurofighter has received a declaration of intent for 28 units from Kuwait in 2015, finalisation of the contract is pending. A number of further sales are expected, prolonging its production life.

Unmanned Aerial Systems, on the other hand, have a very promising growth potential. Market structures in this segment are not clearly set out yet and will see some movement, including a new European collaborative programme.

After-Sales Services are an important business for Military Aircraft. Whereas the practice is well established in the area of combat aircraft, the services business is only just ramping up in the area of transport and mission aircraft.

## Space Systems

### Public Sector: Satellites, Space Infrastructure, Launchers, Deterrence

In the public market for Earth observation, scientific / exploration and navigation satellites, competition in Europe is organised on a national and multinational level, primarily through the European Space Agency (ESA), the European Commission (EC) and national space agencies.

Decisions at the latest ESA Ministerial Conferences and under EC Horizon 2020 paved the way for future European programmes in which Airbus Defence and Space does or may seek to participate. There is also important export demand for Earth observation systems, for which the company is a leading provider. The export market is expected to continue growing over the medium-term.

For military customers, demand for telecommunication and observation satellites has increased in recent years.

The equipment segment can rely on a stable European market, with potential growth to come from developing space countries as well as the US.

The orbital infrastructure segment comprises manned and unmanned space systems mainly used for space exploration, *i.e.* scientific missions. Demand for orbital infrastructure systems originates solely from publicly funded space agencies, in particular from ESA, NASA, Roscosmos (Russia) and NASDA (Japan). Such systems are usually built in cooperation with international partners. The International Space Station (ISS), together with related vehicle and equipment development programmes and services, constitutes the predominant field of activity in this segment and Airbus Defence and Space leads as prime contractor on industrial level the European contribution to the international Space Station ISS. Airbus Defence and Space is involved in NASA's Orion project as the prime contractor for the European contribution: the mission-critical service module of the MPCV (Multi-purpose Crew Vehicle) Orion spacecraft, which will allow astronauts to fly beyond low Earth orbit for the first time since the American Apollo programme.

Airbus Defence and Space is the sole prime contractor for the Ariane 5 launcher system, with responsibility for the delivery to Arianespace of a complete and fully tested vehicle. It also supplies all Ariane 5 stages, the equipment bay, the flight software as well as numerous sub-assemblies. With the joint venture Airbus Safran Launchers, Airbus Defence and Space is well positioned for the development and subsequent delivery of the future Ariane 6 launcher, planned for first launch in 2020.

Airbus Defence and Space is the prime contractor for ballistic missile systems to the French State. It is responsible for the development, manufacturing and maintenance of submarine-launched missiles and related operating systems.

## Commercial Sector: Telecommunications Satellites, Launch Services

The commercial telecommunication satellite market is very competitive, with customer decisions primarily based on price, technical expertise and track record. The main competitors for telecommunications satellites are Boeing, Lockheed Martin, MDA and Orbital in the US, Thales Alenia Space in France and Italy, and Information Satellite Systems Reshetnev in Russia. The market for telecommunications satellites is expected to remain largely stable over the coming years at a level of approximately 20 orders per year on average.

The market for commercial launch services continues to evolve. Competitive pressure is increasing in light of other competitors entering or coming back into the market. Airbus Defence and Space is active in providing launch services through its shareholding in Airbus Safran Launchers, providing a complete range of launch services with the Ariane, Soyuz, Vega and Rockot launchers. Competitors for launch services include ILS, SpaceX, ULA, Sea Launch and CGWIC. The accessible market to Arianespace for commercial launch services for geostationary satellites is expected to remain stable at around 20 payloads per year. However, due to various factors (such as technology advances and consolidation of customers), this figure remains volatile. This market does not include institutional launch services for the US, Russian or Chinese military and governmental agencies.

In 2015 Airbus Defence and Space announced the creation of Airbus OneWeb Satellites (AOS) JV, an equally owned company with OneWeb that will design and build 900+ satellites for the OneWeb constellation programme. This participation is entrepreneurial in nature and is meant to drive innovation in a new space market.

## Communications, Intelligence & Security (CIS)

The business line Communications, Intelligence and Security (CIS) brings together the growing but increasingly competitive market for satellite and terrestrial communication, intelligence and security services and solutions. CIS serves a common customer base which includes governments, defence institutions, security and public safety agencies, as well as commercial sectors such as transportation (maritime, airport, metro), energy (oil, gas, electricity), mining and agriculture.

This business line is divided into five segments: Integrated Systems, Geo-Intelligence, Satellite Communications, Secure Land Communications and Cyber Security.

Through Integrated Systems, Airbus Defence and Space develops Command and Control solutions for Ministries of Defence and border security and emergency response systems for Ministries of the Interior in Europe and Middle East. The market is very fragmented, with competitors coming from defence, telecom, infrastructure and IT businesses.

CIS also dominates the satellite imagery (optical and radar) market for Geo-Intelligence. This sector remains mainly government orientated. However, the demand for satellite imagery is growing in commercial markets as many companies see geospatial data as key information for their business development.

The business line CIS is also a leader in commercial and governmental satellite communications. This segment offers a full portfolio of mobile and fixed satellite communication solutions for application at sea, on land and in flight. Customers are Ministries of Defence, the commercial maritime sector as well as energy and mining businesses, humanitarian NGOs and the media. Commercial satellite communication services are subject to carve out.

The Secure Land Communications segment is a major actor worldwide for Professional Mobile Radio (PMR) networks and terminals solutions as well as call taking solutions for public safety answering and control room. Main customers are Ministries of the Interior and critical infrastructures, *i.e.* police, fire brigades, ambulances, airports, and metro lines. The Secure Land Communications segment is subject to carve out.

The border security segment develops land and maritime border surveillance and protection systems, with a multi-level portfolio of solutions ranging from sub-systems equipment to complete nationwide systems integrating all the mobile and fixed assets contributing to a customer country's border security. In the area of large-scale border security systems, it can be considered as the world leader.

Airbus Defence and Space is also a leading provider of consulting services for products of cyber security. The market growth is driven by an exponential increase of cyber-attacks and this trend is foreseen to continue in the next years. Customers are governments and private companies.

Airbus Defence and Space has good market position in all businesses covered in CIS. However, maintaining or improving its position would require important investments in some areas such as Secure Land Communications or Commercial Satellite Communications Services. Airbus Defence and Space is seeking owners more suitable to develop these business areas further.

Due to the carve out, CIS focuses on public customers such as armed forces for government satellite communications, where we have long-term relationships with our customers. Whereas budget pressures on public expenditure, above all military expenditure, are high in Europe, investment into the services and solutions offered by CIS is likely to continue in the face of new global security threats.

## Electronics

For integrated civil, defence and security systems, the Business Line Electronics designs, develops and delivers electronic components and products. It is composed of two main business clusters: On the one hand defence and security applications

including optronics, radars, electronic warfare and avionics. The defence applications business cluster is subject to carve out. On the other hand space equipment comprising space platform electronics such as solar arrays, power electronics, data handling devices and gyros as well as space payload electronics through its subsidiary TESAT-Spacecom, e.g. amplifiers, multiplexer, switches and modulators.

The integration of expertise from various defence and space competencies creates a broad basis of high-end technologies. The Business Line provides mission-critical premium electronics to all Airbus Group platforms and is a longstanding partner of system integrators worldwide.

In addition to supplying armed forces and security forces directly, Electronics often acts as a subcontractor for system integrator companies of land, sea, air or space vehicles, including but not limited to Airbus Defence and Space. Affordability, innovativeness and top quality are key competitive factors, towards external customers as well as within the Group.

In the defence business cluster, customers are military and security forces worldwide in a market headed by big US players. It is the world leader in missile warning systems and the German sensor house with a major position in the radar, optronics and electronic warfare markets.

Concerning the space business cluster, customers are satellite prime contractors worldwide in a highly fragmented market with over 50 different companies operating in it. Electronics' customers are primarily system integrators, but direct sales to end-customers are not uncommon.

The sale of the Border Security business is currently not being pursued. A separate organisational unit will focus on delivering the border security projects with regard to technical solutions and building up a sustainable relationship with our customers.

For the defence electronics business Airbus Group SE reached an agreement with KKR, a leading global investment firm, to sell this business with an expected closing of the transaction in the first quarter of 2017.

## Products and Services

### Military Aircraft

**A400M – Heavy military transport.** The A400M is the most capable all-new airlifter ever conceived and unique in its kind. It is designed to meet the needs of the world's Armed Forces and other potential operators for military, humanitarian and peacekeeping missions in the 21<sup>st</sup> century. The A400M does the job of three different types of military transport and tanker aircraft conceived for different types of missions: Tactical (short to medium range airlifter capability with short, soft and austere field operating performance), strategic (longer range missions for outsized loads), as well as tanker.

A total of 174 aircraft have been ordered so far by the seven launch customer nations Belgium, France, Germany, Luxembourg, Spain, Turkey, the UK and one export customer, Malaysia. Type Certificate and Initial Operating Clearance have been achieved in 2013. Since then, 21 units have been delivered to five nations by the end of 2015. The A400M is already deployed operationally since 2014.

**Multi-role tanker transport – A330 MRTT.** The A330 MRTT, a derivative of the Airbus A330 family, offers military strategic air transport as well as air-to-air refuelling capabilities. Its large tank capacity is sufficient to supply the required fuel quantities without the need for any auxiliary tanks. This allows the entire cargo bay to be available for freight, with the possibility of incorporating standard LD3 or LD6 containers, military pallets and/or any other type of load device in use today. The A330 MRTT is equipped with state of the art refuelling systems, including an Aerial Refuelling Boom System (ARBS) and under-wing refuelling pods. At the end of 2015, the A330 MRTT programme has a total of 49 aircraft firm orders by seven nations, of which 26 already delivered and in service in four nations.

**Eurofighter Combat Aircraft.** The Eurofighter multi-role combat aircraft (referred to as Typhoon for export outside of Europe) has been designed to enhance fleet efficiency through a single flying weapon system capable of fulfilling both air-to-air and air-to-ground missions.

The Eurofighter GmbH shareholders are Airbus Defence and Space (46% share), BAE Systems (33% share) and Finmeccanica (21% share). With regard to series production, the respective production work shares of the participating partners within the Eurofighter consortium stand at 43% for Airbus Defence and Space, 37.5% for BAE Systems and 19.5% for Finmeccanica. Airbus Defence and Space develops and manufactures the centre fuselage, flight control systems, identification and communication sub-systems, and the right wing and leading edge slats for all aircraft, and is in charge of final assembly of aircraft ordered by the German and Spanish air forces.

At the end of 2015, a total of 571 Eurofighter aircraft had been ordered by seven customers (UK, Germany, Italy, Spain, Austria, Saudi Arabia and Oman), with a total of 468 aircraft delivered. Production of aircraft within the core programme is scheduled to last at least until 2018, while further export opportunities are believed to exist worldwide.

**CN235, C295 – Light and Medium military transport.** The Light and Medium military aircraft are the work horses of military transport, conducting logistical and tactical missions for the transport and delivery of personnel and cargo as well as medical evacuations. The aircraft are deployed in demanding environments (meteorological conditions, operational complexity...) such as the search for the AirAsia flight QZ8501, Operation Atalanta (European counter-piracy mission off the Horn of Africa) and peacekeeping on the Sinai Peninsula. Payloads

range from 6 t for the CN235 to 9 t for the C295. The aircraft are offered in the most varied versions and configurations beyond the traditional airlifter version, for example maritime patrol and anti-submarine warfare, airborne early warning and control, firefighting, etc. In more than 30 years in service, this family of aircraft has proven to be robust, reliable, high-performing, efficient, flexible, easy to operate in any environment, and all this at very low operating costs.

More than 440 orders have been recorded for both types together at the end of 2015.

**Unmanned Aerial Systems.** In the field of unmanned aerial systems (UAS), Airbus Defence and Space is active at both product- and service- level. Airbus Defence and Space is the leading UAS Service provider for the German air forces meeting their medium-altitude long-endurance (MALE) Intelligence, Surveillance and Reconnaissance needs in the operational theatre. The Harfang system, delivered to the French Air Force and operational worldwide since 2009, is the only MALE product in Europe certified to fly over populated areas, thanks to Airbus UAS mission & communication system. These interim solutions, based on non-proprietary MALE systems, will be replaced by a new generation European MALE system where Airbus Defence and Space will be working on the Definition Study with its European partners. Airbus Defence and Space also provides mini-UAS to the French- and selected export customers and the KZO UAS to the German Armed Forces. It is developing the EuroHawk system for high-altitude long-endurance (HALE) Signal Intelligence missions based on an US platform for the German Air Force as well as the solar powered Zephyr for the UK MoD.

**Customer Services.** For all the aforementioned products, Airbus Defence and Space offers and provides various services throughout the lifetime of the aircraft including integrated logistics support, in-service support, maintenance, upgrades, training or flight hour service. For example, the A330 MRTT contract with the UK Ministry of Defence through the AirTanker consortium includes alongside 14 aircraft the provision for all necessary infrastructure, training, maintenance, flight management, fleet management and ground services to enable the Royal Air Force to fly air-to-air refuelling and transport missions worldwide. Customer services go beyond the fleet of aircraft currently in production at Airbus Defence and Space, conducting upgrade programmes for aircraft such as the Tornado and C-160 Transall. The support centres for military aircraft are strategically located throughout the world, for example in Seville or Manching in Europe, in Mobile, Alabama (US) or in subsidiaries in Saudi Arabia or Oman.

## Space Systems

**Manned Space Flight.** Airbus Defence and Space has been the prime contractor for the European part of the International Space Station ISS. This includes the development and integration of Columbus, the pressurised laboratory module

on the International Space Station (ISS) with an independent life-support system successfully in orbit since 2007. It provides a full-scale research environment under microgravity conditions (material science, medicine, human physiology, biology, Earth observation, fluid physics and astronomy) and serves as a test-bed for new technologies.

In 2015, ESA awarded Airbus Defence and Space a contract to handle the engineering support of the European components of the ISS, which represents a key part of the ISS operational activities. Airbus Defence and Space was also the prime contractor for the development and construction of the Automated Transfer Vehicle (ATV) cargo carrier, designed to carry fuel and supplies to the ISS and to provide re-boost capability and a waste disposal solution. The fifth and last ATV was launched in July 2014. The expertise gained on the ATV served to become the prime contractor for the European service module of NASA's next generation manned capsule MPCV Orion.

**Launch services.** Airbus Defence and Space is active in the field of launch services through its shareholding in Airbus Safran Launchers.

In January 2015, Airbus Group and Safran created a 50/50 joint venture named Airbus Safran Launchers, a company responsible for the coordination and programme management of civil activities of the launcher business and relevant participations that have been transferred. Airbus Safran Launchers currently owns a total 39% stake in Arianespace (which will increase to 74% after the acquisition of the 35% stake currently held by the French space agency CNES), 41% of Starsem (46% after step-up in Arianespace shareholding) and 51% of Eurockot, providing a complete range of launch services with the Ariane, Soyuz, Vega and Rockot launchers.

**Commercial launchers.** Airbus Defence and Space manufactures launchers and performs research and development for the Ariane programmes. Member States, through ESA, fund the development cost for Ariane launchers and associated technology. Airbus Defence and Space has been the sole prime contractor for the Ariane 5 system since 2004. In December 2014, the Ariane 6 programme was decided by ESA ministerial conference with an approval of the joint Airbus Defence and Space and Safran concept. In addition a new industrial set-up was announced with the creation of a joint venture (Airbus Safran Launchers) between the two main Ariane manufacturers. This vertical integration secures the future by cutting costs and being more competitive. Ariane 6 is targeted to be launched in 2020.

**Telecommunication satellites.** Airbus Defence and Space produces telecommunication satellites used for both civil and military applications, such as television and radio broadcasting, fixed and mobile communication services and Internet broadband access. Current Airbus Defence and Space geostationary telecommunication satellites are based on the



Eurostar family of platform, the latest version of which is the Eurostar E3000, including an all-electric variant. In 2015, Airbus Defence and Space also started the development of the Quantum telecommunication satellite, which will be the first satellite that can be fully reconfigured in orbit through its flexible antennae and repeater. Through its contract with OneWeb in 2015 to design and produce 900 small telecommunication satellites for a constellation in Low Earth Orbit, Airbus Defence and Space is spearheading the industrial and commercial development of very large satellite constellations.

**Observation and scientific / exploration satellites.** Airbus Defence and Space supplies Earth observation satellite systems including ground infrastructures for both civil and military applications. Customers can derive significant benefits from the common elements of Airbus Defence and Space's civil and military observation solutions, which allow the collection of information for various applications, such as cartography, weather forecasting, climate monitoring, agricultural and forestry management, mineral, energy and water resource management, as well as military reconnaissance and surveillance.

Airbus Defence and Space also produces scientific satellites and space infrastructure, which are tailor-made products adapted to the specific requirements of the mostly high-end mission assigned to them. Applications include astronomical observation of radiation sources within the Universe, planetary exploration and Earth sciences. Airbus Defence and Space designs and manufactures a wide range of highly versatile platforms, optical and radar instruments and equipment. For example, Airbus Defence and Space was highly involved in ESA's "Rosetta" mission, which descended a lander on a comet – a first in space flight. Airbus Defence and Space was prime contractor for the orbiter. Additionally, Airbus Defence and Space contributed to the scientific community with the launches of the Sentinel-1B radar, Sentinel-2A and LISA pathfinder in 2015. It also signed a major contract to develop and build the JUICE spacecraft, ESA's next life-tracker inside the Solar System. JUICE will study Jupiter and its icy moons.

**Navigation satellites.** Airbus Defence and Space plays a major industrial role in the "Galileo" European navigation satellite system, which delivers signals enabling users to determine their geographic position with high accuracy and is expected to become increasingly significant in many sectors of commercial activity. Airbus Defence and Space was responsible for the Galileo in-orbit validation phase (IOV) to test the new satellite navigation system under real mission conditions. The IOV phase covered the construction of the first four satellites of the constellation and part of the ground infrastructure for Galileo. After the successful launch of the first four Airbus Defence and Space Galileo IOV satellites in 2011 and 2012, this early constellation was successfully tested in orbit and handed over to the customer in 2013. Airbus Defence and Space is playing an active role in the Galileo full operation capability phase (FOC) with a nearly 50% work share, including the FOC ground

control segment and providing the payloads for the first 22 FOC satellites through its subsidiary SSTL.

**Satellite products.** Airbus Defence and Space offers an extensive portfolio of embedded subsystems and equipment for all types of space applications: telecommunications, Earth observation, navigation, scientific missions, manned spaceflight and launchers.

**Ballistic missiles.** Following its contracts with the French State for the submarine-launched ballistic missiles family of M1, M2, M20, M4 and M45, Airbus Defence and Space is now under contract to develop and produce the M51 with increased technical and operational capabilities. In 2010, the French Defence Procurement Agency and Airbus Defence and Space signed a contract covering the development and production of the second version of the M51 strategic missile (M51.2), which secures Airbus Defence and Space's capabilities in this field. In addition, Airbus Defence and Space manages the operational maintenance of the M51 missile system on behalf of the French armed forces. At the end of 2011, Airbus Defence and Space received a first design study contract in order to prepare the intended M51.3 new upper stage development.

## Communications, Intelligence & Security

**Integrated Systems.** Airbus Defence and Space is a provider of full systems architecture and integration for military and security land-, sea-, air- and space-based systems. Airbus Defence and Space designs, integrates and implements secure fixed, tactical, theatre and mobile information infrastructure solutions, including all of the services needed to support integrated mission systems and solutions. Airbus Defence and Space is also a designer and supplier of C4I systems (Command, Control, Communications, Computers and Intelligence). Airbus Defence and Space offers a full range of mission avionics systems.

Airbus Defence and Space's lead systems integration offering includes the ability to design, develop and integrate the widest possible range of individual platforms and subsystems into a single effective network. Large systems integration has become increasingly important for customers engaged in border control and coastal surveillance, as well as for non-military customers in areas such as homeland security.

**Border security systems** include sensor networks ranging from IR and video cameras through radars to airborne and space surveillance systems, all connected to command and control centres. Apart from Intelligence, Surveillance and Reconnaissance (ISR) systems for gathering, aggregation and evaluation of incident data, highly reliable and encrypted digital data and voice networks are provided. Sophisticated decision-making tools support security forces to prioritise incidents, allocate required resources and control events in real-time. Services for long-term sustainable operation and life-cost optimisation such as simulation and training, maintenance, support to operation, local partnerships are also proposed.

**Geo-Intelligence.** Airbus Defence and Space is a provider of both optical and radar-based geo-information services to customers including international corporations, governments and authorities around the world.

With the very-high-resolution twin satellites Pleiades 1A and 1B, SPOT 6 and SPOT 7, Airbus Defence and Space's optical satellite constellation offers customers a high level of detail across wide areas, a highly reactive image programming service and unique surveillance and monitoring capabilities. Spot 6 and 7 provide a wide picture over an area with its 60-km swath, Pleiades 1A and 1B offer, for the same zone, products with a narrower field of view but with an increased level of detail (50 cm).

The successful launch of TerraSAR-X in 2007 – a radar-based Earth observation satellite that provides high-quality topographic information – enabled Airbus Defence and Space to significantly expand its capabilities by proposing new kinds of images based on radar. TanDEM-X, its almost identical twin, was successfully launched in 2010 and achieved in 2014 WorldDEM, the first high precision 3-D elevation model of the entire surface of the Earth.

**Satellite Communications.** Airbus Defence and Space offers commercial, government and military satellite-based communications.

Airbus Defence and Space provides armed forces and governments in the UK, Germany, France and Abu Dhabi with secure satellite communications. For example in the UK, Airbus Defence and Space delivers in the frame of the "Skynet 5 programme" tailored end-to-end in-theatre and back-to-base communication solutions for voice, data and video services, ranging from a single voice channel to a complete turnkey system incorporating terminals and network management. This contract, pursuant to which Airbus Defence and Space owns and operates the UK military satellite communication infrastructure, allows the UK MoD to place orders and to pay for services as required. The service is fully operational since 2009 and extends to 2022.

In Abu Dhabi, Airbus Defence and Space together with Thales Alenia Space built a secure satellite communication system. Airbus Defence and Space Services is managing the programme and supplies the space segment except for the payload, as well as 50% of the ground segment.

In the commercial realm, subject to carve out, Airbus Defence and Space's more than 200,000 end-users benefit from access to satellite telecommunications services wherever they are in the world. These include all maritime sectors (merchant shipping vessels, fishing, yachting, etc.), oil, gas and mining companies, emergency response organisations, global media companies, telecommunication and internet service providers, and civil aviation. Airbus Defence and Space works with the broadest range of network providers in the industry, including Inmarsat, Iridium, Thuraya, Eutelsat, Intelsat, SES, Arabsat, Loral Skynet and Satmex.

**Secure Land Communications.** Airbus Defence and Space is a provider of digital Professional Mobile Radio (PMR) and secure networks with more than 280 networks delivered in 74 countries. Its solutions for PMR enable professional organisations in various areas — such as public safety, civil defence, transport and industry — to communicate effectively, reliably and securely. Airbus Defence and Space offers its customers specialised PMR solutions based on TetraPOL, Tetra and P25 technologies. Airbus Defence and Space's PMR solutions were in use during events like the Beijing Olympic Games, the Brazil FIFA World Cup and the Tour de France.

**Cyber Security.** Airbus Defence and Space has established a cyber-security subsidiary to meet the growing cyber security needs of users of critical IT infrastructure, including governments and global companies. Airbus Defence and Space provides expertise and solutions to help such organisations to protect themselves against, detect, analyse, prevent and respond to cyber threats. Airbus Defence and Space has a long track record in providing the most sensitive secure IT and data handling and training solutions to defence and security customers throughout France, Germany, the UK and other NATO countries.

## Electronics

Airbus Defence and Space's business line Electronics is focusing on surveillance and reconnaissance, air traffic control, signal intelligence, mission electronics and protection. It is a partner in the development of airborne multi-mode radars and provides integrated logistics support, maintenance and upgrades. It is also involved in the development and application of next-generation active electronically scanned (AESA) radars for air, naval and ground applications. In the area of air defence, Airbus Defence and Space produces mid-range radars for ship (TRS-3D/-4D) and land (TRML-3D) applications. Synthetic aperture radars (SAR) for reconnaissance and surveillance operations and airport surveillance radars (ASR-S) are also part of the portfolio, along with the Spexer security radar family. A range of optronics solutions completes Airbus Defence and Space's offering in this field.

In the field of electronic warfare, Airbus Defence and Space supplies electronic protection systems for military vehicles, aircraft and civil installations, such as laser warning, missile warning and electronic countermeasure units. Furthermore, the portfolio also comprises avionics equipment, such as avionics computers, digital map units, flight data recording units and situational awareness systems for helicopters. Transversally, multi-sensor integration and data fusion technology is particularly useful creating added value by combining radars with optronic sensors and thermal imagers from Airbus Defence and Space's extensive Optronics portfolio. Therein, cameras, telescopes, thermal imaging devices and periscopes constitute indispensable elements of situational awareness for naval, airborne and ground-based platforms.

Among the most prominent platforms equipped by the Electronics Business Line's products are Eurofighter (radar, self-protection, avionics), the Ariane space launchers, the A400M transport aircraft (self-protection, avionics) as well as helicopters of various types.

In the area of Space technology the Electronics Business Line offers components and sub-systems deployed in space platforms such as on-board computers, GNSS Receivers, Launcher Electronics and Power Electronics. Actuators and particularly reliable solar arrays rank extraordinarily high on the company's technology skills. Space payload electronics comprise highly sophisticated components of communication and earth observation satellites.

### Production

Airbus Defence and Space is headquartered in Munich. The main engineering and production facilities of the Division are located in France (Paris-region and South-West France), Germany (Bavaria, Baden-Württemberg and Bremen), Spain (Madrid-region and Andalusia) and the UK (Southern England and Wales). In addition, Airbus Defence and Space operates a global network of engineering centres and offices in more than 80 countries.

## 1.1.5 Other: Airbus Group, Inc.

Airbus Group, Inc. is the American operating company of Airbus Group. Headquartered in Herndon, Virginia, Airbus Group, Inc. (together with its Airbus Group parent) contributes more than US\$ 14 billion to the US economy annually, supporting over 225,000 American jobs. Its US Business Units, operating companies and divisions are found in 29 locations across 15 states, offering a broad array of advanced solutions to customers in the commercial, homeland security, aerospace and defense markets.

Since its creation in 2003, Airbus Group, Inc. (formerly EADS North America) has been selected in key competitions for military aircraft and systems. Airbus Group, Inc.'s presence in the US defence and homeland security sectors is growing as well. The company has supplied more than 90 HH-65 rotorcraft to the Coast Guard for its vital homeland security missions. Airbus Group, Inc. is prime contractor for the supply of up to 36 HC-144A Ocean Sentry aircraft for Coast Guard maritime patrol and support missions.

The company is also a major contractor to the US Army, having been chosen to supply the service's UH-72A Lakota helicopter.

### MBDA

The Company's missile business in addition to French nuclear deterrence derives from its 37.5% stake in MBDA (a joint venture between the Company, BAE Systems and Finmeccanica). MBDA offers missile systems capabilities that cover the whole range of solutions for air dominance, ground-based air defence, maritime superiority and battlefield engagement. Beyond its role in European markets, MBDA has an established presence in export markets like Asia, the Gulf region and Latin America.

The broad product portfolio covers all six principal missile system categories: air-to-air, air-to-surface, surface-to-air, anti-ship, anti-submarine and surface-to-surface. MBDA's product range also includes a portfolio of airborne countermeasures such as missile warning and decoy systems, airborne combat training and counter-IED and counter-mine solutions. The most significant programmes currently under development are the ground based air defense system TLVS/MEADS for Germany, the Aster Block 1 NT extended air defence missile family of systems for France and Italy, the Sea Venom/ANL anti-ship missile for the UK and French navies' helicopters, the portable medium range battlefield "Missile Moyenne Portée (MMP)" and the "Common Anti-Air Modular Missile (CAMM)", which is an anti-air missile family with land, naval and air launched applications.

As of May 2014, 300 aircraft had been delivered to the US Defense Department for operation by Army and Army National Guard units, as well as the Navy.

In commercial aviation, Airbus Group, Inc. has a significant US presence including two engineering centers in Mobile and Wichita, and Airbus Helicopters is one of the US leaders in civil helicopters. More than 3,090 Airbus aircraft have been ordered by North American customers, with over 2,150 delivered; while some 1,300 Airbus Helicopters rotary-wing aircraft are used by operators that include the US Coast Guard, US Customs and Border Protection, Los Angeles County Sheriff's Office and the FBI. In addition, Airbus commenced aircraft assembly in July 2015 at its Final Assembly Line in Mobile, Alabama, with first deliveries scheduled to begin in 2016. The Airbus US Manufacturing Facility is expected to produce between 40 and 50 aircraft per year by 2018 – building the A319, A320 and A321 versions from Airbus' best-selling single-aisle family of jetliners. The vast majority of A320 Family jetliners produce in Mobile, Alabama will be delivered to North American customers.



## 1.1.6 Investments

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### Dassault Aviation

As of 31 December 2015, Airbus Group held 23.60% of Dassault Aviation's share capital (and 24.71% of associated voting rights), with Groupe Industriel Marcel Dassault holding a 56.11% stake, Dassault Aviation holding a 4.49% stake, and a free float of 15.8%. In 2015, the Company sold 1.73 million shares or 18.75% in Dassault Aviation through a book-built offering to institutional investors for a total of approximately €1.76 billion and bringing Airbus Group's holding in Dassault Aviation from 42.11% as of 31 December 2014 to around 23.36% then. Dassault Aviation itself held a 24.90% stake in Thales as of 31 December 2015, which makes it the second largest shareholder of Thales behind the French state.

Dassault Aviation is active in the market for military jet aircraft and business jets. Founded in 1936, Dassault Aviation has delivered more than 8,000 military and civil aircraft to purchasers in more than 80 countries. On the basis of its experience as designer and industrial architect of complex systems, Dassault Aviation designs, develops and produces a wide range of military aircraft and business jets. In order to avoid any potential conflict between the military products of Dassault Aviation and the Group (Rafale and Eurofighter) and to facilitate a "Chinese wall" approach, the Company's Dassault Aviation shareholding is managed by Airbus Group Corporate, whereas the Eurofighter programme is managed by Airbus Defence and Space.

In 2015, Dassault Aviation recorded orders totalling €9.88 billion (compared to €4.64 billion in 2014), including 45 net orders for Falcon business jets (compared to 90 net orders in 2014). Consolidated revenues amounted to €4,176 billion in 2015 (compared to €3.68 billion in 2014), with adjusted net income of €482 million (compared to €398 million in 2014). Dassault has approximately 12,000 employees, of which more than 75% are based in France.

### Military Jet Aircraft

Dassault Aviation offers wide expertise in the design and manufacturing of the latest generation military jet aircraft.

**Rafale.** The Rafale is a twin-engine, omni-role combat aircraft developed for both airforce and navy applications. To date, 286 Rafale aircraft have been ordered by the French MoD.

In 2012, Rafale was selected by the Indian MoD to enter into exclusive negotiations for the sale of 126 aircraft. Negotiations are still in progress. From 2013 and onwards, the new Rafale "Omnirole" will be delivered, with improvements such as the RBE2-AESA radar, missile launch detector and optronics.

**Mirage 2000.** The Mirage 2000 family reached the end of its production phase in 2006. Approximately 470 Mirage 2000 aircraft are in service with nine air forces worldwide.

**nEUROn.** Dassault Aviation is the prime contractor for the development of the unmanned combat air vehicle demonstrator, nEUROn. The programme was open to European cooperation and five countries have decided to participate and share the skills of their aerospace industries: EADS CASA (Spain), SAAB (Sweden), HAI (Greece), RUAG (Switzerland) and Alenia Aermacchi (Italy). The nEUROn demonstrator made its first flight in 2012 and has been performing several test flights in France since then.

**FCAS (Future Combat Air System).** In 2014, Dassault Aviation, BAE Systems and their industrial partners have been awarded a €150m contract by the French and UK governments for a two year co-operative FACS feasibility phase study. The joint study is to be supplemented with additional French and UK national funding to the combined value of €100m in the same period. Following the completion of the study at the end of 2016, work could then commence on a UCAS demonstration development programme that addresses both nations' future military requirements.

### Business Jets

Dassault Aviation offers a wide range of products at the top end of the business jet sector. The family of Falcon business jets currently includes the Falcon 7X, the 900 LX and the 2000 LX & S. In-service Falcons currently operate in over 65 countries worldwide, filling corporate, VIP and government transportation roles. At the end of December 2014, Dassault revealed the Falcon 8X which made its maiden flight on February 6, 2015. Since the rollout of the first Falcon 20 in 1963, over 2,250 Falcon jets have been delivered.

## 1.1.7 Insurance

1.

The Company's Corporate Insurance Risk Management ("IRM") is part of Airbus Group's Global Financial Service Unit. IRM is an integrated corporate finance function established to proactively and efficiently respond to risks that can be treated by insurance techniques. IRM is responsible for all corporate insurance activities and related protection for the Group and is empowered to deal directly with the insurance and re-insurance markets. A continuous task of IRM in 2015 was to further improve efficient and appropriate corporate and project-related insurance solutions.

IRM's mission includes the definition and implementation of the Company's strategy for insurance risk management to help ensure that harmonised insurance policies and standards are in place for all insurable risks worldwide for the Group. A systematic review, monitoring and reporting procedure applicable to all Divisions is in place to assess the exposure and protection systems applicable to all the Group's sites, aiming at the:

- continuous and consistent identification, evaluation and assessment of insurable risks;
- initiation and monitoring of appropriate mitigation and risk avoidance measures for identified and evaluated insurable risks; and
- efficient, professional management and transfer of these insurable risks to protect the Group adequately against the financial consequences of unexpected events.

The Company's insurance programmes cover high risk exposures related to the Group's assets and liabilities, as well as risk exposures related to employees.

Asset and liability insurance policies underwritten by IRM for the Group cover risks such as:

- property damage and business interruption;
- aerospace third party liabilities including product liabilities;
- manufacturer's aviation hull insurance;
- commercial general liabilities including non-aviation and non-space product liabilities and risks related to environmental accidents; and
- Director and officers liability.

Claims related to property damage and business interruption are covered up to a limit of €2.5 billion per occurrence. Aviation liability coverage is provided up to a limit of US\$2.5 billion per

occurrence, with an annual aggregate cap of US\$2.5 billion for product liability claims. Certain sub-limits are applicable for the insurance policies outlined above.

Group employee-related insurance policies cover risks such as:

- personal accidents;
- medical and assistance support during business trips and assignments;
- company automobiles; and
- personal and property exposure during business trips.

Amounts insured for such Group employee-related policies adequately cover the respective exposure.

The Company follows a policy of seeking to transfer the insurable risk of the Company to external insurance markets at reasonable rates, on customised and sufficient terms and limits as provided by the international insurance markets. All insurance policies are required to satisfy the Company's mandatory standards of insurance protection.

However, to be more independent from the volatilities of the insurance markets, the Company uses the capabilities of a corporate-owned re-insurance captive as a strategic tool with respect to the property damage and business interruption programme and the aerospace insurance programme. The captive is capitalised and protected according to European legal requirements so as to ensure its ability to reimburse claims without limiting the scope of coverage of the original insurance policies and without additionally exposing the financial assets of the Company.

The insurance industry remains unpredictable in terms of its commitment to provide protection for large industrial entities. There may be future demands to increase insurance premiums, raise deductible amounts and limit the scope of coverage.

In addition, the number of insurers that have the capabilities and financial strength to underwrite large industrial risks is currently limited, and may shrink further in light of new solvency requirements. No assurance can be given that the Company will be able to maintain its current levels of coverage nor that the coverages in place are sufficient to cover the maximum exposure of the Group.

## 1.1.8 Legal and Arbitration Proceedings

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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 significant 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 the Company's or the Group's financial position or profitability.

Regarding Airbus Group's provisions policy, Airbus Group recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. Although Airbus Group believes that adequate provisions have been made to cover current or contemplated general and specific litigation and regulatory risks, no assurance can be provided that such provisions will be sufficient. For the amount of provisions for litigation and claims, please refer to the "— Notes to the IFRS Consolidated Financial Statements — Note 22: Provisions, contingent assets and contingent liabilities".

### 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. The EU has cited the failure by the US to implement the findings prior to the due date of 23 September 2012 in commencing a new proceeding on the adequacy of US compliance.

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 precondition 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.

## 1.1.9 Research and Technology, Intellectual Property

### Positioning Airbus Group for the future

Airbus Group's technological expertise is essential for ensuring the Company's long-term market leadership and opening business opportunities in new markets. The Group's research and technology efforts are focused on profitability, value creation, market position and delivering competitive, integrated solutions for its customers, along with exploring emerging concepts that will shape its future.

The Airbus Group Corporate Technical Office (CTO) is the focal point for this activity, ensuring that business and technology strategies are closely linked. The CTO addresses technology trends that impact the Group's business, and identifies key areas for research and technology. It is responsible for the Airbus Group Innovations research and technology network and also oversees information technology, cyber security, quality, new business ventures and intellectual property activities across the Group.

### Leading a Group-wide Strategy

Corporate-level research and technology efforts are centered around nine key strategic technology roadmaps that provide the framework on which to build Airbus Group's competitiveness and capabilities. Elaborated by the Divisions under the leadership of the CTO, these shared roadmaps were created for faster delivery of new technologies by optimizing group-wide research and technology efforts.

A key part of the technology roadmaps is the CTO's global reach. Its international presence facilitates relationships, partnerships and collaborations that help Airbus Group develop new products, services, business models, methods, tools and manufacturing processes for maintaining the Company's competitiveness and leadership into the future.

## A Lean, Agile Network for Global Innovation

Airbus Group Innovations – the Company’s global research and technology network – is managed by the CTO and driven by the Group’s overall strategy. It leverages a close relationship with Airbus Group’s three Divisions to identify new technologies and breakthrough concepts for eventual transfer to the Group’s commercial divisions. Airbus Group Innovations is undergoing a transformation to become more agile, innovative and aligned with the needs of the Company’s Divisions. Its teams have been reorganised into five transnational Innovation Centres focused around core Group competencies, along with a policy and development function that includes all support activities. This structure ensures that Airbus Group Innovations creates long-term value for the Group.

Airbus Group Innovations employs over 1,000 people across sites in France, Germany, the UK, Spain, Singapore, India and Russia, along with its operations in China, Japan, South Korea, Thailand, Malaysia, Canada and the US. This international presence increases Airbus Group’s access to diverse talent, knowledge, disruptive technologies and new markets, which improves the Company’s flexibility, robustness and ability to innovate. It also fosters the development of partnerships with leading universities and high-tech engineering schools through joint research projects, as well as employment of thesis students, post-graduate interns and doctorates.

## Major Milestones for Electric Aviation

Development of electric and hybrid-propulsion aircraft is one of the Group’s key priorities for the future, and the CTO is leading this “E-aircraft Roadmap” with the long-term goal of applying electric and hybrid-propulsion technologies to helicopters and regional airliners. In 2015, the Airbus Group Innovations-led E-Fan programme captured worldwide attention when the E-Fan technology demonstrator became the first all-electric aircraft to cross the English Channel completely on its own power from takeoff to landing. This was a significant milestone as Airbus Group progresses on its E-aircraft Roadmap, and will help pave the way for development of the E-Fan 2.0 and E-Fan 4.0 serial production versions for pilot training and general aviation. A number of advanced technologies and ideas are supporting this drive for more electric aviation, including the Airbus Group Innovations-developed “Connected Cockpit” concept, which was revealed during the year at major public exhibitions and received significant attention.

## Delivering even Higher Quality Products and Services

The CTO manages the Company-wide Quest quality improvement initiative that supports the Company’s aim of delivering even better products and services for customers, and reducing the cost of non-quality. Quest emphasises increased focus on customer needs, 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 programme in full implementation, on top of the normal quality training schedule.

## Staying Ahead of Cyber Threats

The CTO’s Cyber Security Programme Directorate is responsible for safeguarding the Company’s products, manufacturing systems and IT infrastructure from cyber threats. This operation combines all of the group-wide competences behind common objectives and establishes priorities for protecting the Group from the increasing threat of cyber attacks in the short- and long-terms.

## Intellectual Property and Open Innovation

Airbus Group’s policy is to establish, protect, maintain and defend its Intellectual property rights in all commercially significant countries and to use those rights in responsible ways. The Group makes select patents and expertise available through technology transfer and licensing agreements as part of its Open Innovation processes. Open Innovation and technology transfer create a win-win situation for sharing the risks of research and technology with external partners, while creating new market opportunities for the Group. Under the CTO’s responsibility, Airbus Group’s technology transfer initiative generates revenues by licensing approved technologies and offering engineering services, along with forming strategic technology partnerships – such as its long-term agreement that provides automotive manufacturer Maserati with access to a wide range of Airbus Group expertise and know-how.

## Successful Ramp-ups and Growth for Spin-offs

The CTO fosters an entrepreneurial spirit with the Corporate Innovation Nursery. This operation helps accelerate emerging business applications that will bring added value to the Group by focusing on new ideas that will affect its business in coming years, industrialising advanced manufacturing and service solutions, and managing spin-off companies. In 2015, the Nursery’s strategy was evolved to further complement the divisional and Silicon Valley innovation initiatives, and to help bring products to market faster.

Airbus Group spin-off companies managed by the Nursery include TESTIA – the Group’s non-destructive testing and training subsidiary – and APWORKS, which is a globally-recognised leader in 3D-printing that offers consulting and engineering services for state-of-the-art production processes. Both of these companies continued their successful growth with new products, services and lines of business launched during 2015.

## Key Priorities for 2016

With guidance from the CTO, Airbus Group's overall research and technology efforts will play a significant role in all of the Company's 2016 objectives. Leveraging close working relationships between the Divisions and Airbus Group

Innovations, the CTO will continue to advance the Group's technological roadmaps, while taking advantage of its worldwide resources to open new opportunities for the Group.

## 1.1.10 Corporate Social Responsibility

### Airbus Group CSR Approach

At Airbus Group, corporate social responsibility (CSR) refers to how we are aligning the Company with the needs and expectations of society. Airbus Group aims to balance its strategy for growth with fulfilling duties to all stakeholders and addressing material sustainability issues. Underlying this is a drive to deliver the best technology to serve mobility and security.

### Stakeholders

Airbus Group's businesses are characterised by long product lifecycles and corresponding returns on investments, considerable costs and risks in programme development, and cyclical civilian markets. The principal stakeholders are shareholders, customers, regulators, policymakers, employees, suppliers, NGOs, as well as society at large.

### Materiality

The Airbus Group focuses on material issues that have significant operational and strategic impacts, potentially affecting the Group's risks and performance. Airbus Group is taking into account stakeholders' and analysts' questions about the materiality of CSR issues.

### Data and Performance

A signatory to the United Nations Global Compact since 2003, Airbus Group is committed to the UN Global Compact principles and has reached the "Advanced Level"<sup>(1)</sup>.

Environmental, Social and Governance (ESG) reporting is embedded across the Group, measuring performance and progress. Environmental and social data have been externally audited since 2010. Below is a selection<sup>(2)</sup> of externally reviewed environmental indicators. For a selection of social performance indicators, see "— 1.1.11 Employees".

(1) Through the GC Advanced level, the Global Compact Office recognises companies that strive to be top reporters and declare that they have adopted and report on a broad range of best practices in sustainability governance and management.

(2) For details on Scope and Methodology, please refer to the Airbus Group website at <http://www.airbusgroup.com> (Investors & Shareholders > Publications > Annual Reports and Registration Documents).



Environmental performance	KPI	Unit	2015	2014
Energy	Total energy consumption (excluded electricity generated by CHP on site for own use) ✓	MWh	3,864,574	3,903,080
	<b>Energy consumption from stationary sources</b> ✓	MWh	1,396,967	1,318,144
	<i>of which</i>			
	natural gas consumption	MWh	1,309,824	1,232,690
	distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	16,058	16,877
	liquefied petroleum gas consumption	MWh	133	322
	propane consumption	MWh	7,237	10,303
	biomass consumption	MWh	63,715	57,952
	<b>Energy consumption from mobile sources</b> ✓	MWh	934,032	1,057,312
	<i>of which</i>			
	gasoline consumption	MWh	2,860	2,329
	distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	26,473	23,281
	liquefied petroleum gas consumption	MWh	6	1
	propane consumption	MWh	615	1,046
	jet fuel aircraft / kerosene consumption	MWh	519,453	675,342
	▪ flight tests	MWh	139,091	323,375
	▪ Beluga	MWh	380,363	351,967
	aviation gasoline consumption	MWh	4,263	3,346
	<b>Total electricity consumption</b>	MWh	1,533,576	1,527,624
	<i>of which</i>			
purchased electricity consumption ✓	MWh	1,435,615	1,421,794	
purchased heat / steam	MWh	97,494	105,501	
generated electricity from photovoltaic on-site for own use	MWh	220	187	
generated electricity from other renewable source on-site for own use	MWh	246	143	
Generated electricity from CHP on-site for own use ✓	MWh	177,359	260,541	
Air emissions	<b>Total CO<sub>2</sub> emissions</b> ✓	tonnes CO <sub>2</sub>	925,216	950,690
	<b>Total direct CO<sub>2</sub> emissions (Scope 1)</b> ✓	tonnes CO <sub>2</sub>	527,573	545,613
	<i>of which</i>			
	CO <sub>2</sub> emissions from stationary sources	tonnes CO <sub>2</sub>	271,950	256,872
	CO <sub>2</sub> emissions from mobile sources	tonnes CO <sub>2</sub>	240,488	272,235
	CO <sub>2</sub> emissions from fugitive sources	tonnes CO <sub>2</sub>	15,051	16,422
	CO <sub>2</sub> emissions from processes on site	tonnes CO <sub>2</sub>	84	84
	<b>Total indirect CO<sub>2</sub> emissions (Scope 2)</b> ✓	tonnes CO <sub>2</sub>	397,855	405,077
	<b>Total VOC emissions</b>	tonnes	1,437	1,500
	<b>Total SO<sub>x</sub> emissions</b>	tonnes	14	14
<b>Total NO<sub>x</sub> emissions</b>	tonnes	242	235	
Water	<b>Total water consumption</b> ✓	m <sup>3</sup>	5,467,958	5,365,669
	<i>of which</i>			
	purchased water ✓	%	52.3%	54.3%
	abstracted ground water	%	45.3%	43.2%
	withdrawn surface water	%	2.3%	2.4%
	rainwater collected used	%	0.1%	0.1%
<b>Total water discharge</b>	m <sup>3</sup>	4,200,490	4,222,619	
<i>of which</i> water discharged via an internal pre-treatment plant	m <sup>3</sup>	1,196,339	1,179,762	
Waste	<b>Total waste production, excluding exceptional waste</b>	tonnes	104,327	111,063
	<i>of which</i>			
	non-hazardous waste ✓	tonnes	78,570	81,907
	hazardous waste ✓	tonnes	25,757	29,156
	waste going to material recovery	tonnes	62,706	63,909
	waste going to energy recovery	tonnes	21,356	21,236
	Material recovery rate ✓	%	60.1%	57.5%
Energy recovery rate	%	20.5%	19.1%	
EMS certification	Number of sites with ISO 14001 / EMAS certification*	unit	80	79
	Percentage of workforce covered by ISO 14001 & environmental reporting	%	84%	83%

✓ Data audited by Ernst & Young.

\* Number of sites covered by the environmental reporting which are certified ISO 14001.

Only 100% consolidated entities are taken into account.



## 1.1.11 Employees

As of 31 December 2015, the Group workforce amounted to 136,574 employees (compared to 138,622 employees in 2014), 96.1% of which consisted of full time employees. These statistics take into account consolidation effects and perimeter changes throughout 2014. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

In 2015, 5,266 employees worldwide were welcomed into the Group (compared to 5,211 in 2014 and 8,823 in 2013). At the same time, 4,870 employees left the Group including partial retirements (compared to 4,478 in 2014 and 4,160 in 2013).

In terms of nationalities, 37.8% of the Group'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. In total, 92.4% of the Group's active workforce is located in Europe on more than 100 sites.

### Workforce by Division and Geographic Area

The tables below provide a breakdown of Group employees by Division and geographic area, as well as by age and gender, including the percentage of part-time employees. Employees of companies accounted for by the proportionate method (such as ATR, MBDA) in 2013 are included in the tables on the same proportionate basis and have not been adjusted for the application of IFRS 10 and 11.

Employees by Division	31 December 2015	31 December 2014	31 December 2013
Airbus	72,816	73,958	78,862
Airbus Helicopters	22,520	22,939	23,374
Airbus Defence and Space <sup>(2)</sup>	38,206	38,637	-
Astrium <sup>(2)</sup>	-	-	17,255
Cassidian <sup>(2)</sup>	-	-	21,229
Airbus Corporate Functions <sup>(1)</sup>	3,032	2,989	2,951
Other Businesses	-	99	390
<b>Group Total</b>	<b>136,574</b>	<b>138,622</b>	<b>144,061</b>

(1) "Airbus Corporate Functions" includes Headquarters, Shared Services and Innovation Works.

(2) The former reportable segments Cassidian, Astrium and Airbus Military form the new reportable segment Airbus Defence and Space as of 1 January 2014.

Employees by geographic area	31 December 2015	31 December 2014	31 December 2013
France	50,810	51,740	54,510
Germany	47,796	48,374	50,080
Spain	12,521	12,449	11,217
UK	12,157	12,783	14,626
US	2,821	2,991	3,254
Other Countries	10,469	10,285	9,771
<b>Group Total</b>	<b>136,574</b>	<b>138,662</b>	<b>144,061</b>

% Part time employees	31 December 2015	31 December 2014	31 December 2013
France	4.2%	4.1%	4.0%
Germany	5.1%	4.5%	4.3%
Spain	1.2%	1.0%	0.7%
UK	2.4%	1.8%	2.1%
US	1.1%	1.6%	0.6%
Other Countries	1.4%	0.8%	2.2%
<b>Group Total</b>	<b>3.9%</b>	<b>3.4%</b>	<b>3.5%</b>

Active Workforce by contract type	31 December 2015	31 December 2014	31 December 2013
Unlimited contract	133,650	135,688	140,327
Limited contract > 3 months	2,924	2,934	3,733

% Active Workforce by Age	31 December 2015	31 December 2014	31 December 2013
<20	0.2%	0.2%	0.1%
20-29	10.6%	11.4%	12.7%
30-39	29.7%	30.0%	27.8%
40-49	27.9%	27.8%	27.8%
50-59	27.1%	26.3%	25.4%
60+	4.6%	4.3%	3.9%

	31 December 2015	31 December 2014	31 December 2013
Women in Active Workforce	17.2%	17.1%	17.2%
Women in Management Positions	10.9%	10.2%	9.6%
Employee Turnover Rate	3.6%	3.3%	3.0%
Total number of Training Hours	2,264,145	2,906,356	3,167,116
Total number of Training Participants	226,692	238,386	238,773

## Reporting Scope

Airbus Group's headcount reporting includes all consolidated companies worldwide. The internationally comparative figures are based on the Active Workforce, *i.e.* the number of permanent and short-term employees, irrespective of their individual working times. The headcount is calculated according to the consolidation quota of the respective companies.

The scope for HR structure reporting covers about 98% of the Group's consolidated companies, including all employees of these companies, irrespective of their individual consolidation

quota. This includes employees working for Airbus Group or its subsidiaries in France, Germany, Spain, Great Britain and internationally. In total, about 2% of the companies belonging to the Airbus Group – usually recently acquired – are not included in the scope, as no detailed employee data is available at Group level. For more details on Scope and Methodology, please refer to the Airbus Group website at <http://www.airbusgroup.com> (Investors & Shareholders > Publications > Annual Reports and Registration Documents).

## 1.2 Recent Developments

In January 2016, the Silicon Valley-based Ventures fund and the A<sup>3</sup> outpost of Airbus Group became fully operational. In late May 2015, Airbus Group had announced a plan to establish its Silicon Valley operations with a fully independent venture capital fund and an innovation center, which has been branded A<sup>3</sup> by Airbus Group. The Group had appointed Tim Dombrowski as CEO of Airbus Venture Capital and Paul Eremenko as CEO of A<sup>3</sup>. Airbus Ventures has completed its core leadership team set-up and is operating with a US\$ 150 million commitment from Airbus Group. The fund's

mission is to identify and invest in the most visionary entrepreneurs in the global aerospace ecosystem.

On 26 February 2016, the European Commission decided to open an in-depth investigation (Phase 2) regarding the acquisition by Airbus Safran Launchers (ASL) of CNES' shares in Arianespace (approximately 35%), in order to investigate more thoroughly impact on competition. Closing of the transaction is subject to the European Commission's approval. ASL would become a 74% shareholder of Arianespace after closing of the acquisition.

Airbus Group SE has informed relevant UK authorities of its findings concerning certain inaccuracies relating to applications for export credit financing for Airbus customers. The Group believes that although some export credit financing will be

temporarily unavailable, the affected customers will be able to resume obtaining such financing or refinancing in the near future. The Group is cooperating with the relevant export credit agencies to resolve this issue as soon as possible.

1.

Chapter

2.

## Management's Discussion and Analysis of **Financial Condition and Results of Operations**

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## 2.1 Operating and Financial Review

The following discussion and analysis is derived from and should be read together with the audited IFRS Consolidated Financial Statements of the Group as of and for the years ended 31 December 2015, 2014 and 2013 incorporated by reference herein. These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board as endorsed by the European Union, and with Part 9 of Book 2 of the Dutch Civil Code. When reference is made to “IFRS”, this intends to be EU-IFRS.

The following discussion and analysis also contains certain “non-GAAP financial measures”, *i.e.*, financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS. Specifically, the Group makes use of the non-GAAP measures “EBIT\*”, “net cash” and “free cash flow”.

The Group uses these non-GAAP financial measures to assess its consolidated financial and operating performance and believes they are helpful in identifying trends in its performance. These measures enhance management’s ability to make decisions with respect to resource allocation and whether the Group is meeting established financial goals.

Non-GAAP financial measures have certain limitations as analytical tools, and should not be considered in isolation or as substitutes for analysis of the Group’s results as reported under IFRS. Because of these limitations, they should not be considered substitutes for the relevant IFRS measures.

## 2.1.1 Overview

With consolidated revenues of €64.5 billion 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 82% of its total revenues in the civil sector (compared to 82% in 2014) and 18% in the defence sector (compared to 18% in 2014). As of 31 December 2015, the Group's active headcount was 136,574 employees.

2.

### 2.1.1.1 Exchange Rate Information

The financial information presented in this document is expressed in euros, US dollars or pounds sterling. The following table sets out, for the periods indicated, certain information concerning the exchange rate between the euro and the US dollar and pound sterling, calculated using the official European Central Bank fixing rate:

Year ended	Average		Year End	
	€-US\$	€-£	€-US\$	€-£
31 December 2013	1.3281	0.8493	1.3791	0.8337
31 December 2014	1.3285	0.8061	1.2141	0.7789
<b>31 December 2015</b>	<b>1.1095</b>	<b>0.7259</b>	<b>1.0887</b>	<b>0.7340</b>

### 2.1.1.2 Reportable Business Segments

Since 1 January 2014, the Group has organised its businesses into the following three reportable segments:

- **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; and
- **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.

"Other / HQ / Consolidation" comprises 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.

### 2.1.1.3 Significant Programme Developments, Restructuring and Related Financial Consequences in 2013, 2014 and 2015

**A380 programme.** Based on an updated technical solution concept to fix permanently the retrofit of the A380 wing rib issue, an additional amount of €85 million was recognised in 2013. In 2014, Airbus provided for costs related to in service technical issues identified and with solutions defined, which reflected the latest facts and circumstances at the time.

In 2015, Airbus continued to improve gross margin per aircraft. Despite lower A380 deliveries (27 aircraft in 2015 compared to 30 aircraft in 2014), the programme achieved breakeven for the first time in 2015.

**A350 XWB programme.** On 14 June 2013, the first A350 XWB "MSN1" took to the skies on its first flight. In 2013, a net charge of €434 million reflected a re-assessment of actual and estimated unit cost. Improvement actions were launched to converge on cost targets.

In 2014, A350 XWB received Type Certification and entry-into-service occurred at the end of 2014, with the first A350 XWB being delivered to Qatar Airways on 22 December in line with commitments. In 2014, Airbus applied prospectively construction contract accounting for launch customer contracts in the civil aircraft business where customers significantly influenced the structural design and technology of the aircraft under the contract. Considering certain airline customers' involvement in the development and production process of the A350 XWB programme, Airbus applied IAS 11 construction contract accounting to a fixed number of launch customer contracts of the A350 XWB programme. For all other contracts IAS 18 is applied.



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.

**A400M programme.** Technical progress on the A400M programme resulted in the recognition of A400M-related revenues of €0.5 billion in 2012, €1.0 billion in 2013 and €1.6 billion in 2014 and €1.6 billion in 2015.

In 2013, the A400M programme achieved civil and military certification. The initial two A400Ms were delivered to the French Air Force while the third aircraft, for Turkey, was awaiting acceptance in the delivery centre at the end of 2013.

There were eight aircraft deliveries in 2014 – four to France, two to Turkey and one each to Germany and to the UK. In the last quarter of 2014, management reviewed the programme evolution mostly driven by military functionality challenges and industrial ramp-up together with associated mitigation actions and recorded based on management best estimate an additional net charge of €551 million for the period ended 31 December 2014.

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 formulae, 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 associated risks will continue to be closely monitored.

**A320 programme.** Joint European and US certification for the A320neo was received in the fourth quarter of 2015 with the first delivery following in January 2016. Despite some schedule set-backs, the A320neo ramp-up preparation is underway with the focus on maturity and service-readiness for early operations in line with customer expectations.

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.

**Restructuring provisions.** In 2013, a provision of €292 million was booked relating to the restructuring of the Airbus Defence and Space Division and Headquarters. In 2014 the restructuring programme remained on track with a reduction of 1,900 positions at the end of the year. After reassessing and adjusting the provision in 2015, €41 million has been released. At the end of 2015 a reduction of around 3,700 positions has been achieved (active workforce and temporary staff).

#### 2.1.1.4 Current Trends

Airbus Group expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes no major disruptions.

In 2016, Airbus expects to deliver more than 650 aircraft, and the commercial order book is expected to grow.

## 2.1.2 Significant Accounting Considerations, Policies and Estimates

The Group's significant accounting considerations, policies and estimates are described in the Notes to the Consolidated Financial Statements.

### 2.1.2.1 Scope of and Changes in Consolidation

For further information on the scope of and changes in consolidation as well as acquisitions and disposals of interests in business, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant accounting policies" and "Note 6: Acquisitions and disposals".

### 2.1.2.2 Capitalised Development Costs

Pursuant to the application of IAS 38 "Intangible Assets", the Group assesses whether product-related development costs qualify for capitalisation as internally generated intangible assets. Criteria for capitalisation are strictly applied. All research and development costs not meeting the IAS 38 criteria are expensed as incurred in the consolidated income statement. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant accounting policies — Research and development expenses and development costs" and "Note 17: Intangible assets".

### 2.1.2.3 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements

At least 70% of the Group's revenues are denominated in US dollars, whereas a major portion of its costs is incurred in euros and, to a smaller extent, in pounds sterling. The Group uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on its profits, including foreign currency derivative contracts, interest rate and equity swaps and other non-derivative financial assets or liabilities denominated in a foreign currency. For further information, please refer to "2.1.7 Hedging Activities", "Risk Factors — 1. Financial Market Risks — Foreign Currency Exposure" and to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant accounting policies" and "Note 35: Information about financial instruments".

### 2.1.2.4 Foreign Currency Translation

For information on transactions in currencies other than the functional currency of the Group and translation differences for other assets and liabilities of the Group denominated in foreign

currencies, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant accounting policies — Transactions in foreign currency".

### Currency Translation Mismatch

Customer advances (and the corresponding revenues recorded when sales recognition occurs) are translated at the exchange rate prevailing on the date they are received. US dollar-denominated costs are converted at the exchange rate prevailing on the date they are incurred. To the extent that US dollar-denominated customer advances differ, in terms of timing of receipt or amount, from corresponding US dollar-denominated costs, there is a foreign currency exchange impact (mismatch) on EBIT\*. Additionally, the magnitude of any such difference, and the corresponding impact on EBIT\*, is sensitive to variations in the number of deliveries.

### 2.1.2.5 Accounting for Sales Financing Transactions in the Financial Statements

The accounting treatment of sales financing transactions varies based on the nature of the financing transaction and the resulting exposure. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 19: Other investments and other long-term financial assets", "Note 22: Provisions, contingent assets and contingent liabilities" and "Note 25: Sales financing transactions".

For further information on the significance of sales financing transactions for the Group, please refer to "2.1.6.4 Sales Financing".

### 2.1.2.6 Provisions for Loss-Making Contracts

Loss-making contract provisions are reviewed and reassessed regularly. However, future changes in the assumptions used by the Group or a change in the underlying circumstances may lead to a revaluation of past loss-making contract provisions and have a corresponding positive or negative effect on the Group's future financial performance. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant accounting policies — Provision for loss making contracts" and "Note 22: Provisions, contingent assets and contingent liabilities".

## 2.1.3 Performance Measures

### 2.1.3.1 Divisions

#### Airbus

Set forth below is a summary of the measures for the activities of Airbus for the past three years.

<i>(in €m)</i>	<b>Year ended 31 December 2015</b>	Year ended 31 December 2014	Year ended 31 December 2013
Order Intake (net)	139,062	150,085	199,261
Order Book	952,450	803,633	625,595
Revenues	45,854	42,280	39,494
<b>EBIT*</b>	<b>2,301</b>	<b>2,671</b>	<b>1,593</b>
<i>in% of revenues</i>	5.0%	6.3%	4.0%

#### Airbus Helicopters

Set forth below is a summary of the measures for the activities of Airbus Helicopters for the past three years.

<i>(in €m)</i>	<b>Year ended 31 December 2015</b>	Year ended 31 December 2014	Year ended 31 December 2013
Order Intake (net)	6,168	5,469	5,775
Order Book	11,769	12,227	12,420
Revenues	6,786	6,524	6,297
<b>EBIT*</b>	<b>427</b>	<b>413</b>	<b>397</b>
<i>in% of revenues</i>	6.3%	6.3%	6.3%

#### Airbus Defence and Space

Set forth below is a summary of the measures for the activities of Airbus Defence and Space for the past three years.

<i>(in €m)</i>	<b>Year ended 31 December 2015</b>	Year ended 31 December 2014	Year ended 31 December 2013
Order Intake (net)	14,440	12,225	11,808
Order Book	42,861	43,075	43,208
Revenues	13,080	13,025	13,121
<b>EBIT*</b>	<b>745</b>	<b>409</b>	<b>659</b>
<i>in% of revenues</i>	5.7%	3.1%	5.0%

### 2.1.3.2 Order Backlog

Year-end order backlog consists of contracts signed up to that date. Only firm orders are included in calculating order backlog – for commercial aircraft, a firm order is defined as one for which the Group receives a down payment on a definitive contract. Defence-related orders are included in the backlog upon signature of the related procurement contract (and the receipt, in most cases, of an advance payment). Commitments under defence “umbrella” or “framework” agreements by governmental customers are not included in backlog until Airbus Group is officially notified.

For commercial aircraft contracts, amounts of order backlog reflected in the table below are derived from catalogue prices, escalated to the expected delivery date and, to the extent applicable, converted into euro (at the corresponding hedge rate for the hedged portion of expected cash flows, and at the period-end spot rate for the non-hedged portion of expected cash flows). The amount of defence-related order backlog is equal to the contract values of the corresponding programmes.

CONSOLIDATED BACKLOG FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013<sup>(1)</sup>

	Year ended 31 December 2015		Year ended 31 December 2014		Year ended 31 December 2013	
	Amount in €bn	In percentage <sup>(2)</sup>	Amount in €bn	In percentage <sup>(2)</sup>	Amount in €bn	In percentage <sup>(2)</sup>
Airbus <sup>(3)</sup>	952.4	94.6%	803.6	93.6%	625.6	91.8%
Airbus Helicopters	11.8	1.2%	12.2	1.4%	12.4	1.8%
Airbus Defence and Space	42.9	4.2%	43.1	5.0%	43.2	6.4%
<b>Total Divisional backlog</b>	<b>1,007.1</b>	<b>100%</b>	<b>858.9</b>	<b>100%</b>	<b>681.2</b>	<b>100%</b>
Other / HQ / Consolidation	(1.2)		(1.4)		(0.6)	
<b>Total</b>	<b>1,005.9</b>		<b>857.5</b>		<b>680.6</b>	

(1) Without options.

(2) Before "Other / HQ / Consolidation".

(3) Based on catalogue prices for commercial aircraft activities.

**2015 compared to 2014.** The €148.4 billion increase in the order backlog from 2014, to €1,005.9 billion, primarily reflects the Group's strong order intake in 2015 (€159 billion), which significantly exceeded the revenues accounted for in the same year (€64.5 billion). Additionally, the stronger US dollar spot rate used for conversion of the non-hedged portion of the backlog into euro at year end (€-US\$ 1.09 as compared to €-US\$ 1.21 at the end of 2014) had a positive impact on order backlog of approximately €+56 billion.

Airbus' backlog increased by €148.8 billion from 2014, to €952.4 billion, primarily reflecting a book-to-bill ratio of more than one (calculated using units of new net orders). Order intake consisted of 1,080 net orders in 2015 (as compared to 1,456 in 2014), driven mainly by the A320 Family, which received 945 net firm orders (887 A320neo and 58 A320ceo). Total order backlog at Airbus amounted to 6,831 aircraft at the end of 2015 (as compared to 6,386 aircraft at the end of 2014).

Airbus Helicopters' backlog decreased by €-0.4 billion from 2014, to €11.8 billion, reflecting a book-to-bill ratio of less than one with new net orders of €6.2 billion. After 50 governmental helicopter cancellations, Airbus Helicopters received 333 net orders in 2015 (as compared to 369 in 2014). Total order backlog amounted to 831 helicopters at the end of 2015 (as compared to 893 helicopters at the end of 2014).

Airbus Defence and Space's backlog was broadly stable at €42.9 billion in 2015 including a book-to-bill ratio of more than one with new net orders of €14.4 billion. The order intake includes 14 additional orders on A330 MRTT and 5 telecommunications satellites. During the year, an agreement was also signed with OneWeb for 900 small telecommunications satellites.

**2014 compared to 2013.** The €176.9 billion increase in the order backlog from 2013, to €857.5 billion, primarily reflects

the Group's strong order intake in 2014 (€166.4 billion), which significantly exceeded the revenues accounted for in the same year (€60.7 billion). Additionally, the stronger US dollar spot rate used for conversion of the non-hedged portion of the backlog into euro at year end (€-US\$ 1.21 as compared to €-US\$ 1.38 at the end of 2013) had a positive impact on order backlog of approximately €+86 billion.

Airbus' backlog increased by €178 billion from 2013, to €803.6 billion, primarily reflecting a book-to-bill ratio of more than two (calculated using units of new net orders). Order intake consisted of 1,456 net orders in 2014 (as compared to 1,503 in 2013), driven mainly by the A320 Family, which received 1,321 net firm orders (1,011 A320neo and 310 A320ceo). Total order backlog at Airbus amounted to 6,386 aircraft at the end of 2014 (as compared to 5,559 aircraft at the end of 2013).

Airbus Helicopters' backlog decreased by €-0.2 billion from 2013, to €12.2 billion, reflecting a book-to-bill ratio of less than one with new net orders of €5.5 billion. Order intake consisted of 369 net orders in 2014 (as compared to 422 in 2013), driven by orders for commercial helicopters. Total order backlog amounted to 893 helicopters at the end of 2014 (as compared to 995 helicopters at the end of 2013).

Airbus Defence and Space's backlog decreased by €-0.1 billion from 2013, to €43.1 billion, reflecting a book-to-bill ratio of less than one with new net orders of €12.2 billion. Space Systems achieved a book-to-bill ratio above 1 with a major development contract in Defence, key export orders in Earth Observation, Navigation and Science and 4 telecommunications satellites (as compared to 3 in 2013). Furthermore, 28 net orders were booked in the Light & Medium segment (as compared to 10 in 2013). One order was booked for the A330 MRTT for a new customer, France (compared to 7 aircraft in 2013).

The table below illustrates the proportion of civil and defence backlog at the end of each of the past three years.

	<b>Year ended 31 December 2015</b>		Year ended 31 December 2014		Year ended 31 December 2013	
	<i>Amount in €bn<sup>(1)</sup></i>	<i>In percentage</i>	<i>Amount in €bn<sup>(1)</sup></i>	<i>In percentage</i>	<i>Amount in €bn<sup>(1)</sup></i>	<i>In percentage</i>
<b>Backlog:</b>						
Civil Sector	967.5	96%	815.3	95%	638.0	94%
Defence Sector	38.4	4%	42.2	5%	42.6	6%
<b>Total</b>	<b>1,005.9</b>	<b>100%</b>	<b>857.5</b>	<b>100%</b>	<b>680.6</b>	<b>100%</b>

(1) Including "Other / HQ / Consolidation".

### 2.1.3.3 Use of EBIT\*

The Group uses EBIT pre-goodwill impairment and exceptionals (EBIT\*) 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.

Set forth below is a table reconciling the Group's profit before finance costs and income taxes (as reflected in the Group's consolidated income statement) with the Group's EBIT\*.

<i>(in €m)</i>	<b>Year ended 31 December 2015</b>	Year ended 31 December 2014	Year ended 31 December 2013
Profit before finance costs and income taxes	4,062	3,991	2,570
Disposal and impairment of goodwill	0	6	15
Exceptional depreciation	24	43	39
<b>EBIT*</b>	<b>4,086</b>	<b>4,040</b>	<b>2,624</b>

### 2.1.3.4 EBIT\* Performance by Division

Set forth below is a breakdown of the Group's consolidated EBIT\* by Division for the past three years.

<i>(in €m)</i>	<b>Year ended 31 December 2015</b>	Year ended 31 December 2014	Year ended 31 December 2013
Airbus	2,301	2,671	1,593
Airbus Helicopters	427	413	397
Airbus Defence and Space	745	409	659
<b>Total Divisional EBIT*</b>	<b>3,473</b>	<b>3,493</b>	<b>2,649</b>
Other / HQ / Consolidation <sup>(1)</sup>	613	547	(25)
<b>Total</b>	<b>4,086</b>	<b>4,040</b>	<b>2,624</b>

(1) "Other / HQ / Consolidation" comprises results from headquarters, which mainly consist of the "share of profit from investments in associates" from the Group's investment in Dassault Aviation.

**2015 compared to 2014.** The Group's consolidated EBIT\* increased by 1.1%, from €4.0 billion for 2014 to €4.1 billion for 2015.

Airbus' EBIT\* decreased by 13.9%, from €2.7 billion for 2014 to €2.3 billion for 2015. A solid operational performance including the A380 breakeven was weighed down by a negative revaluation impact from foreign exchange linked to the dollar pre-delivery mismatch in the amount of €551 million, partially compensated by a capital gain linked to the divestment of a subsidiary (CIMPA SAS) (€72 million). (Please refer to "2.1.1.3

Significant Programme Developments, Restructuring and Related Financial Consequences in 2013, 2014 and 2015").

Airbus Helicopters' EBIT\* increased by 3.4%, from €413 million for 2014 to €427 million for 2015 as lower deliveries were compensated by higher services activities, a favourable mix and progress on the Division's transformation plan.

Airbus Defence and Space's EBIT\* increased by 82.2% from €409 million for 2014 to €745 million for 2015 driven by strong programme execution across the business lines and progress with its transformation plan. In addition, a net charge of €290 million was recorded related to the A400M programme

for the period ended 31 December 2015 (€551 million for the period ended 31 December 2014). (Please refer to “2.1.1.3 Significant Programme Developments, Restructuring and Related Financial Consequences in 2013, 2014 and 2015”). Airbus Defence and Space's EBIT\* also included an adjustment of the provision for restructuring generating a positive impact of €41 million and a net gain from the Airbus Safran Launchers first phase deconsolidation and some further small disposal impacts.

The EBIT\* of Other / Headquarters / Consolidation increased by 12.1% from €547 million for 2014 to €613 million for 2015. This is due to the increase in the Dassault Aviation result driven mainly by the higher capital gain from ongoing divestment compared to 2014. 2014 also included the gain from the sale of the Paris Headquarters building.

**2014 compared to 2013.** The Group's consolidated EBIT\* increased by 54.0%, from €2.6 billion for 2013 to €4.0 billion for 2014, primarily reflecting the increased EBIT\* at Airbus in 2014, which increased by 67.7%, from €1.6 billion for 2013 to €2.7 billion for 2014, mainly due to higher aircraft deliveries (629 deliveries in 2014, as compared to 626 deliveries in 2013), continued operational improvements including A380 progress towards breakeven and a favourable evolution of maturing hedges, partially offset by increased A350 XWB support costs. In Q4 2013 a negative charge of €434 million was recorded on the A350 XWB programme contributing to the improvement seen in 2014.

Airbus Helicopters' EBIT\* increased by 4.0%, from €397 million for 2013 to €413 million for 2014, despite higher research and development expenses and a less favourable revenue mix.

Airbus Defence and Space's EBIT\* decreased by 37.9% from €659 million for 2013 to €409 million for 2014. In the last quarter of 2014, Management reviewed the A400M programme evolution mostly driven by military functionality challenges and industrial ramp-up together with associated mitigation actions. As a result of this review, Airbus Defence and Space recorded based on Management best estimate an additional net charge of €551 million for the period ended 31 December 2014.

The EBIT\* of Other / Headquarters / Consolidation increased from €-25 million for 2013 to €+547 million for 2014. This includes a capital gain of €343 million linked to the divestment of eight percent of the Company's Dassault Aviation participation.

**Foreign currency impact on EBIT\*.** At least 70% of the Group's revenues are denominated in US dollars, whereas a substantial portion of its costs is incurred in euros and, to a lesser extent, pounds sterling. Given the long-term nature of its business cycles (evidenced by its multi-year backlog), the Group hedges a significant portion of its net foreign exchange exposure to mitigate the impact of exchange rate fluctuations on its EBIT\*. Please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 35: Information about financial instruments” and “Risk Factors — 1. Financial Market Risks — Foreign Currency Exposure”. In addition to the impact that Hedging Activities have on the Group's EBIT\*, the latter is also affected by the impact of revaluation of certain assets and liabilities at the closing rate and the impact of natural hedging.

During 2015, cash flow hedges covering approximately US\$25.5 billion of the Group's US dollar-denominated revenues matured. In 2015, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €-US\$1.34, as compared to €-US\$1.35 in 2014. This difference resulted in an approximate €+0.05 billion increase in EBIT\* from 2014 to 2015. In addition, other currency translation adjustments, including those related to the mismatch between US dollar-denominated customer advances and corresponding US dollar-denominated costs as well as the revaluation of loss-making contract provisions, had an approximate negative effect of €-0.78 billion on EBIT\* compared to 2014. Please refer to “2.1.2.4 Foreign Currency Translation”.

During 2014, cash flow hedges covering approximately US\$24.3 billion of the Group's US dollar-denominated revenues matured. In 2014, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €-US\$1.35, as compared to €-US\$1.37 in 2013. This difference resulted in an approximate €+0.2 billion increase in EBIT\* from 2013 to 2014. In addition, other currency translation adjustments, including those related to the mismatch between US dollar-denominated customer advances and corresponding US dollar-denominated costs as well as the revaluation of loss-making contract provisions, had an approximate positive effect of €+0.24 billion on EBIT\* compared to 2013.



## 2.1.4 Results of Operations

Set forth below is a summary of the Group's Consolidated Income Statements (IFRS) for the past three years.

<i>(in €m, except for earnings per share)</i>	<b>Year ended 31 December 2015</b>	Year ended 31 December 2014	Year ended 31 December 2013
Revenues	64,450	60,713	57,567
Cost of sales	(55,599)	(51,776)	(49,613)
<b>Gross margin</b>	<b>8,851</b>	<b>8,937</b>	<b>7,954</b>
Selling and administrative expenses	(2,651)	(2,601)	(2,762)
Research and development expenses	(3,460)	(3,391)	(3,118)
Other income	474	330	272
Other expenses	(222)	(179)	(259)
Share of profit from investments accounted for under the equity method and other income from investments	1,070	895	483
<b>Profit before finance costs and income taxes</b>	<b>4,062</b>	<b>3,991</b>	<b>2,570</b>
Interest result	(368)	(320)	(332)
Other financial result	(319)	(458)	(278)
Income taxes	(677)	(863)	(477)
<b>Profit for the period</b>	<b>2,698</b>	<b>2,350</b>	<b>1,483</b>
Attributable to:			
<b>Equity owners of the parent (Net Income)</b>	<b>2,696</b>	<b>2,343</b>	<b>1,473</b>
Non-controlling interests	2	7	10
<b>Earnings per share (basic) (in €)</b>	<b>3.43</b>	<b>2.99</b>	<b>1.86</b>
<b>Earnings per share (diluted) (in €)</b>	<b>3.42</b>	<b>2.99</b>	<b>1.85</b>

Set forth below are year-to-year comparisons of results of operations, based upon the Group's Consolidated Income Statements.

### 2.1.4.1 Consolidated Revenues

Set forth below is a breakdown of Group's consolidated revenues by Division for the past three years.

<i>(in €m)</i>	<b>Year ended 31 December 2015</b>	Year ended 31 December 2014	Year ended 31 December 2013
Airbus	45,854	42,280	39,494
Airbus Helicopters	6,786	6,524	6,297
Airbus Defence and Space	13,080	13,025	13,121
<b>Total Divisional revenues</b>	<b>65,720</b>	<b>61,829</b>	<b>58,912</b>
Other / HQ / Consolidation	(1,270)	(1,116)	(1,345)
<b>Total</b>	<b>64,450</b>	<b>60,713</b>	<b>57,567</b>

For 2015, consolidated revenues increased by 6.2%, from €60.7 billion for 2014 to €64.5 billion for 2015. The increase was primarily due to higher revenues at Airbus. For 2014, consolidated revenues increased by 5.5%, from €57.6 billion for 2013 to €60.7 billion for 2014.

### Airbus

Set forth below is a breakdown of deliveries of commercial aircraft by product type for the past three years.

	<b>Year ended 31 December 2015</b>	Year ended 31 December 2014	Year ended 31 December 2013
Number of aircraft			
Single-aisle	491	490	493
Long-range	103	108	108
A350 XWB	14	1	0
Very large	27	30	25
<b>Total</b>	<b>635</b>	<b>629</b>	<b>626</b>

Airbus' consolidated revenues increased by 8.5%, from €42.3 billion for 2014 to €45.9 billion for 2015. This was due to higher deliveries of 635 aircraft (compared to 629 deliveries in 2014) including 14 A350 XWBs and the strengthening US dollar.

Airbus' consolidated revenues increased by 7.1%, from €39.5 billion for 2013 to €42.3 billion for 2014, driven by the overall increase in deliveries to a record 629 aircraft (626 deliveries in 2013) and a more favourable delivery mix including 30 A380s compared to 25 in 2013.

## Airbus Helicopters

Set forth below is a breakdown of deliveries of helicopters by product type for the past three years.

Number of aircraft	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Tiger	16	12	11
Light	178	226	269
Medium	124	132	136
Heavy	77	101	81
<i>of which NH90</i>	35	53	44
<b>Total</b>	<b>395</b>	<b>471</b>	<b>497</b>

Consolidated revenues of Airbus Helicopters increased by 4.0%, from €6.5 billion for 2014 to €6.8 billion in 2015 mainly reflecting a higher level of services activities, despite lower overall deliveries of 395 units (2014: 471 units).

Consolidated revenues at Airbus Helicopters increased by 3.6%, from €6.3 billion for 2013 to €6.5 billion for 2014 mainly

driven by government programmes including the ramp-up in NH90 activity. Helicopter deliveries totalled 471 units (FY 2013: 497 units), including the successful entry-into-service (EIS) of the H175 in the fourth quarter following the EIS of the H145 and H135 earlier in the year.

## Airbus Defence and Space

Set forth below is a breakdown of deliveries of Airbus Defence and Space by product type for the past three years.

Number of aircraft	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
A400M	11	8	2
A330 MRTT (Tanker)	4	5	7
Light & Medium aircraft	19	19	22
Telecom satellites	5	5	3
<b>Total</b>	<b>39</b>	<b>37</b>	<b>34</b>

Airbus Defence and Space's consolidated revenues were broadly stable at €13.1 billion (€13.0 billion for 2014), 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.

Airbus Defence and Space's consolidated revenues were broadly stable with a slight decrease by -0.7%, from €13.1 billion for 2013 to €13.0 billion for 2014. Revenues were driven by military aircraft with eight A400M deliveries in total to four nations and by space systems with six Ariane 5 launches during the year.

### 2.1.4.2 Consolidated Cost of Sales

Consolidated cost of sales increased by 7.4% from €51.8 billion for 2014 to €55.6 billion for 2015. The increase was primarily due to business growth at Airbus 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). Consolidated cost of sales also includes the amortisation of capitalised development costs pursuant to IAS 38, which amounted to €-202 million in 2015 compared to €-137 million in 2014. The gross margin decreased from 14.7% in 2014 to 13.7% in 2015.

Consolidated cost of sales increased by 4.4%, from €49.6 billion for 2013 to €51.8 billion for 2014. The increase was primarily due to strong delivery patterns, costs related to business growth at Airbus, increased A350 XWB support costs and to a net

charge of €551 million related to the A400M programme as a result of Management's review. In Q4 2013, a negative charge of €434 million was recorded on the A350 XWB programme which is partly compensating the increase in 2014. Consolidated cost of sales also includes the amortisation of capitalised development costs pursuant to IAS 38, which amounted to €-137 million in 2014 compared to €-106 million in 2013. Notwithstanding the above stated items, the gross margin increased from 13.8% in 2013 to 14.7% in 2014.

#### **2.1.4.3 Consolidated Selling and Administrative Expenses**

Consolidated selling and administrative expenses increased by 1.9%, from €2.6 billion for 2014 to €2.7 billion for 2015.

Consolidated selling and administrative expenses decreased by 5.8%, from €2.8 billion for 2013 to €2.6 billion for 2014.

#### **2.1.4.4 Consolidated Research and Development Expenses**

Consolidated research and development expenses increased by 2.0%, from €3.4 billion for 2014 to €3.5 billion for 2015. The main contribution to the expenses comes from the A350 XWB programme. In addition, an amount of €154 million of development costs has been capitalised, mainly related to the H160 and Single Aisle NEO programmes. Please refer to "2.1.2.2 Capitalised development costs".

Consolidated research and development expenses increased by 8.8%, from €3.1 billion for 2013 to €3.4 billion for 2014, primarily reflecting R&D activities at Airbus. The main contribution to the expenses comes from the A350 XWB programme. In addition, an amount of €58 million of development costs for the A350 XWB programme has been capitalised.

#### **2.1.4.5 Consolidated Other Income and Other Expenses**

Consolidated other income and other expenses include gains and losses on disposals of investments, of fixed assets and income from rental properties.

For 2015, other income and other expenses was €+252 million net as compared to €+151 million net for 2014. The net increase was 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. This was partly offset due to costs associated with disposals in Airbus Defence and Space.

For 2014, other income and other expenses was €+151 million net as compared to €+13 million net for 2013. The net increase was partly due to the sale of the Paris Headquarters building.

#### **2.1.4.6 Consolidated Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments**

Consolidated share of profit from investments accounted for under the equity method and other income from investments principally includes results from companies accounted for under the equity method and the results attributable to non-consolidated investments.

For 2015, the Group recorded €1,070 million in consolidated share of profit from investments accounted for under the equity method and other income from investments as compared to €895 million for 2014. The €175 million increase is mainly due to higher results from joint ventures. The consolidated share of profit from investments accounted for under the equity method includes a €748 million net gain from the sale of 18.75% stake in Dassault Aviation in the first half of 2015. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 7: Investments accounted for under the equity method" and "Note 12: Share of profit from investment accounted for under the equity method and other income from investment".

For 2014, the Group recorded €895 million in consolidated share of profit from investments accounted for under the equity method and other income from investments as compared to €483 million for 2013. The €412 million increase is mainly due to a gain of €343 million from the partial sale of shares of Dassault Aviation and to a gain of €47 million from the disposal of shares of Patria.

#### **2.1.4.7 Consolidated Interest Result**

Consolidated interest result reflects the net of interest income and expense arising from financial assets and liabilities, including interest expense on refundable advances provided by European governments to finance R&D activities.

For 2015, the Group recorded a consolidated net interest expense of €-368 million, as compared to €-320 million for 2014. The deterioration in interest result is primarily due to higher interest expense recorded on European government refundable advances.

For 2014, the Group recorded a consolidated net interest expense of €-320 million, as compared to €-332 million for 2013. The small improvement in interest result is due to lower interest expense recorded on European government refundable advances.

#### **2.1.4.8 Consolidated Other Financial Result**

This line item includes, among others, the impact from the revaluation of financial instruments, the effect of foreign exchange valuation of monetary items and the unwinding of discounted provisions. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant accounting policies" and "Note 14: Total finance costs".

Consolidated other financial result improved from €-458 million for 2014 to €-319 million for 2015 reflecting a €139 million positive change mainly from a decrease in the negative impact of revaluation of financial instruments.

Consolidated other financial result reduced from €-278 million for 2013 to €-458 million for 2014. This negative €-180 million change mainly results from an increase in the negative impact of revaluation of financial instruments, related to the weakening of the euro versus the US dollar in the fourth quarter 2014.

#### 2.1.4.9 Consolidated Income Taxes

For 2015, income tax expense was €-677 million as compared to €-863 million for 2014. The decrease was primarily due to the sale of shares of Dassault Aviation which has been taxed at a reduced rate. The effective tax rate was 20% in 2015. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 15: Income tax".

For 2014, income tax expense was €-863 million as compared to €-477 million for 2013. The increase was primarily due to the higher income before tax recorded in 2014 (€3,213 million) as compared to 2013 (€1,960 million). The effective tax rate was 27% in 2014.

#### 2.1.4.10 Consolidated Non-Controlling Interests

For 2015, consolidated profit for the period attributable to non-controlling interests was €2 million, as compared to €7 million for 2014.

#### 2.1.4.11 Consolidated Profit for the Period Attributable to Equity Owners of the Parent (Net Income)

As a result of the factors discussed above, the Group recorded consolidated net income of €2,696 million for 2015, as compared to €2,343 million for 2014.

#### 2.1.4.12 Earnings per Share

Basic earnings were €3.43 per share in 2015, as compared to €2.99 per share in 2014. The number of issued shares as of 31 December 2015 was 785,344,784. The denominator used to calculate earnings per share was 785,621,099 shares (in 2014: 782,962,385), reflecting the weighted average number of shares outstanding during the year. In 2013, the Group reported basic earnings of €1.86 per share, based on a denominator of 792,466,862 shares.

Diluted earnings were €3.42 per share in 2015, as compared to €2.99 per share in 2014. The denominator used to calculate diluted earnings per share was 788,491,929 (in 2014: 784,155,749), reflecting the weighted average number of shares outstanding during the year, adjusted to assume the conversion of all potential ordinary shares. In 2013, the Group reported diluted earnings of €1.85 per share, based on a denominator of 794,127,812 shares. For further details, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 32: Total equity" and "Note 16: Earnings per share".

## 2.1.5 Changes in Consolidated Total Equity (Including Non-Controlling Interests)

The following table sets forth a summary of the changes in consolidated total equity for the period 1 January 2015 through 31 December 2015.

<i>(in €m)</i>	
<b>Balance as at 31 December 2014</b>	<b>7,079</b>
Profit for the period	2,698
Other comprehensive income	(2,649)
<i>Thereof foreign currency translation adjustments</i>	277
Cash distribution to shareholders / dividends paid to non-controlling interests	(948)
Capital increase	142
Equity transactions (IAS 27)	56
Share buy-back	(487)
Share-based payment (IFRS 2)	29
Convertible bond	53
<b>Balance as at 31 December 2015</b>	<b>5,973</b>

Please refer to the "Airbus Group SE IFRS Consolidated Financial Statements — IFRS Consolidated Statements of Changes in Equity for the years ended 31 December 2015 and 2014" and to the "Notes to the IFRS Consolidated Financial Statements — Note 32: Total equity".

Set forth below is a discussion on the calculation of accumulated other comprehensive income ("AOCI") and the related impact on consolidated total equity.

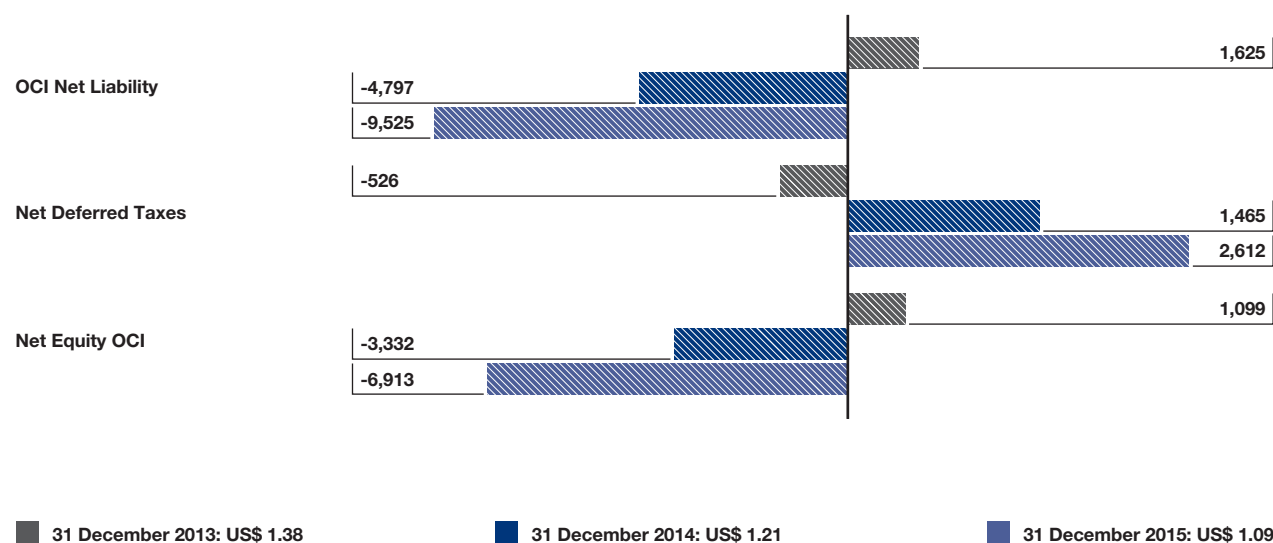
### 2.1.5.1 Cash Flow Hedge Related Impact on AOCI

As of 31 December 2015, the notional amount of the Group's portfolio of outstanding cash flow hedges amounted to US\$ 101.9 billion, hedged against the euro and the pound sterling. The year-end mark to market valuation of this portfolio required under IAS 39 resulted in a negative pre-tax AOCI valuation change of €-4.7 billion from 31 December 2014, based on a closing rate of €-US\$ 1.09 as compared to a negative pre-tax AOCI valuation change of €-6.4 billion as of 31 December 2014 from 31 December 2013, based on a closing rate of €-US\$ 1.21. For further information on the measurement of the fair values of financial instruments, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35: Information about financial instruments".

Positive pre-tax mark to market values of cash flow hedges are included in other financial assets, while negative pre-tax mark to market values of cash flow hedges are included in other financial liabilities. Year-to-year changes in the mark to market value of effective cash flow hedges are recognised as adjustments to AOCI. These adjustments to AOCI are net of corresponding changes to deferred tax assets (for cash flow hedges with negative mark to market valuations) and deferred tax liabilities (for cash flow hedges with positive mark to market valuations). Set out below is a graphic presentation of cash flow hedge related movements in AOCI over the past three years (in €m).

Note: The mark to market of the backlog is not reflected in the accounts whereas the mark to market of the hedge book is reflected in AOCI.

CASH FLOW HEDGE RELATED MOVEMENTS IN AOCI IN €M (BASED ON YEAR-END EXCHANGE RATES)



As a result of the negative change in the fair market valuation of the cash flow hedge portfolio in 2015, AOCI amounted to a net liability of €-9.5 billion for 2015, as compared to a net liability of €-4.8 billion for 2014. The corresponding € 1.1 billion tax effect led to a net deferred tax asset of €2.6 billion as of 31 December 2015 as compared to a net deferred tax asset of € 1.5 billion as of 31 December 2014.

For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35.5: Derivative financial instruments and hedge accounting disclosure".

### 2.1.5.2 Currency Translation Adjustment Impact on AOCI

The €277 million currency translation adjustment related impact on AOCI in 2015 mainly reflects the effect of the variation of the US dollar.

## 2.1.6 Liquidity and Capital Resources

The Group's objective is to generate sufficient operating cash flow in order to invest in its growth and future expansion, honour the Group's dividend policy and maintain financial flexibility while retaining its credit rating and competitive access to capital markets.

The Group defines its consolidated net cash position as the sum of (i) cash and cash equivalents and (ii) securities, minus (iii) financing liabilities (all as recorded in the consolidated statement of financial position). The net cash position as of 31 December 2015 was €10.0 billion (€9.1 billion as of 31 December 2014).

The liquidity is further supported by a €3.0 billion syndicated back-up facility, undrawn as of 31 December 2015 with no financial covenants, as well as a Euro medium term note programme and commercial paper programme. Please refer to "— 2.1.6.3 Consolidated Financing Liabilities" and "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Net

cash — Financing liabilities". The factors affecting the Group's cash position, and consequently its liquidity risk, are discussed below.

For information on Airbus Group SE's credit ratings, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 33: Capital management" and to "— 2.1.6.1: Cash Flows".

### 2.1.6.1 Cash Flows

The Group generally finances its manufacturing activities and product development programmes, and in particular the development of new commercial aircraft, through a combination of flows generated by operating activities, customer advances, risk-sharing partnerships with sub-contractors and European government refundable advances. In addition, the Group's military activities benefit from government-financed research and development contracts. If necessary, the Group may raise funds in the capital markets.

The following table sets forth the variation of the Group's consolidated net cash position over the periods indicated.

<i>(in €m)</i>	<b>2015</b>	2014	2013
<b>Consolidated net cash position at 1 January</b>	<b>9,092</b>	<b>8,454</b>	<b>11,724</b>
Gross cash flow from operations <sup>(1)</sup>	4,614	5,595	4,143
Changes in other operating assets and liabilities	(723)	(2,386)	(2,091)
<i>Thereof customer financing</i>	<i>(150)</i>	<i>108</i>	<i>(319)</i>
Cash used for investing activities <sup>(2)</sup>	(1,066)	(1,207)	(2,879)
<i>Thereof industrial capital expenditures</i>	<i>(2,924)</i>	<i>(2,548)</i>	<i>(2,918)</i>
<b>Free Cash Flow<sup>(3)</sup></b>	<b>2,825</b>	<b>2,002</b>	<b>(827)</b>
<i>Thereof M&amp;A transactions</i>	<i>1,650</i>	<i>893</i>	<i>(16)</i>
<i>Free Cash Flow before acquisitions</i>	<i>1,175</i>	<i>1,109</i>	<i>(811)</i>
Cash flow from customer financing (net)	(150)	108	(319)
<i>Free Cash Flow before customer financing</i>	<i>2,975</i>	<i>1,894</i>	<i>(508)</i>
Cash distribution to shareholders / non-controlling interests	(948)	(589)	(469)
Contribution to plan assets of pension schemes	(217)	(462)	(223)
Changes in capital and non-controlling interests	195	52	171
Share buyback / Change in treasury shares	(264)	102	(1,915)
Others	(680)	(467)	(7)
<b>Consolidated net cash position as of 31 December</b>	<b>10,003</b>	<b>9,092</b>	<b>8,454</b>

(1) Represents cash provided by operating activities, excluding (i) changes in other operating assets and liabilities (working capital), (ii) contribution to plan assets of pension schemes and (iii) realised foreign exchange results on Treasury swaps (€0 in 2013; €-187 million in 2014, €-74 million in 2015).

(2) Does not reflect change of securities (net disposal of €1,267 million for 2013; net investment of €-2,016 million for 2014, net investment of €-2,361 million for 2015), which are classified as cash and not as investments solely for the purposes of this net cash presentation. Excluding bank activities.

(3) Does not reflect change of securities, contribution to plan assets of pension schemes and realised foreign exchange results on Treasury swaps. Excluding bank activities.

The net cash position as of 31 December 2015 was €10.0 billion, a 10.0% increase from 31 December 2014. The increase primarily reflects the gross cash flow from operations (€4.6 billion), partially offset by the cash used for investing activities (€-1.1 billion), the cash distribution to shareholders / non-controlling interests (€-0.9 billion), the build-up of other operating assets and liabilities (€-0.7 billion) and the contribution to plan assets of pension schemes (€-0.2 billion).

### Gross Cash Flow from Operations

Gross cash flow from operations decreased by 17.5% to €4.6 billion for 2015, due to a higher level of cash consumption under utilisation of loss-making contract provisions and higher income tax payments.



### Changes in Other Operating Assets and Liabilities

Changes in other operating assets and liabilities is comprised of inventories, trade receivables, other assets and prepaid expenses netted against trade liabilities, other liabilities (including customer advances), deferred income and customer financing. They resulted in a €-0.7 billion negative impact on the net cash position for 2015, as compared to a negative impact of €-2.4 billion for 2014.

In 2015, the main net contributor to the negative working capital variation was the change in inventory (€-4.1 billion) reflecting increased work in progress mainly associated with the A350 XWB at Airbus and increased activity on A400M at Airbus Defence and Space. Additionally, trade receivables (€-1.4 billion) and other assets and liabilities (€-0.4 billion) contributed negatively. This was partly offset by pre-delivery payment from customers (€3.8 billion) and an increase in trade liabilities (€1.6 billion). In 2014, the main net contributor to the negative working capital variation was the change in inventory (€-3.3 billion) reflecting inventory growth at Airbus especially due to investment in programmes to support both production and development, particularly for the A350 XWB and Single Aisle programmes, as well as at Airbus Defence and Space. Additionally, trade receivables contributed negatively (€-0.7 billion). These negative variations within the year were partially offset by pre-delivery payments from customers (€1.7 billion), which increased compared to 2013.

**European government refundable advances.** As of 31 December 2015, total European government refundable advances received, recorded on the statement of financial position in the line items "non-current other financial liabilities" and "current other financial liabilities" due to their specific nature, amounted to €7.3 billion, including accrued interest.

European government refundable advances (net of reimbursements) increased in 2015, due primarily to refundable advances received for the A350 XWB. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 23: Other financial assets and other financial liabilities".

### Cash Used for Investing Activities

Management categorises cash used for investing activities into three components: (i) industrial capital expenditures, (ii) M&A transactions and (iii) others.

**Industrial capital expenditures.** Industrial capital expenditures (investments in property, plant and equipment and intangible assets) amounted to €-2.9 billion for 2015 as compared to €-2.5 billion for 2014 and €-2.9 billion for 2013. Capital expenditures in 2015 related to programmes at Airbus of €-2.0 billion (mainly for the ramp-up phase of A350 XWB and Single Aisle) and additional projects in the other Divisions of €-0.9 billion. Capital expenditures include product-related development costs that are capitalised in accordance with IAS 38. Please refer to "2.1.2.2 Capitalised development costs".

**M&A transactions.** In 2015, the €1.7 billion figure principally reflects the sale of Dassault Aviation shares in the first half of 2015. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 6: Acquisitions and disposals".

In 2014, the €893 million figure principally reflects the partial sale of shares of Dassault Aviation (€792 million) and the disposal of shares of Patria (€133 million). Cash was used for the Group's acquisitions of Alestis Aerospace S.L. (€-22 million) and of Salzburg München Bank AG (€-21 million).

### Free Cash Flow

The Group defines Free Cash Flow as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, minus (iii) change of securities, (iv) contribution to plan assets of pension schemes and (v) realised foreign exchange results on treasury swaps. As a result of the factors discussed above, Free Cash Flow amounted to €2.8 billion for 2015 as compared to €2.0 billion for 2014 and €-0.8 billion for 2013. Free Cash Flow before customer financing was €3.0 billion for 2015 as compared to €1.9 billion for 2014 and €-0.5 billion for 2013.

### Change in Treasury Shares

Change in treasury shares for 2015 amounted to €-0.3 billion which is related to the share buyback. 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.

Change in treasury shares for 2014 amounted to €+0.1 billion.

### Contribution to Plan Assets of Pension Schemes

The cash outflows of €-0.3 billion, €-0.5 billion and €-0.2 billion in 2015, 2014 and 2013, respectively, primarily relate to a contribution to the Contractual Trust Arrangement (CTA) for allocating and generating pension plan assets in accordance with IAS 19, as well as to plan assets in the UK and to German benefit funds. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 29.1: Post-employment benefits — Provisions for retirement plans". In 2016, the Group intends to make additional €400 million contributions to plan assets in order to reduce the provision for retirement plans on its statement of financial position.

### Others

In 2015, the negative change of €-680 million mainly resulted from finance lease liabilities and from a financing liability of €-223 million recognised for Airbus' irrevocable share buyback commitment as at 31 December 2015; recognition of the financial liability led to a corresponding reduction of equity.

In 2014, the negative change of €-467 million reflects among others the change in consolidated financing liabilities (mainly due to the first consolidation of Airbus Group bank).

### 2.1.6.2 Consolidated cash and cash equivalents and securities

The cash and cash equivalents and securities portfolio of the Group is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposit, overnight deposits, commercial paper, other money market instruments and bonds. Please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 35.1: Information about financial instruments — Financial risk management”.

The Group has a partially automated cross-border and domestic cash pooling system (including France, Germany, Spain, the Netherlands, the UK and the US). The cash pooling system enhances Management’s ability to assess reliably and instantaneously the cash position of each subsidiary within the Group and enables Management to allocate cash optimally within the Group depending upon shifting short-term needs.

### 2.1.6.3 Consolidated Financing Liabilities

The outstanding balance of the Group’s consolidated financing liabilities increased from €7.4 billion as of 31 December 2014 to €9.1 billion as of 31 December 2015. This increase is mainly due to a €0.5 billion convertible bond, the US\$ 0.3 billion loan from EIB and liabilities under the US Commercial paper programme in the amount of US\$0.55 billion, all entered into

in 2015. For further information, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 34.3: Net cash — Financing liabilities”.

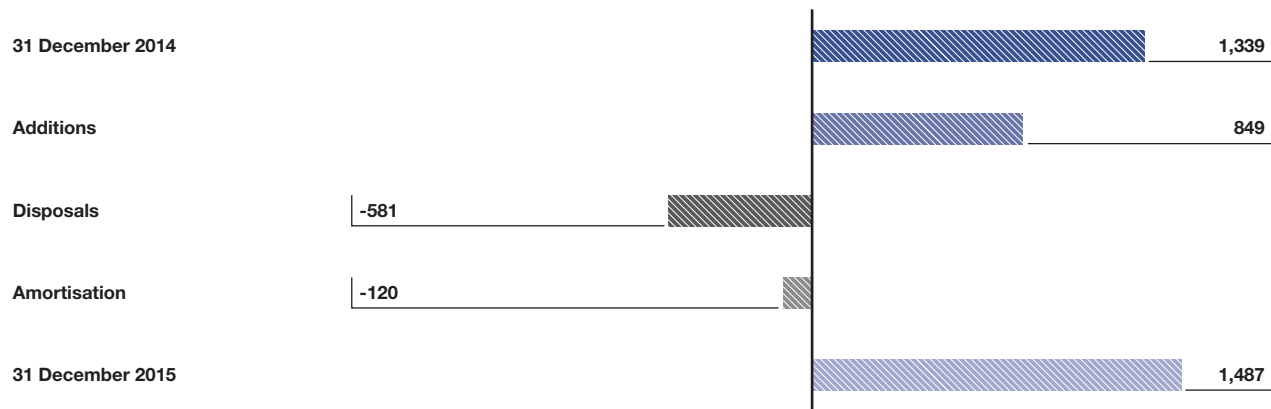
### 2.1.6.4 Sales Financing

The Group favours cash sales and encourages independent financing by customers, in order to avoid retaining credit or asset risk in relation to delivered products. However, in order to support product sales, primarily at Airbus and Airbus Helicopters, 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.

The financial markets remain unpredictable, which may cause the Group to increase its future outlays in connection with customer financing of commercial aircraft and helicopters, mostly through finance leases and secured loans and if deemed necessary through operating lease structures. Nevertheless, it intends to keep the amount as low as possible.

Dedicated and experienced teams structure such financing transactions and closely monitor total Group finance and asset value exposure and its evolution in terms of quality, volume and intensity of cash requirements. The Group aims to structure all financing it provides to customers in line with market-standard contractual terms so as to facilitate any subsequent sale or reduction of such exposure.

EVOLUTION OF AIRBUS GROSS EXPOSURE DURING 2015 IN US\$ MILLIONS



Airbus Gross Customer Financing Exposure as of 31 December 2015 is distributed over 74 aircraft, operated at any time by approximately 19 airlines. In addition, the level of exposure may include other aircraft-related assets, such as spare parts. More than 90% of Airbus Gross Customer Financing Exposure is distributed over 10 countries (this excludes backstop commitments).

Over the last three years (2013 to 2015), the average number of aircraft delivered in respect of which financing support has been provided by Airbus amounted to 1% of the average number of

deliveries over the same period, i.e. 9 aircraft financed per year out of 630 deliveries per year on average.

Airbus Helicopters’ Gross Customer Financing Exposure amounted to €69 million as of 31 December 2015. This exposure is distributed over 49 helicopters, operated by approximately 4 companies.

For further information, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 25: Sales financing transactions”.

## 2.1.7 Hedging Activities

At least 70% of the Group's revenues are denominated in US dollars, with approximately 60% of such currency exposure "naturally hedged" by US dollar-denominated costs. The remainder of costs is incurred primarily in euros, and to a lesser extent, in pounds sterling. Consequently, to the extent that the Group does not use financial instruments to hedge its net current and future exchange rate exposure from the time of a customer order to the time of delivery, its profits will be affected

by market changes in the exchange rate of the US dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pound sterling against the euro.

As the Group intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, the Group uses hedging strategies solely to mitigate the impact of exchange rate fluctuations on its EBIT\*.

The table below sets forth the notional amount of foreign exchange hedges in place as of 31 December 2015, and the average US dollar rates applicable to corresponding EBIT\*.

	2016	2017	2018	2019	2020+	Total
<b>Total Hedges</b> (in US\$bn)	<b>23.2</b>	<b>23.8</b>	<b>23.5</b>	<b>20.9</b>	<b>10.5</b>	<b>101.9</b>
Forward Rates (in US\$)						
€-US\$	1.32	1.30	1.25	1.26	1.25	
£-US\$	1.58	1.59	1.58	1.58	1.55	

For further information on the Group's hedging strategies in response to its particular exposures as well as a description of its current hedge portfolio, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35.1: Information about financial instruments — Financial risk management."

## 2.2 Financial Statements

The IFRS Consolidated Financial Statements and the Company Financial Statements of Airbus Group SE for the year ended 31 December 2015, together with the related notes, appendices and Auditors' reports, shall be deemed to be incorporated in and form part of this Registration Document.

In addition, the English versions of the following documents shall be deemed to be incorporated in and form part of this Registration Document:

- the IFRS Consolidated Financial Statements and the Company Financial Statements of EADS N.V. for the year ended 31 December 2013, together with the related notes, appendices and Auditors' reports, as incorporated by reference in the Registration Document filed in English with, and approved by, the AFM on 4 April 2014 and filed in English with the Chamber of Commerce of The Hague; and
- the IFRS Consolidated Financial Statements and the Company Financial Statements of Airbus Group N.V. for the year ended 31 December 2014, together with the related notes, appendices and Auditors' reports, as incorporated by reference in the Registration Document filed in English with,

and approved by, the AFM on 16 April 2015 and filed in English with the Chamber of Commerce of The Hague.

Copies of the above-mentioned documents are available free of charge upon request in English at the registered office of the Company and on [www.airbusgroup.com](http://www.airbusgroup.com) (Investors & Shareholders > Publications > Annual Reports and Registration Documents).

Copies of the above-mentioned Registration Documents are also available in English on the website of the AFM on [www.afm.nl](http://www.afm.nl) (Professionals > Registers > Approved prospectuses). The above-mentioned financial statements are also available in English for inspection at the Chamber of Commerce of The Hague.

The Company confirms that the reports of the auditors incorporated by reference herein have been accurately reproduced and that as far as the Company is aware and is able to ascertain from the information provided by the auditors, no facts have been omitted which would render such reports inaccurate or misleading.

## 2.3 Statutory Auditors' Fees

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial years 2015 and 2014 have been charged by KPMG to the Company, its subsidiaries and other consolidated entities:

	2015		2014	
	Amount in €K	%	Amount in €K	%
<b>Audit</b>				
Audit process, certification and examination of individual and consolidated accounts	6,008	47.0%	5,812	66.5%
Additional tasks <sup>(1)</sup>	6,160	48.2%	2,344	26.9%
<b>Sub-total</b>	<b>12,168</b>	<b>95.2%</b>	<b>8,156</b>	<b>93.4%</b>
<b>Other services as relevant</b>				
Legal, tax, employment	608	4.8%	573	6.6%
<b>Sub-total</b>	<b>608</b>	<b>4.8%</b>	<b>573</b>	<b>6.6%</b>
<b>Total</b>	<b>12,776</b>	<b>100%</b>	<b>8,729</b>	<b>100%</b>

(1) Mainly transaction related work.

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

## 2.4 Information Regarding the Statutory Auditors

	Date of first appointment	Expiration of current term of office <sup>(1)</sup>
<b>KPMG Accountants N.V.</b> 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

(1) A resolution will be submitted to the Annual General Meeting of Shareholders to be held on 28 April 2016, in order to appoint Ernst & Young Accountants LLP as the Company's auditor for the 2016 financial year.

KPMG Accountants N.V. and its representative are registered with the NBA (*Nederlandse Beroepsorganisatie van Accountants*).

Chapter

3.

# General Description of the Company and its Share Capital

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## 3.1 General Description of the Company

### 3.1.1 Commercial and Corporate Names, Seat and Registered Office

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**Commercial Name:** Airbus Group

**Seat (*statutaire zetel*):** Amsterdam

**Statutory Name:** Airbus Group SE

**Tel:** +31 (0)71,5245,600

**Registered Office:** Mendelweg 30, 2333 CS Leiden,  
The Netherlands

**Fax:** +31 (0)71,5232,807

### 3.1.2 Legal Form

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The Company is a European public company (*Societas Europaea*), with its seat in Amsterdam, The Netherlands and registered with the Dutch Commercial Register (*Handelsregister*) under number 24288945. As a company operating worldwide, the Company is subject to, and operates under, the laws of each country in which it conducts business.

### 3.1.3 Governing Laws and Disclosures

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The Company is governed by the laws of the Netherlands (in particular Book 2 of the Dutch Civil Code) and by its Articles of Association (the “**Articles of Association**”).

The Company is subject to various legal provisions of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the “**WFT**”). In addition, given the fact that its shares are admitted for trading on a regulated market in France, Germany and Spain, the Company is subject to certain laws and regulations in these three jurisdictions. A summary of the main regulations applicable to the Company in relation to information to be made public in these three jurisdictions, as well as the Netherlands, is set out below.

#### 3.1.3.1 Periodic Disclosure Obligations

Pursuant to Directive 2004 / 109 / EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (as amended, the “**Transparency Directive**”), the Company is required to disclose certain periodic and on-going information (the “**Regulated Information**”).

Pursuant to the Transparency Directive, the Company must disseminate such Regulated Information throughout the European Community in a manner ensuring fast access to such information on a non-discriminatory basis. For this purpose, the Company may use a professional service provider (wire). In addition, Regulated Information must be filed at the same time

with the relevant competent market authority. The Company must then ensure that Regulated Information remains publicly available for at least ten years.

Finally, Regulated Information must be made available for central storage by a mechanism that is officially designated by the Company’s home Member State.

#### Dutch Regulations

For the purpose of the Transparency Directive, supervision of the Company is effected by the Member State in which it maintains its corporate seat, which is the Netherlands. The competent market authority that assumes final responsibility for supervising compliance by the Company in this respect is the AFM.

Under the Transparency Directive as implemented under Dutch law, the Company is subject to a number of periodic disclosure requirements, such as:

- publishing an Annual Financial Report, together with an audit report drawn up by the Statutory Auditors, within four months after the end of each financial year; and
- publishing a semi-Annual Financial Report, within three months after the end of the first six months of the financial year.

In addition, the Company must file with the AFM, within five days following their adoption by the Company’s shareholders, its audited annual financial statements (including the consolidated ones), the management report, the Auditors’ report and other information related to the financial statements.

## French Regulations

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, the Company is required to provide simultaneously in France the same information as that provided abroad.

## German Regulations

Due to the listing of the Company's shares in the *Prime Standard* sub-segment of the Regulated Market (*regulierter Markt*) of the Frankfurt Stock Exchange, the Company is subject to certain post-listing obligations as described below. The Company is included *inter alia* in the selection index MDAX, the MidCap index of *Deutsche Börse AG*.

Pursuant to the Exchange Rules (Börsenordnung) of the Frankfurt Stock Exchange, the Company is required to publish consolidated annual and semi-annual financial statements as well as quarterly reports which may be prepared in English only. In addition, pursuant to the Exchange Rules, the Company is required to publish a financial calendar at the beginning of each financial year in German and English. The Company is also required to hold an analysts' meeting at least once per year in addition to the press conference regarding the annual financial statements.

## Spanish Regulations

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, the Company is required to provide simultaneously in Spain the same information as that provided abroad.

### 3.1.3.2 Ongoing Disclosure Obligations

Pursuant to the Transparency Directive, Regulated Information includes in particular "inside information" as defined pursuant to Article 6 of Directive 2003 / 6 / EC on insider dealing and market manipulation (the "**Market Abuse Directive**"). Such information must be disseminated throughout the European Community (see introduction to section "— 3.1.3.1 Periodic Disclosure Obligations").

Inside information consists of information of a precise nature which has not been made public that relates, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Inside information must be disclosed to the markets as soon as possible. However, an issuer may under its own responsibility delay the public disclosure of inside information so as not to prejudice its legitimate interests provided that such omission

would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality of that information.

## Dutch Regulations

Following the implementation of the Transparency Directive into Dutch law, the Company must publicly disclose Regulated Information and also file Regulated Information with the AFM, which will keep all relevant Regulated Information in a publicly available register. The Company will, whenever it discloses inside information pursuant to applicable mandatory law as part of the Regulated Information, disclose and disseminate throughout the European Community any such information.

Under Dutch law, the Company must also publish any change in the rights attached to its shares, as well as any changes in the rights attached to any rights issued by the Company to acquire Airbus Group shares.

## French Regulations

Any inside information as defined above will be disclosed in France by means of dissemination throughout the European Community, as it is organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in France equivalent information to that provided abroad.

## German Regulations

Any inside information as defined above will be disclosed in Germany by means of dissemination throughout the European Community, as it is organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in Germany equivalent information to that provided abroad.

## Spanish Regulations

Pursuant to the Spanish restated securities market law dated 23 October 2015 (the "**Spanish Securities Market Act**"), the Company is required to make public, as soon as possible, any fact or decision that may substantially affect the quotation of its shares ("**Relevant Event**"). Any Relevant Event must be notified to the CNMV simultaneously with its diffusion by any other means, as soon as the relevant fact is known, the relevant decision has been made or, the relevant agreement has been executed, as the case may be. The Company may, under its own responsibility, delay the publication of any Relevant Event if it considers that such publication damages its legitimate interests, provided that such lack of publication does not mislead the public and that the Company is in a position to guarantee the confidentiality of the relevant information. Nonetheless, the Company will immediately inform the CNMV should it decide to delay the publication of any Relevant Event. Furthermore, pursuant to the Spanish Securities Act, the Company must post details of any Relevant Event on its website. The Company must try to ensure that the relevant information is disclosed simultaneously to all types of investors in the Member States of the European Union where it is listed.

Pursuant to the Spanish securities rules and regulations, the Company is also required to make available to shareholders and file a Corporate Governance Report with the CNMV in the

Spanish language or in a language customary in the sphere of international finance on an annual basis.

### 3.1.4 Date of Incorporation and Duration of the Company

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The Company was incorporated on 29 December 1998 for an unlimited duration.

### 3.1.5 Objects of the Company

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Pursuant to its Articles of Association, the objects of the Company are to hold, co-ordinate and manage participations or other interests and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities,

partnerships, business associations and undertakings that are involved in:

- the aeronautic, defence, space and/or communication industry; or
- activities that are complementary, supportive or ancillary thereto.

### 3.1.6 Commercial and Companies Registry

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The Company is registered with the Dutch Commercial Register (*Handelsregister*) under number 24288945.

### 3.1.7 Inspection of Corporate Documents

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The Articles of Association are available for inspection in Dutch at the Chamber of Commerce.

In France, the Articles of Association are available at the operational headquarters of Airbus Group (2, rond-point Emile Dewoitine, 31700 Blagnac, France, Tel.: +33 5 81 31 75 00).

In Germany, the Articles of Association are available at the Munich office of Airbus Group (Willy-Messerschmitt-Strasse 1, 82024 Taufkirchen, Germany, Tel.: +49 89 60 70).

In Spain, the Articles of Association are available at the CNMV and at the Madrid office of Airbus Group (Avenida de Aragón 404, 28022 Madrid, Spain, Tel.: +34 91,585 70 00).

### 3.1.8 Financial Year

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The financial year of the Company starts on 1 January and ends on 31 December of each year.

## 3.1.9 Allocation and Distribution of Income

### 3.1.9.1 Dividends

The Board of Directors shall determine which part of the profits of the Company shall be attributed to reserves. The remaining distributable profit shall be at the disposal of the Shareholders' Meeting.

The Shareholders' Meeting may resolve (if so proposed by the Board of Directors) that all or part of a distribution on shares shall be paid in Airbus Group shares or in the form of assets as opposed to cash.

The declaration of a dividend, an interim dividend or another distribution to the shareholders shall be made known to them within seven days after such declaration. Declared dividends, interim dividends or other distributions shall be payable on such date(s) as determined by the Board of Directors.

Dividends, interim dividends and other distributions on shares shall be paid by bank transfer to the bank or giro accounts designated in writing to the Company by, or on behalf of, shareholders at the latest 14 days after their announcement.

The persons entitled to a dividend, interim dividend or other distribution shall be the shareholders as at a record date to be determined by the Board of Directors for that purpose, which date may not be a date prior to the date on which such dividend, interim dividend or other distribution is declared.

### 3.1.9.2 Liquidation

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses shall be distributed amongst the holders of the shares in proportion to their shareholdings.

## 3.1.10 General Meetings

### 3.1.10.1 Calling of Meetings

Shareholders' Meetings are held as often as the Board of Directors deems necessary, when required under the Dutch Civil Code (as a result of a decrease of the Company's equity to or below half of the Company's paid up and called up capital) or upon the request of shareholders holding, individually or together, at least 10% of the total issued share capital of the Company. The Annual General Meeting of Shareholders of the Company is held within six months of the end of the financial year.

The Board of Directors must give notice of Shareholders' Meetings through publication of a notice on the Company's website ([www.airbusgroup.com](http://www.airbusgroup.com)), which will be directly and permanently accessible until the Shareholders' Meeting. The Company must comply with the statutory rules providing for a minimum convening period, which currently require at least 42 days of notice. The convening notice must state the items required under Dutch law.

Shareholders' Meetings are held in Amsterdam, The Hague, Rotterdam or Haarlemmermeer (Schiphol Airport). The Board of Directors may decide that Shareholders' Meetings may be attended by means of electronic or video communication devices from the locations mentioned in the convening notice.

The Board of Directors must announce the date of the Annual General Meeting of Shareholders at least ten weeks before the Meeting. A matter which one or more shareholders or other parties with meeting rights collectively representing at least the

statutory threshold (which is currently 3% of the issued share capital) have requested in writing to be put on the agenda for a General Meeting of Shareholders shall be included in the convening notice or shall be announced in the same fashion, if the substantiated request or a proposal for a resolution is received by the Company no later than the 60th day before the general meeting. When exercising the right to put a matter on the agenda for a General Meeting of Shareholders, the respective shareholder or shareholders are obliged to disclose their full economic interest to the Company. The Company must publish such disclosure on its website.

A request as referred to in the preceding paragraph may only be made in writing. The Board of Directors can decide that in "writing" is understood to include a request that is recorded electronically.

### 3.1.10.2 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. See "— 3.1.10.4 Conditions of Exercise of Right to Vote". 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 registration date referred to in the Dutch Civil Code which

is currently the 28th day prior to the day of the Shareholders' Meeting (the "**Registration Date**"), irrespective of who may be entitled to the shares at the time of that meeting.

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

Shareholders holding their Airbus Group shares through Euroclear France SA 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 SA 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 SA) in the register of the Company. However, only shares registered in the name of Euroclear France SA 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 SA 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.

### 3.1.10.3 Majority and Quorum

All resolutions are adopted by means of a simple majority of the votes cast except when a qualified majority is prescribed by the Articles of Association or by Dutch law. No quorum is required for any Shareholders' Meeting to be held except as required under applicable law for a very limited number of

resolutions of an extraordinary nature. Dutch law requires a special majority for the passing of certain resolutions: *inter alia*, capital reduction, exclusion of pre-emption rights in connection with share issues, statutory mergers or statutory de-mergers; the passing of such resolutions requires a majority of two-thirds of the votes cast if 50% of the share capital with voting rights is not present at the Shareholders' Meeting (or otherwise a simple majority). In addition, resolutions to amend the Articles of Association or to dissolve the Company may only be adopted with a majority of at least two-thirds of the valid votes cast at a Shareholders' Meeting, whatever the quorum present at such meeting, and resolutions to amend certain provisions of the Articles of Association may only be adopted with a majority of at least 75% of the valid votes cast at a Shareholders' Meeting, whatever the quorum present at such meeting.

### 3.1.10.4 Conditions of Exercise of Right to Vote

In all Shareholders' Meetings, each shareholder has one vote in respect of each share it holds. The major shareholders of the Company – as set forth in "– 3.3.2 Relationships with Principal Shareholders" – do not enjoy different voting rights from those of the other shareholders.

A shareholder whose shares are subject to a pledge or usufruct shall have the voting rights attaching to such shares unless otherwise provided by law or by the Articles of Association or if, in the case of a usufruct, the shareholder has granted voting rights to the usufructuary. Pursuant to the Articles of Association and subject to the prior consent of the Board of Directors, a pledgee of shares in the Company may be granted the right to vote in respect of such pledged shares.

According to the Articles of Association, no vote may be cast at the General Meeting on a share that is held by the Company or a subsidiary, nor for a share in respect of which one of them holds the depository receipts. Usufructuaries and pledgees of shares that are held by the Company or its subsidiaries are, however, not excluded from their voting rights, in case the right of usufruct or pledge was vested before the share was held by the Company or its subsidiary.

## 3.1.11 Disclosure of Holdings

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Pursuant to the WFT, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights of the Company must immediately give written notice to the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person meets, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Any person whose interest in the capital or voting rights of the Company meets, exceeds or falls below one

or several of the above-mentioned thresholds due to a change in Airbus Group's outstanding capital, or in voting rights attached to the shares as notified to the AFM by the Company, should notify the AFM no later than the fourth trading day after the AFM has published the notification by the Company. Among other things, the Company is required to notify the AFM immediately if its outstanding share capital or voting rights have changed by 1% or more since the Company's previous notification.

If at the end of a calendar year the composition of a shareholder's holding differs from its previous disclosure as a result of the conversion of certain types of securities or following the exercise of rights to acquire voting rights, this shareholder must then provide an update of its previous disclosure within four weeks of the end of each calendar year by giving written notice thereof to the AFM. The disclosures are published by the AFM on its website ([www.afm.nl](http://www.afm.nl)).

Pursuant to the Articles of Association, shareholders must notify the Company when meeting or crossing the thresholds above. The Articles of Association also contain disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds.

Under the Articles of Association, the disclosure obligations of shareholders are enhanced in several ways beyond what is required under the WFT, including by requiring the disclosure of additional information, tying the disclosure obligations to a broader range of interests in the capital or voting rights of the Company and by requiring a shareholder to notify the Company if his or her interest reaches, exceeds or falls below the Mandatory Disposal Threshold (as defined below) or if the interest of a shareholder (alone or a member of a concert) which is above such Mandatory Disposal Threshold changes in its composition, nature and/or size.

Failure to comply with the legal obligation to notify a change in shareholding under the WFT is a criminal offence punishable by criminal and administrative penalties as well as civil law penalties, including the suspension of voting rights. Failure to comply with a notification under the Articles of Association can lead to a suspension of meeting and voting rights.

## Disclosure Requirements for Members of the Board of Directors and the Executive Committee

### Disclosure of Holdings

In addition to the requirements under the WFT regarding the disclosure of holdings in case the specified thresholds are met or exceeded or if holdings fall below these thresholds, Members of the Board of Directors must report to the AFM the number of shares in the Company and attached voting rights<sup>(1)</sup> held by him or an entity controlled by him, within two weeks following his appointment as Director, whether or not such shareholdings meet or exceed any of the specified thresholds. Subsequently, any Member of the Board of Directors is required to notify the AFM of any changes in such number of shares in the Company and attached voting rights.

(1) In this context, the term "shares" also includes for example depository receipts for shares and rights resulting from an agreement to acquire shares or depository receipts for shares, specifically call options, warrants, and convertible bonds. Equally, the term "voting rights" also includes actual or contingent rights to voting rights (e.g., embedded in call options, warrants or convertible bonds).

## Disclosure of Transactions Carried Out on Any Securities Issued by the Company

Based on the WFT, certain persons discharging managerial or supervisory responsibilities within the Company and, where applicable, persons closely associated with them (together "Insiders", as defined below), are required to notify the AFM within five trading days of all transactions conducted for their own account involving shares of the Company, or derivatives or other financial instruments related to such shares, unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year.

"Insiders" for the Company include (i) Members of the Board of Directors and the Group Executive Committee of the Company, (ii) persons closely associated with any person mentioned under category (i) (including their spouses, life partners or any partner considered by national law as equivalent to the spouse, blood relatives, dependent children and other relatives who have shared the same household), and (iii) legal entities, trusts or partnerships whose managerial responsibilities are discharged by any person referred to in categories (i) or (ii) or which are directly or indirectly controlled by such a person, or that have been set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such a person.

According to the German Securities Trading Act, persons with significant managerial responsibility within the Company (*i.e.* for the Company, the Members of the Board of Directors and of the Group Executive Committee), or the persons closely associated with them, must disclose transactions conducted for their own account involving shares of the Company or financial instruments that relate to those shares, especially derivatives. These persons have to notify the Company and the German Federal Financial Supervisory Authority of the transactions within five trading days unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year. Since implementation of the Transparency Directive into German law on 20 January 2007, the Company is no longer required to publish such notifications on its website or in a German supra-regional mandatory stock exchange newspaper.

The Company has adopted specific internal insider trading rules (the "Insider Trading Rules") in order to ensure compliance with the above requirements and with other share trading regulations applicable in the Netherlands, France, Germany and Spain. The Insider Trading Rules are available on the Company's website, and provide in particular that: (i) all employees and Directors are prohibited from conducting transactions in the Company's shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in the Company's shares or stock options within very limited periods and have specific information obligations to the ITR Compliance Officer



of the Company and the competent financial market authorities with respect to certain transactions. The ITR Compliance Officer is responsible for the implementation of the Insider Trading Rules and for reporting to the AFM.

Pursuant to the WFT, the Company must maintain a list of all persons working for it by virtue of a labour relationship or otherwise, who may have access to inside information. Equivalent requirements exist under French, German and Spanish law.

## 3.1.12 Mandatory Disposal

### 3.1.12.1 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 WFT, 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 Airbus Group 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 “— 3.1.12.2 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 Airbus Group 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.

### 3.1.12.2 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 Airbus Group 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 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 voting rights and shares including the legal and economic ownership thereof on the Exemption Date.

### 3.1.13 Mandatory Offers

#### 3.1.13.1 Takeover Directive

The Directive 2004 / 25 / EC on takeover bids (the “**Takeover Directive**”) sets forth the principles governing the allocation of laws applicable to the Company in the context of a takeover bid for the shares of the Company. The Takeover Directive refers to the rules of the Netherlands and the rules of the European Union Member State of the competent authority that must be chosen by the Company from among the various market authorities supervising the markets where its shares are listed.

For the Company, matters relating to, *inter alia*, the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror’s decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be determined by the laws of the European Union Member State having the competent authority, which will be selected by the Company at a future date.

Matters relating to the information to be provided to the employees of the Company and matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a

bid, the conditions under which the Board of Directors of the Company may undertake any action which might result in the frustration of the bid, the applicable rules and the competent authority will be governed by Dutch law (see “— 3.1.13.2 Dutch Law”).

#### 3.1.13.2 Dutch Law

In accordance with the Dutch act implementing the Takeover Directive (the “**Takeover Act**”), shareholders are required to make an unconditional public offer for all issued and outstanding shares in the Company’s share capital if they — individually or acting in concert (as such term is defined in the Takeover Act), 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 Act 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.

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## 3.2 General Description of the Share Capital

### 3.2.1 Issued Share Capital

As of 31 December 2015, the Company’s issued share capital amounted to €785,344,784, consisting of 785,344,784 fully paid-up shares of a nominal value of €1 each.

### 3.2.2 Authorised Share Capital

As of 31 December 2015, the Company’s authorised share capital amounted to €3 billion, consisting of 3,000,000,000 shares of €1 each.

### 3.2.3 Modification of Share Capital or Rights Attached to the Shares

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

Holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for 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 "— 3.3.2 Relationships 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 extend 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 last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out. 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 said 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 €1 billion share buyback for completion by 30 June 2016 (please refer to the "Notes to the IFRS consolidated financial statements — Note 32: Total equity" for further information).

### 3.2.4 Securities Granting Access to the Company's Share Capital

Except for stock options granted for the subscription of the Company's shares (See "— Corporate Governance — 4.3.3 Long-Term Incentive Plans" and "Notes to the IFRS Consolidated Financial Statements — Note 30: Share-based payment") and convertible bonds (See "Notes to the IFRS Consolidated Financial Statements — Note 34.3 Financial liabilities"), 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 of 31 December 2015 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights <sup>(1)</sup>
Total number of Company shares issued as of 31 December 2015	785,344,784	99.331%	785,344,784	99.331%
Total number of Company shares which may be issued following exercise of stock options	264,500	0.034%	264,500	0.034%
Total number of bonds convertible into Company shares which may be issued	5,022,990	0.635%	5,022,990	0.635%
<b>Total potential Company share capital</b>	<b>790,632,274</b>	<b>100%</b>	<b>790,632,274</b>	<b>100%</b>

(1) 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. See "— 3.3.7.1 Dutch law and information on share repurchase programmes".

### 3.2.5 Changes in the Issued Share Capital

Date	Nature of Transaction	Nominal value per share	Number of shares issued / cancelled	Premium <sup>(1)</sup>	Total number of issued shares after transaction	Total issued capital after transaction
20 June 2013	Cancellation of shares upon authorisation granted by the Extraordinary General Meeting held on 27 March 2013	€1	47,648,691	-	779,719,254	€779,719,254
29 July 2013	Issue of shares for the purpose of an employee offering	€1	2,113,245	€57,580,650	781,832,499	€781,832,499
27 September 2013	Cancellation of shares upon authorisation granted by the Extraordinary General Meeting held on 27 March 2013	€1	3,099,657	-	778,732,842	€778,732,842
27 September 2013	Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 29 May 2013	€1	2,448,884	-	776,283,958	€776,283,958
In 2013	Issue of shares following exercise of options granted to employees <sup>(2)</sup>	€1	6,873,677	€176,017,918	783,157,635	€783,157,635
In 2014	Issue of shares following exercise of options granted to employees <sup>(2)</sup>	€1	1,871,419	€50,619,684	784,780,585	€784,780,585
In 2015	Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 27 May 2015	€1	2,885,243	-	785,333,784	€785,333,784
In 2015	Issue of shares following exercise of options granted to employees <sup>(2)</sup>	€1	1,910,428	-	785,344,784	€785,344,784

(1) The costs (net of taxes) related to the initial public offering of the shares of the Company in July 2000 have been offset against share premium for an amount of €55,849,772.

(2) For information on stock option plans under which these options were granted to the Company's employees, see "— Corporate Governance — 4.3.3 Long-Term Incentive Plans".

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.

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

## 3.3 Shareholdings and Voting Rights

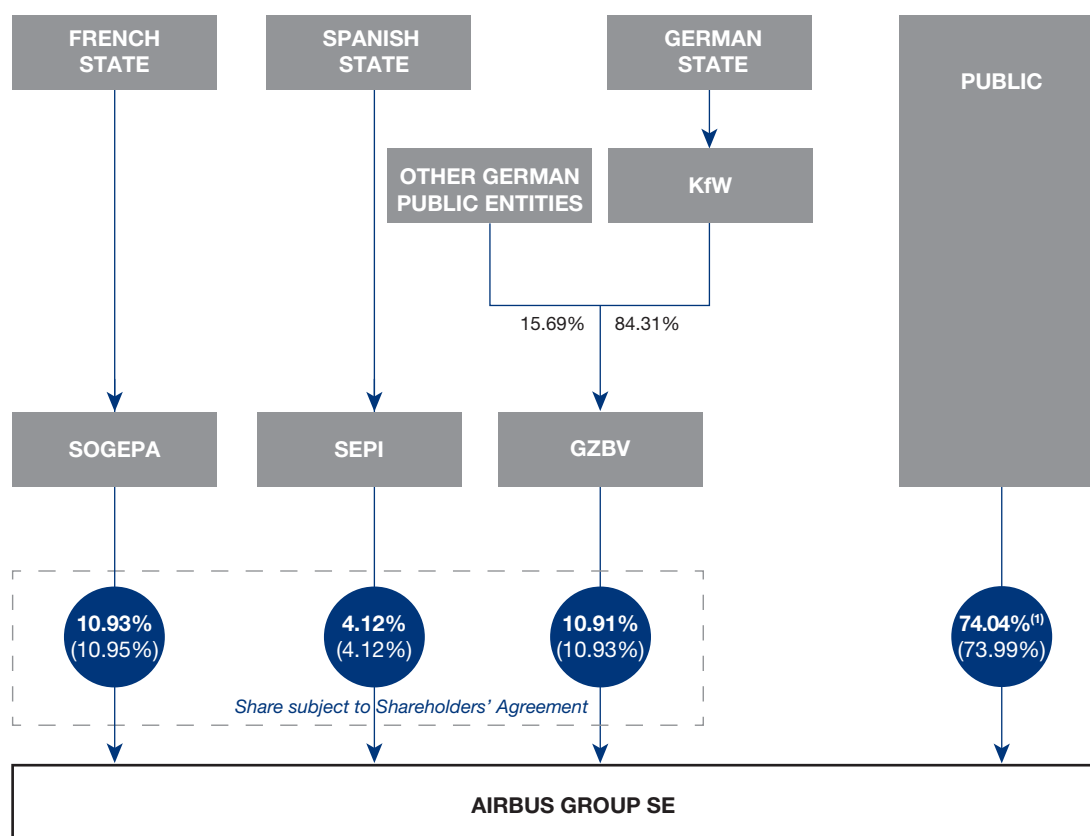
### 3.3.1 Shareholding Structure at the end of 2015

As of 31 December 2015, the French State held 10.93% of the outstanding Company shares through *Société de Gestion de Participations Aéronautiques* (“**Sogepa**”), the German State held 10.91% through Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG (“**GZBV**”), a subsidiary of Kreditanstalt für Wiederaufbau (“**KfW**”), a public law institution serving domestic and international policy objectives of the Government of the Federal Republic of Germany, and the Spanish State held 4.12% through *Sociedad Estatal de Participaciones Industriales*

(“**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 Airbus Group shares). See “— Corporate Governance — 4.3.3 Long-Term Incentive Plans”.

OWNERSHIP STRUCTURE OF AIRBUS GROUP SE AS OF 31 DECEMBER 2015



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

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](http://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).

As of 31 December 2015, the Company held, directly or indirectly through another company in which the Company holds directly

or indirectly more than 50% of the share capital, 1,474,057 of its own shares, equal to 0.19% of issued share capital. The treasury shares owned by the Company do not carry voting rights.

For the number of shares and voting rights held by Members of the Board of Directors and Group Executive Committee, see “— Corporate Governance — 4.2.1 Remuneration Policy”.

Approximately 2.01% of the share capital (and voting rights) was held by the Company’s employees as of 31 December 2015.

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### 3.3.2 Relationships 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.

#### 3.3.2.1 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. See sections 3.1.11 and 3.1.12 above. In addition, there were changes in the composition of the Board of Directors and its internal rules. See section 4 below.

#### 3.3.2.2 Core Shareholder Arrangements

##### Grandfathering Agreement

At the Consummation, 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 new 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 post-concert Grandfathering Agreement, or (ii) a copy of a binding advice rendered by three independent, impartial and neutral Expert Adjudicators in order to settle any dispute between the Parties arising out of or in connection with the post-concert Grandfathering Agreement.

The Company will not incur any liability to any of the Parties by taking such actions following receipt of any such joint instruction or binding advice, and the Company will not be required to interpret the post-concert Grandfathering Agreement or any such joint instruction or binding advice.

Notwithstanding the description under “Various provisions – Jurisdiction” below, the courts of the Netherlands will have exclusive jurisdiction to resolve any dispute, controversy or claim affecting the rights or obligations of the Company under the post-concert Grandfathering Agreement.

### Various provisions

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

**Governing law.** Laws of the Netherlands.

**Jurisdiction.** 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.

### Shareholders’ Agreement

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**”).

### Governance of the Company

**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 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 their common objective to seek a balance between themselves of their respective interest 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;
- 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).

### 3.3.2.3 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 and Negotiations

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 of Directors. Two of the French Defence Outside Directors are required to also be Members of the Board of Directors. 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 of Directors) 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 of Directors. Two of the German Defence Outside Directors are required to also be Members of the Board of Directors. 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.

### Dassault Aviation

The Company entered into an agreement with the French State pursuant to which the Company would:

- grant the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and
- commit to consult with the French State prior to making any decision at any Shareholders’ Meeting of Dassault Aviation.

In 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 Airbus Group SE 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.

## 3.3.3 Form of Shares

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The shares of the Company are in registered form. The Board of Directors may decide with respect to all or certain shares, on shares in bearer form.

Shares shall be registered in the shareholders’ register without the issue of a share certificate or, should the Board of Directors

so decide, with respect to all or certain shares, with the issue of a certificate. Share certificates shall be issued in such form as the Board of Directors may determine. Registered shares shall be numbered in the manner to be determined by the Board of Directors.

### 3.3.4 Changes in the Shareholding of the Company

The evolution in ownership of the share capital and voting rights of the Company over the past three years is set forth in the table below:

Shareholders	Position as of 31 December 2015			Position as of 31 December 2014			Position as of 31 December 2013		
	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares
SOGEPA	10.93%	10.95%	85,835,477	10.94%	10.94%	85,835,477	11.99%	12.03%	93,864,165
GZBV <sup>(1)</sup>	10.91%	10.93%	85,709,822	10.92%	10.93%	85,709,822	10.94%	10.98%	85,709,822
SEPI	4.12%	4.12%	32,330,381	4.12%	4.12%	32,330,381	4.13%	4.14%	32,330,381
-	-	-	-	-	-	-	-	-	-
<b>Sub-total New Shareholder Agt.</b>	<b>25.96%</b>	<b>26.01%</b>	<b>203,875,680</b>	<b>25.98%</b>	<b>25.99%</b>	<b>203,875,680</b>	<b>27.06%</b>	<b>27.16%</b>	<b>211,904,368</b>
Foundation "SOGEPA"	0.00%	0.00%	0	0.00%	0.00%	0	0.07%	0.07%	575,606
Public <sup>(2)</sup>	73.85%	73.99%	579,995,047	73.97%	74.01%	580,473,073	72.51%	72.84%	568,418,146
Own share buy-back <sup>(3)</sup>	0.19%	-	1,474,057	0.06%	-	431,832	0.36%	-	2,835,121
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>785,344,784</b>	<b>100%</b>	<b>100%</b>	<b>784,780,585</b>	<b>100%</b>	<b>100%</b>	<b>783,157,635</b>

(1) KfW & other German public entities.

(2) Including Company employees. As of 31 December 2015, the Company's employees held approximately 2.01% of the share capital (and voting rights).

(3) The shares owned by the Company do not carry voting rights.

To the knowledge of the Company, there are no pledges over the shares of the Company.

The Company requested disclosure of the identity of the beneficial holders of its shares held by identifiable holders ("Titres au porteur identifiable") holding more than 2,000 shares each. The study, which was completed on 31 December 2015, resulted in the identification of 2,505 shareholders holding a total

of 570,184,806 Company shares (including 3,796,187 shares held by Iberclear on behalf of the Spanish markets and 31,228,628 shares held by Clearstream on behalf of the German market).

The shareholding structure of the Company as of 31 December 2015 is as shown in the diagram in "— 3.3.1 Shareholding Structure at the end of 2015".

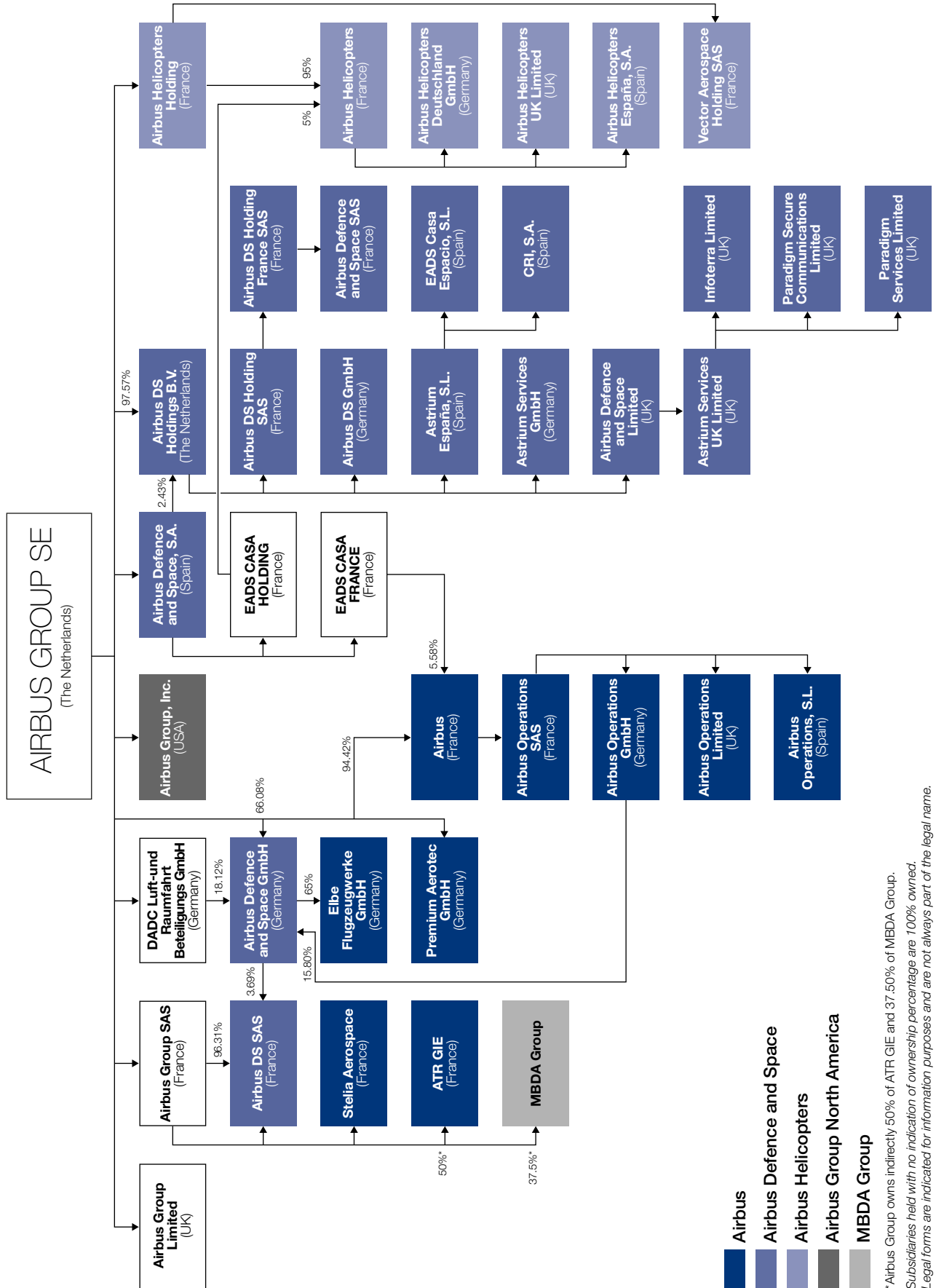
### 3.3.5 Persons Exercising Control over the Company

See "— 3.3.1 Shareholding Structure at the end of 2015" and "— 3.3.2 Relationships with Principal Shareholders".

### 3.3.6 Simplified Group Structure Chart

The following chart illustrates the simplified organisational structure of the Group as of 31 December 2015, comprising three Divisions and the main Business Units. See "— Information on Group Activities — 1.1.1 Overview — Organisation of the Group's Businesses". For ease of presentation, certain intermediate holding companies have been omitted.

SIMPLIFIED GROUP STRUCTURE CHART



- Airbus
- Airbus Defence and Space
- Airbus Helicopters
- Airbus Group North America
- MBDA Group

\*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.

## 3.3.7 Purchase by the Company of its Own Shares

### 3.3.7.1 Dutch Law and Information on Share Repurchase Programmes

Under Dutch Civil law, the Company may acquire its own shares, subject to certain provisions of the law of the Netherlands and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called portion of the share capital and any reserves required by the law of the Netherlands and (ii) the Company and its subsidiaries would not thereafter hold or hold in pledge shares with an aggregate nominal value exceeding one-half (50%) of the Company's issued share capital. Share acquisitions may be effected by the Board of Directors only if the Shareholders' Meeting has authorised the Board of Directors to effect such repurchases. Such authorisation may apply for a maximum period of 18 months.

Pursuant to EC Regulation No. 2273 / 2003, the Company is subject to conditions for share repurchase programmes and disclosure relating thereto, as described below.

For the authorisations granted to the Board of Directors at the Annual General Meeting of Shareholders held on 27 May 2015, see "— 3.2.3 Modification of Share Capital or Rights Attached to the Shares".

### 3.3.7.2 French Regulations

As a result of its listing on a regulated market in France, the Company is subject to the regulations summarised below.

Pursuant to the AMF General Regulations, the purchase by a company of its own shares requires the publication of the description of the share repurchase programme. Such description must be published prior to the implementation of the share repurchase programme.

Under the AMF General Regulations, a company may not trade in its own shares for the purpose of manipulating the market. The AMF General Regulations also define the conditions for a company's trading in its own shares to be valid.

After purchasing its own shares, the Company is required to disclose on its website specified information regarding such purchases within at least seven trading days.

In addition, the Company must report to the AMF, on at least a monthly basis, all the specified information regarding such purchases previously published on its website and information concerning the cancellation of such repurchased shares.

### 3.3.7.3 German Regulations

As a foreign issuer, the Company is subject to German rules on repurchasing its own shares only to a limited extent, since German rules refer to the law of the Member State in which the Company is domiciled.

In addition, general principles of German law of insider trading, market manipulation and equal treatment of shareholders are applicable.

### 3.3.7.4 Spanish Regulations

As a foreign issuer, the Company is not subject to Spanish rules on trading in its own shares, which only apply to Spanish issuers.

However, according to the Conduct Rules under the Spanish Securities Market Act, insider trading is prohibited and the Company may not trade in its own shares for the purpose of manipulating the market.

### 3.3.7.5 Description of the Share Repurchase Programme to be Authorised by the Annual General Meeting of Shareholders to be held on 28 April 2016

Pursuant to Articles 241-2-1 and 241-3 of the AMF General Regulations, below is a description of the share repurchase programme ("*descriptif du programme*") to be implemented by the Company:

- **date of the Shareholders' Meeting to authorise the share repurchase programme:** 28 April 2016;
- **intended use of the Airbus Group SE shares held by the Company as of the date of this document:** the owning of shares for the performance of obligations related to employee share option programmes or other allocations of shares to employees of the Group and the Group's Companies: 910,705 shares;
- **purposes of the share repurchase programme to be implemented by the Company (by order of decreasing priority, without any effect on the actual order of use of the repurchase authorisation, which will be determined on a case-by-case basis by the Board of Directors based on need):**
  - the reduction of share capital by cancellation of all or part of the repurchased shares, it being understood that the repurchased shares shall not carry any voting or dividend rights,
  - the owning of shares for the performance of obligations related to (i) debt financial instruments convertible into Airbus Group SE shares, or (ii) employee share option programmes or other allocations of shares to employees of the Group and the Group's companies,



- the purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions, and
- the liquidity or dynamism of the secondary market of the Airbus Group SE shares carried out pursuant to a liquidity agreement to be entered into with an independent investment services provider in compliance with the decision of the AMF dated 1 October 2008 (as amended) related to approval of liquidity agreements recognised as market practices by the AMF;
- **procedure:**
  - maximum portion of the issued share capital that may be repurchased by the Company: 10%,
  - maximum number of shares that may be repurchased by the Company: 77,819,882 shares, based on an issued share capital of 778,198,822 shares as of 31 March 2016. Assuming the exercise of all stock options outstanding as of 31 March 2016, the threshold of 10% would represent 77,836,032 shares based on the 778,360,322 shares which would make up the entire fully-diluted share capital of the Company,
  - the amounts to be paid in consideration for the purchase of the treasury shares must not, in accordance with applicable Dutch law, exceed the equity components which are repayable or distributable to the shareholders. “Equity components repayable or distributable to the shareholders” means the contribution premiums (in relation to contributions in kind), the issue premiums (in relation to cash contributions) and the other reserves as set out in the financial statements of the Company, from which the repurchase price for the treasury shares must be deducted.  
The Company undertakes to maintain at any time a sufficient number of shares in public hands to meet the thresholds of Euronext,
  - shares may be bought or sold at any time (including during a public offering) to the extent authorised by the stock exchange regulations and by any means, including, without limitation, by means of block trades and including the use of options, combinations of derivative financial instruments or the issue of securities giving rights in any way to Airbus Group SE shares within the limits set out in this document.

The portion of shares repurchased through the use of block trades may amount to all the shares to be repurchased in the context of this programme,

- in addition, in the event that derivative financial instruments are used, the Company will ensure that it does not use mechanisms which would significantly increase the volatility of the shares in particular in the context of call options,
- characteristics of the shares to be repurchased by the Company: shares of Airbus Group SE, a company listed on Euronext Paris, on the *regulierter Markt* of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges,
- maximum purchase price per share: € 100;

- **term of the share repurchase programme and other characteristics:** this share repurchase programme shall be valid until 27 October 2017 inclusive, *i.e.* the date of expiry of the authorisation requested from the Annual General Meeting of Shareholders to be held on 28 April 2016.

As of the date of this document, the Company has not entered into any liquidity agreement with an independent investment services provider in the context of the share repurchase programme.

### 3.3.7.6 Description of the Exceptional Share Repurchase Programme Authorised by the Annual General Meeting of Shareholders Held on 27 May 2015

Pursuant to Articles 241-2-1 and 241-3 of the AMF General Regulations, below is a description of the exceptional share repurchase programme (“*descriptif du programme*”) implemented by the Company:

- **date of the Shareholders’ Meeting authorising the share repurchase programme:** 27 May 2015;
- **intended use of the Airbus Group SE shares held by the Company as of the date of this document:** For details on use of the Airbus Group SE shares already held by the Company, please refer to “3.3.7.5 – Description of the Share Repurchase Programme to be authorised by the Annual General Meeting of Shareholders to be held on 28 April 2016”;
- **sole purpose of the share repurchase programme to be implemented by the Company:** the reduction of share capital by cancellation of all of the repurchased shares;
- **procedure:**
  - maximum portion of the issued share capital that may be repurchased by the Company: 10%,
  - maximum number of shares that may be repurchased by the Company: 78,751,182 shares, based on an issued share capital of 787,511,829 shares as of 27 May 2015. Assuming the exercise of all stock options outstanding as of 27 May 2015, the threshold of 10% would represent 78,845,837 shares based on the 788,458,377 shares which would make up the entire fully-diluted share capital of the Company,
  - the amounts to be paid in consideration for the purchase of the treasury shares must not, in accordance with applicable Dutch law, exceed the equity components which are repayable or distributable to the shareholders. “Equity components repayable or distributable to the shareholders” means the contribution premiums (in relation to contributions in kind), the issue premiums (in relation to cash contributions) and the other reserves as set out in the financial statements of the Company, from which the repurchase price for the treasury shares must be deducted.  
The Company undertakes to maintain at any time a sufficient number of shares in public hands to meet the thresholds of NYSE Euronext,

- shares may be bought or sold at any time (including during a public offering) to the extent authorised by the stock exchange regulations and by any means, including, without limitation, by means of block trades and including the use of options, combinations of derivative financial instruments or the issue of securities giving rights in any way to Airbus Group SE shares within the limits set out in this document.

The portion of shares repurchased through the use of block trades may amount to all the shares to be repurchased in the context of this programme,

- in addition, in the event that derivative financial instruments are used, the Company will ensure that it does not use mechanisms which would significantly increase the

volatility of the shares in particular in the context of call options,

- characteristics of the shares to be repurchased by the Company: shares of Airbus Group SE, a company listed on Euronext Paris, on the regulierter Markt of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges,
- maximum purchase price per share: €85;

- **term of the share repurchase programme and other characteristics:** this share repurchase programme shall be valid until 27 November 2016 inclusive, *i.e.* the date of expiry of the authorisation requested from the Annual General Meeting of Shareholders held on 27 May 2015.

## 3.4 Dividends

### 3.4.1 Dividends and Cash Distributions Paid

Cash distributions paid to the shareholders are set forth in the table below:

Financial year	Date of the cash distribution payment	Gross amount per share <sup>(1)</sup>
2013	3 June 2014	€0.75
2014	3 June 2015	€1.20

(1) Note: figures have not been adjusted to take into account changes in the number of shares outstanding.

### 3.4.2 Dividend Policy of the Company

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%.

### 3.4.3 Unclaimed Dividends

Pursuant to the Articles of Association, the claim for payment of a dividend or other distribution approved by the Shareholders' Meeting shall lapse five years after the day on which such claim becomes due and payable. The claim for payment of interim

dividends shall lapse five years after the day on which the claim for payment of the dividend against which the interim dividend could be distributed becomes due and payable.

## 3.4.4 Taxation

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The statements below represent a broad analysis of the current Netherlands tax laws. The description is limited to the material tax implications for a holder of the Company's shares (the "Shares") who is not, or is not treated as, a resident of the Netherlands for any Netherlands tax purposes (a "Non-Resident Holder"). Certain categories of holders of the Company's shares may be subject to special rules which are not addressed below and which may be substantially different from the general rules described below. Investors who are in doubt as to their tax position in the Netherlands and in their state of residence should consult their professional Advisors. Where the summary refers to "the Netherlands" or "Netherlands", it refers only to the European part of the Kingdom of the Netherlands.

### Withholding Tax on Dividends

In general, a dividend distributed by the Company in respect of Shares will be subject to a withholding tax imposed by the Netherlands at a statutory rate of 15%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognised as capital for Netherlands dividend withholding tax purposes, and liquidation proceeds in excess of the average paid-in capital recognised as capital for Netherlands dividend withholding tax purposes. Stock dividends paid out of the Company's paid-in-share premium, recognised as capital for Netherlands dividend withholding tax purposes, will not be subject to this withholding tax.

A Non-Resident Holder of Shares can be eligible for a partial or complete exemption or refund of all or a portion of the above withholding tax pursuant to domestic rules or under a tax convention that is in effect between the Netherlands and the Non-Resident Holder's country of residence. The Netherlands has concluded such conventions with the US, Canada, Switzerland, Japan, almost all European Union Member States and other countries.

### Withholding Tax on Sale or Other Dispositions of Shares

Payments on the sale or other dispositions of Shares will not be subject to Netherlands withholding tax, unless the sale or other disposition is, or is deemed to be, made to the Company or a direct or indirect subsidiary of the Company. In principle, a redemption or sale to the Company or a direct or indirect subsidiary of the Company will be treated as a dividend and will be subject to the rules set forth in "Withholding Tax on Dividends" above.

### Taxes on Income and Capital Gains

A Non-Resident Holder who receives dividends distributed by the Company on Shares or who realises a gain from the sale or disposition of Shares, will not be subject to Netherlands taxation on income or capital gains unless:

- such income or gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment ("*vaste inrichting*") or permanent representative ("*vaste vertegenwoordiger*") in the Netherlands;
- the Non-Resident Holder is not an individual and the Non-Resident Holder has or is deemed to have, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company and such interest (i) does not form part of the assets of an enterprise and (ii) is held by the Non-Resident Holder with the main objective, or one of the main objectives, to avoid Netherlands withholding tax on dividends or Netherlands individual income tax at the level of another person or entity; or
- the Non-Resident Holder is an individual and (i) the Non-Resident Holder has, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company and such interest does not form part of the assets of an enterprise, or (ii) such income or gain qualifies as income from miscellaneous activities ("*belastbaar resultaat uit overige werkzaamheden*") in the Netherlands as defined in the Dutch Income Tax Act 2001 ("*Wet inkomstenbelasting 2001*").

Generally, a Non-Resident Holder of Shares will not have a substantial interest in the Company's share capital, unless the Non-Resident Holder, alone or together with certain related persons holds, jointly or severally and directly or indirectly, Shares in the Company, or a right to acquire Shares in the Company representing 5% or more of the Company's total issued and outstanding share capital or any class thereof. Generally, a deemed substantial interest exists if all or part of a substantial interest has been or is deemed to have been disposed of with application of a roll-over relief.

### Gift or Inheritance Taxes

Netherlands gift or inheritance taxes will not be levied on the transfer of Shares by way of gift, or upon the death of a Non-Resident Holder, unless the transfer is construed as an inheritance or gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

### Value Added Tax

No Netherlands value added tax is imposed on dividends on the Shares or on the transfer of the Shares.

### Other Taxes and Duties

There is no Dutch registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty other than court fees payable in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) with respect to the dividends relating to the Shares or on the transfer of the Shares.

### Residence

A Non-Resident Holder will not become resident, or be deemed to be resident, in the Netherlands solely as a result of holding a Share or of the execution, performance, delivery and/or enforcement of rights in respect of the Shares.

Chapter

4.

# Corporate Governance

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## 4.1 Management and Control

The corporate governance arrangements of the Company were substantially changed pursuant to the Multiparty Agreement, including changes in the composition of the Board of Directors and the rules governing its internal affairs (the “**Board Rules**”). 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. Below is a summary description of such changes.

### 4.1.1 Corporate Governance Arrangements

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#### 4.1.1.1 Board of Directors

##### a) Composition Rules and Principles

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 Corporate Governance Code and meets additional independence standards. Specifically, where the Dutch Corporate Governance 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.

The Remuneration, Nomination and Governance Committee of the Board of Directors (the “**RNGC**”) 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 Dutch law.

In addition to the membership and composition rules described above, the RNGC, in recommending candidates for the Board of Directors, and the Board of Directors, in its resolutions proposed to the Shareholders’ Meeting regarding 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 in “3.3.2.3 - Undertakings with Respect to Certain Interests of Certain Stakeholders”. 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 RNGC endeavours to avoid a complete replacement of outgoing Directors by new candidates and draws up an appointment and reappointment schedule for the Directors after consultation with the Chairman and the CEO. In drawing up such schedule, the RNGC considers the continuity of company-specific knowledge and experience within the Board of Directors 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 of Directors if specific circumstances provide an appropriate justification for such exceptions.

### b) Role of the Board of Directors

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 Group Executive Committee). However, no individual Director or class of Directors has a veto right with respect to any Board of Directors' decisions.

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 Group 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 and 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 Group Executive Committee as proposed by the CEO and their service contracts and other contractual matters in relation to the Group Executive Committee and deciding upon the appointment and removal of the Secretary to the Board of Directors on the basis of the recommendation of the RNGC;
- 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 sets out the core principles with which each and every Member of the Board of Directors shall comply 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.

## c) The Board of Directors in 2015

### (i) Composition of the Board of Directors in 2015



#### 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	Remuneration Nomination and Governance
 Denis RANQUE	64	2013	2016		Independent	Chairman of the Board of Directors of Airbus Group SE	9/9		
 Thomas ENDERS	57	2012, re-elected in 2013	2016		Executive	Chief Executive Officer of Airbus Group SE	9/9		
 Manfred BISCHOFF	73	2013	2016		Independent	Chairman of the Supervisory Board of Daimler AG	7/9		
 Ralph D. CROSBY, JR.	68	2013	2016		Non-Independent	Former Member of the Management Boards of Airbus Group SE and of Northrop Grumman	9/9		
 Hans-Peter KEITEL	68	2013	2016		Independent	Vice President of the Federation of German Industries (BDI)	9/9		
 Hermann-Josef LAMBERTI	60	2007, re-elected in 2013	2016		Independent	Former Member of the Management Board of Deutsche Bank AG	8/9		
 Anne LAUVERGEON	56	2013	2016		Independent	Founder and CEO of ALP	8/9		
 Lakshmi N. MITTAL	65	2007, re-elected in 2013	2016		Independent	Chairman and Chief Executive Officer of ArcelorMittal	9/9		
 María Amparo MORALEDA MARTÍNEZ	51	2015	2018		Independent	Former General Manager of IBM Spain and Portugal	5/5 (from AGM 2015)		
 Sir John PARKER	73	2007, re-elected in 2013	2016		Independent	Chairman of Anglo American PLC	8/9		
 Michel PEBEREAU	74	2007, re-elected in 2013	2016		Independent	Honorary President of BNP Paribas S.A.	7/9		
 Jean-Claude TRICHET	73	2012, re-elected in 2013	2016		Independent	Honorary Governor of Banque de France and former President of the European Central Bank	9/9		
								5 meetings 80% average Attendance rate	6 meetings 96% average Attendance rate

Status as of 23 February 2016.

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

The Company has not appointed observers to the Board of Directors. Pursuant to applicable Dutch law, the employees are not entitled to elect a Director. There is no minimum number of shares that must be held by a Director.

(ii) Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors in 2015



64 years old

Director since 2013  
Independent



## Denis RANQUE

### Curriculum Vitae

Denis Ranque began his career at the French Ministry for Industry, where he held various positions in the energy sector, before joining the Thomson group in 1983 as Planning Director. The following year, he moved to the electron tubes division, first as Director of space business, then, from 1986, as Director of the division's microwave tubes department. Two years later, the electron tubes division became the affiliate Thomson Tubes Électroniques, and Denis Ranque took over as Chief Executive of this subsidiary in 1989. In April 1992, he was appointed Chairman and CEO of Thomson Sintra Activités Sous-marines. Four years later, he became CEO of Thomson Marconi Sonar, the sonar systems joint venture set up by Thomson-CSF and GEC-Marconi. In January 1998, Denis Ranque was appointed Chairman and Chief Executive Officer of the Thomson-CSF group, now called Thales. He resigned from this position in May 2009, as a consequence of a change in shareholding. From February 2010 to June 2012 he has been Non-Executive Chairman of Technicolor. Since October 2001, he has also been Chairman of the Board of the École des Mines ParisTech, and since September 2002, Chairman of the Cercle de l'Industrie, an association which unites France's biggest industrial companies; both mandates ended in June 2012. He is Member of the Boards of directors of Saint-Gobain and CMA-CGM. Since October 2013, he chairs The Haut Comité de Gouvernement d'Entreprise, the newly created independent body put in place by the French Code of corporate governance for monitoring and encouraging progress in this field. Since 2014 he is also co-Chairman of La Fabrique de l'industrie, a think tank dedicated to industry and a member of the French Academy for Technologies ("Académie des Technologies"). Denis Ranque, born 1952, is a graduate of France's École Polytechnique and the Corps des Mines.

### Current Mandates:

- Chairman of the Board of Directors of Airbus Group SE;
- Member of the Board of Directors of Saint Gobain;
- Member of the Board of Directors of CMA-CGM;
- Member of the Board of Directors of Scilab Entreprise SAS;
- President of the French Haut Comité de Gouvernement d'Entreprise;
- President of the Board of Foundation de l'École Polytechnique.

### Former mandates for the last five years:

- Director of CGG VERITAS (2010 to 2012);
- Director of CMA CGM (2009 to 2012);
- Director of Fonds Stratégique d'Investissement (2011 to 2012);
- Chairman of Technicolor (2010 to 2012).



**57 years old**

**Director since 2012,  
re-elected in 2013**

**Executive**



## Thomas ENDERS

### Curriculum Vitae

Thomas ("Tom") Enders was appointed Chief Executive Officer (CEO) of Airbus Group, effective 1 June 2012, after having been CEO of Airbus since 2007. Before that he served as Co-CEO of EADS between 2005 and 2007. He was Head of the Group's Defence division 2000-2005. Tom Enders has been a member of the Executive Committee of Airbus Group since its creation in 2000. Prior to joining the aerospace industry in 1991, Mr. Enders worked, *inter alia*, in the German Ministry of Defence and in various Foreign Policy think tanks. He studied Economics, Political Science and History at the University of Bonn and at the University of California in Los Angeles.

Mr. Enders was President of the BDLI (German Aerospace Industry Association) from 2005 to 2012. He is member of the BDI Presidential Board (German Industry Association) since 2009. From 2005 to 2009 he was Chairman of the Atlantik-Brücke e.V. In 2014, Mr. Enders joined the Advisory Council of the Munich Security Conference as well as the Senate of the Max-Planck-Gesellschaft. From 2011 to 2015, Tom Enders was member of the Business Advisory Group of UK Prime Minister David Cameron. He sits on the Joint Advisory Council of Allianz SE since 2013.

### Current Mandates:

- Chief Executive Officer of Airbus Group SE;
- Member of the Executive Committee of Airbus Group SE;
- Chairman of the Shareholder Committee of Airbus SAS;
- Chairman of the Supervisory Board of Airbus Helicopters SAS;
- Chairman of the Supervisory Airbus DS Holding B.V.;
- Chairman of the Supervisory Board of Airbus Defence and Space Deutschland GmbH;
- Member of the Board of Directors of the BDI (Federation of German Industry);
- Member of the Governing Board of HSBC Trinkhaus;
- Member of the International Advisory Board of Atlantic Council of the US;
- Member of the Joint Advisory Council of Allianz SE;
- Member of the Board of Directors of WORLDVU Satellites, Ltd. (OneWeb).

### Former mandates for the last five years:

- President and Chief Executive Officer of Airbus SAS (from 2007-2012);
- President of the BDLI (Bundesverband der deutschen Luft- und Raumfahrtindustrie e.V.) from 2005-2012;
- Chairman of the Advisory Council for Aeronautics Research and Innovation in Europe (ACARE) from 2011-2013.



**73 years old**  
**Director since 2013**  
**Independent**



## Manfred BISCHOFF

### Curriculum Vitae

Manfred Bischoff was born 22 April 1942. He holds a diploma and PhD in Economics from the University of Heidelberg. Having joined Daimler-Benz AG in 1976, Mr. Bischoff became Chief Financial Officer of Mercedes-Benz do Brasil in 1988. In 1989, he was appointed to the Board of Management of Deutsche Aerospace (later DaimlerChrysler Aerospace AG) as CFO and in 1995 became Chairman of the Board of Management of Daimler-Benz Aerospace (later Daimler Chrysler Aerospace AG) and a Member of the Board of Management of Daimler-Benz AG. At the foundation of EADS in 2000, Mr. Bischoff became its Chairman, a position he held until April 2007, when he was elected Chairman of the Supervisory Board of DaimlerChrysler AG. Currently, Manfred Bischoff is also Member of the Board of Unicredit S.p.A., and Member of the Supervisory Board of SMS GmbH.

### Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- Chairman of the Supervisory Board Daimler AG;
- Member of the Supervisory Board SMS GmbH;
- Member of the Board of Directors Unicredit S.p.A.;
- Multiple memberships in non-profit Boards.

### Former mandates for the last five years:

- Member of the Supervisory Board Fraport AG (until May 2012);
- Member of the Supervisory Board KPN N.V. (until April 2013);
- Chairman of the Supervisory Board and Chairman of the Shareholder Committee Voith GmbH (until September 2014).



**68 years old**  
**Director since 2013**  
**Non-Independent**



## Ralph Dozier CROSBY

### Curriculum Vitae

Ralph Crosby was Member of the Executive Committee of EADS from 2009-2012 and served as Chairman and CEO of EADS North America from 2002-2009. He presently serves as an Independent Director of American Electric Power headquartered in Columbus, Ohio, where he chairs the Human Resources Committee; and Serco, headquartered in London, United Kingdom. Furthermore, Mr. Crosby serves on the Board of Directors, and Executive Committee of the Atlantic Council of the United States. Prior to joining EADS, Mr. Crosby was an Executive with Northrop Grumman Corporation, where he had served as a Member of the Corporate Policy Council with positions including President of the Integrated Systems Sector, Corporate Vice President and General Manager of the Company's Commercial Aircraft Division and Corporate Vice President and General Manager of the B-2 Division. Prior to his industry career, Mr. Crosby served as an officer in the US Army, where his last military assignment was as military staff assistant to the Vice President of the United States. Mr. Crosby is a graduate of the US Military Academy at West Point, and holds Master's degrees from Harvard University, and the University of Geneva, Switzerland. He is the recipient of the James Forrestal Award from the National Defense Industrial Association, and has been awarded Chevalier of the Legion d'Honneur of France.

### Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- Member of the Board of Directors (Supervisory Board) of American Electric Power Corporation;
- Member of the Board of Directors (Supervisory Board) of Serco, PLC.;
- Member of the Board of Directors and Member of the Executive Committee of the Atlantic Council of the United States.

### Former mandates for the last five years:

- Executive Chairman of EADS North America (retired 31 December 2011);
- Member of the Board of Directors (Supervisory Board) of Ducommun Corporation (resigned June 2013).





*68 years old*

*Director since 2013*

*Independent*



## Hans-Peter KEITEL

### Curriculum Vitae

Hans-Peter Keitel served as President of the Federation of German Industries (BDI) from 2009 to 2012 and now (since 2013) serves as one of its Vice Presidents. Prior to this he served nearly 20 years at Hochtief – first as Director for International Business and subsequently from 1992 to 2007 as Chief Executive Officer. He started his career in 1975 at Lahmeyer International as a technical Advisor and project manager being involved in large scale global infrastructure projects in over 20 countries. He also advised the arranging banks of the Channel Tunnel Consortium. Mr. Keitel has graduated from the Universities of Stuttgart and Munich in Construction Engineering and Economics and has received a PhD in Engineering from the University of Munich.

### **Current Mandates:**

- Member of the Board of Directors of Airbus Group SE;
- Member of the Supervisory Board of RWE AG;
- Chairman of the Supervisory Board of Voith GmbH;
- Member of the Supervisory Board of ThyssenKrupp AG;
- Deputy Chairman of the Supervisory Board of National-Bank AG.

### **Former mandates for the last five years:**

- Member of the Supervisory Board of Commerzbank AG (until 20 May 2014);
- Member of the Supervisory Board of Deutsche Messe AG.



60 years old  
Director since 2007,  
re-elected in 2013  
Independent



## Hermann-Josef LAMBERTI

Hermann-Josef Lamberti was Member of the Management Board of Deutsche Bank AG from 1999 until 2012 and operated as the bank's Chief Operating Officer. As COO he had global responsibility for Human Resources, Information Technology, Operations and Process Management, Building and Facilities Management as well as Purchasing. He joined Deutsche Bank in Frankfurt in 1998 as Executive Vice President. From 1985, he held various management positions within IBM, working in Europe and the United States, in the fields of controlling, internal application development, sales, personal software, marketing and brand management. In 1997, he was appointed Chairman of the Management of IBM Germany. Mr. Lamberti started his career in 1982 with Touche Ross in Toronto, before joining the Chemical Bank in Frankfurt. He studied Business Administration at the Universities of Cologne and Dublin, and graduated with a Master's degree.

### Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- Chairman of the Society of Freunde der Bachwoche Ansbach e.V.;
- Member of the Board of Trustees of Institute for Law and Finance Frankfurt;
- Chairman of the Advisory Board: Wirtschaftsinitiative FrankfurtRheinMain e.V.;
- Member of the Board of Trustees of Johann Wolfgang Goethe-Universität Fachbereich Wirtschaftswissenschaften and Member of the Board of Trustees of Frankfurt Institute for Advanced Studies (FIAS) of Goethe-Universität;
- Member of the Supervisory Board ING Group N.V.;
- Senior Business Advisor Advent International GmbH;
- Member of the Supervisory Board Open-Xchange AG;
- Owner / Managing Director Frankfurt Technology Management GmbH.

### Former mandates for the last five years:

- Executive Customer of the Advisory Council of Symantec Corporation (resigned 12 May 2010);
- Member of the Board of Trustees of Baden-Badener Unternehmerversprache - Gesellschaft zur Förderung des Unternehmensnachwuchses e.V. (resigned 13 May 2010);
- Member of the Board of Trustees of Wallraf-Richartz-Museum und Museum Ludwig e.V. (resigned 31 January 2011);
- Member of the Founder Council of Wallraf-Richartz-Museum (resigned 31 January 2011); and
- Member of the Senate of Fraunhofer Gesellschaft. (resigned 31 December 2011); and
- Member of the Management Board of Deutsche Bank AG (resigned 31 May 2012);
- Member of the Supervisory Board of BVV Versicherungsverein des Bankgewerbes A.G. und BVV Versorgungskasse des Bankgewerbes e.V. (resigned 21 June 2012);
- Member of the Supervisory Board of Deutsche Börse AG (resigned 16 May 2012);
- Member of the Supervisory Board of Deutsche Bank Privat- und Geschäftskunden AG (resigned 24 May 2012);
- Member of the Board of Management of Arbeitgeberverband des privaten Bankgewerbes e.V. (resigned 21 June 2012);
- Deputy member of the Deposit Insurance Committee of Bundesverband deutscher Banken e.V. (resigned 21 June 2012);
- Delegate of the Delegates' Assembly of the Deposit Insurance Committee of Bundesverband deutscher Banken e.V. (resigned 21 June 2012);
- Member of the Financial Community Germany Committee of Bundesverband deutscher Banken e.V. (resigned 21 June 2012);
- Member of the Board of Management of Deutsches Aktieninstitut e.V. (resigned 21 June 2012);
- Member of the Board of Trustees of e-Finance Lab Frankfurt am Main (resigned 31 May 2012);
- Member of the Stock Exchange Council of Eurex Deutschland (resigned 31 May 2012);
- Member of the Stock Exchange Council of Frankfurter Wertpapierbörse AG (resigned 31 May 2012);
- Member of the Advisory Board of Institut für Unternehmensplanung - IUP (resigned 31 May 2012);
- Member of the Board of Trustees of Junge Deutsche Philharmonie (resigned 8 October 2012);
- Deputy Chairman of the Board of Trustees of the Society of Promotion of Kölner Kammerorchester e.V. (resigned 31 May 2012);
- Member of the Programme Advisory Board of LOEWE Landes-Offensive zur Entwicklung Wissenschaftlich-ökonomischer Exzellenz des Hessischen Ministeriums für Wissenschaft und Kunst (resigned 14 June 2012);
- Member of the Advisory Circle of Münchner Kreis (resigned 31 May 2012);
- Deputy member of the Advisory Board of Prüfungsverband deutscher Banken e.V. (resigned 31 May 2012);
- Member of the Administrative Council of Universitätsgesellschaft Bonn-Freunde, Förderer, Alumni (resigned 31 May 2012);
- Member of the Advisory Board in the centre for market-orientated corporate management of WHU (resigned 31 May 2012);
- Member of the Commission of Börsensachverständigenkommission (Bundesfinanzministerium) (resigned 31 May 2012);
- Member of the Management Board and Member of the Executive Committee of Frankfurt Main Finance e.V. (resigned 31 May 2012);
- Member of the Advisory Board of Fraunhofer-IUK-Verbund (resigned 31 May 2012);
- Member of the Executive Committee and of the Steering Committee of Frankfurt RheinMain e.V. (resigned 31 May 2012);
- Member of the Senate of acatech – Deutsche Akademie der Technikwissenschaften e.V. (resigned 31 May 2012);
- Member of the Board of Directors of American Chamber of Commerce in Germany (resigned 11 May 2012);
- Member of the Board of Trustees of Hanns Martin Schleyer-Stiftung (resigned 21 June 2012).



56 years old

Director since 2013

Independent



## Anne LAUVERGEON

### Curriculum Vitae

Anne Lauvergeon is founder and CEO of A.L.P S.A., a French advisory and investments company. Mrs. Lauvergeon is a graduate of the École Normale Supérieure and the French National School of Mining Engineer. She holds an advanced degree in Physics & Chemistry. From 2011 to 2014, Mrs. Lauvergeon was Partner of Efficiency Capital, a fund dedicated to technology and natural resources. She was CEO of Areva from July 2001 to June 2011, and Chairman and CEO of Areva NC from June 1999 to July 2011. In 1997, she worked at Alcatel as Senior Executive Vice President, member of the Executive Committee, in charge of international business and industrial holdings. From 1995 to 1997 she was Partner of Lazard Frères & Cie. Before that, from 1990 to 1995, she worked for the French President's office, in charge of international economy and foreign trade missions in 1990, then as Deputy Chief of Staff and personal representative to the French President, in charge of the G7/G8 Summits' from 1991. Anne Lauvergeon began her career in 1983 in the steel industry, at Usinor, before working on nuclear & chemical safety issues in Europe at the French Atomic Energy Commission. Mrs. Lauvergeon is Doctor Honoris Causa of the Imperial College, London (2008), Fellow of the Royal Academy of Engineering (UK 2011) and Fellow of the Royal Academy of Belgium (2012).

### Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- Member of the Board of Directors of AMERICAN EXPRESS;
- Member of the Board of Directors of RIO TINTO;
- Member of the Board of Directors of SUEZ ENVIRONNEMENT;
- Member of the Board of Directors of AVRIL;
- Chairman of the Board of Directors of École Nationale Supérieure des Mines de Nancy;
- Member of the Board of Directors of PSL University (Paris Sciences et Lettres);
- Chairman of A2i fund Agir pour l'Insertion dans l'Industrie (Union des Industries Métallurgiques et Minières).

### Former mandates for the last five years:

- CEO of AREVA (resigned June 2011);
- Chairman and CEO of AREVA NC (resigned July 2011);
- Member of the Executive Committee of Mouvement des Entreprises de France (resigned in 2012);
- Member of the Board of GDF SUEZ (resigned April 2012);
- Member of the Trilateral Commission (resigned in 2013);
- Member of the Executive Committee of Global Compact (resigned July 2013);
- Board Member of VODAFONE Plc (resigned July 2014);
- Chairman of the Supervisory Board of the French newspaper LIBERATION (resigned February 2014);
- Member of the Board of Directors of TOTAL S.A (resigned in 2015).



65 years old

Director since 2007,  
re-elected in 2013

Independent



## Lakshmi N. MITTAL

### Curriculum Vitae

Lakshmi N. Mittal is the Chairman and CEO of Arcelor Mittal. He founded Mittal Steel Company in 1976 and led its 2006 merger with Arcelor to form ArcelorMittal, the world's largest steelmaker. He is widely recognised for his leading role in restructuring the global steel industry, and has over 35 years' experience working in steel and related industries. Among his manifold mandates, Mr. Mittal is Member of the Board of Directors of Goldman Sachs, of the World Economic Forum's International Business Council, and of the Foreign Investment Council in Kazakhstan. Furthermore, he has been awarded numerous recognitions from international institutions and magazines and is closely associated with a number of non-profit organisations.

### Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- Chairman of the Board of Directors and CEO of ArcelorMittal SA;
- Chairman of the Board of Directors of Aperam SA;
- Member of the Board of Directors of Goldman Sachs;
- Member of the Executive Committee of World Steel Association;
- Member of the World Economic Forum's International Business Council;
- Member of the Foreign Investment Council in Kazakhstan;
- Member of Board of Trustees of Cleveland Clinic;
- Member of Executive Board of Indian School of Business;
- Governor of ArcelorMittal Foundation;
- Trustee of Gita Mittal Foundation;
- Trustee of Gita Mohan Mittal Foundation;
- Trustee of Lakshmi and Usha Mittal Foundation;
- Chairman of Governing Council of LNM Institute of Information Technology;
- Trustee of Mittal Champion Trust;
- Trustee of Mittal Children's Foundation;
- Member of the Governing Board of St Xaviers College Kolkata.

### Former mandates for the last five years:

- Member of the Board of Directors of ICICI Bank Limited (resigned May 2010);
- Member of the Board of Commonwealth Business Council Limited (resigned February 2011);
- Member of the Business Council (resigned December 2011);
- Member of the Managing Committee of Lakshmi Niwas and Usha Mittal Foundation (resigned December 2011);
- Member of the Board of ArcelorMittal USA Inc. (resigned September 2012);
- Member of the Presidential International Advisory Board of Mozambique;
- Member of the Advisory Board of the Kellogg School of Management;
- President of Ispat Inland ULC (resigned January 2013);
- Member of the Prime Minister of India's Global Advisory Council;
- Member of President's Domestic and Foreign Investors Advisory Council, Ukraine;
- Gold Patron of Prince's Trust;
- Member of the Board of ONGC Mittal Energy Ltd.;
- Member of the Board of ONGC Mittal Energy Services Ltd.



## María Amparo MORALEDA MARTÍNEZ

51 years old

Director since 2015

Independent



### Curriculum Vitae

Amparo Moraleda graduated as an industrial engineer from the ICAI (Escuela Técnica Superior de Ingeniería Industrial) Madrid and holds a PDG from IESE Business School in Madrid. Between January 2009 and February 2012, she was Chief Operating Officer of Iberdrola SA's International Division with responsibility for the United Kingdom and the United States. She also headed Iberdrola Engineering and Construction from January 2009 to January 2011. Previously, she served as General Manager of IBM Spain and Portugal (2001-2009). In 2005 her area of responsibility was extended to encompass Greece, Israel and Turkey as well. Between 2000 and 2001, she was executive assistant to the Chairman and CEO of IBM Corporation. From 1998 to 2000, Ms Moraleda was General Manager of INSA (a subsidiary of IBM Global Services). From 1995 to 1997, she was HR Director for EMEA at IBM Global Services and from 1988 to 1995 held various professional and management positions at IBM España. Ms Moraleda is also a member of various boards and trusts of different institutions and bodies, including the Academy of Social Sciences and the Environment of Andalusia, the Board of Trustees of the MD Anderson Cancer Center in Madrid and the International Advisory Board of the Instituto de Empresa Business School and member of the Madrid Advisory Board of IESE.

### Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- Member of the Board of Directors of Faurecia SA;
- Member of the Board of Directors of Solvay SA;
- Member of the Board of Directors of Caixabank;
- Member of the Supervisory Board of CSIC (Consejo Superior d'Investigaciones Cientificas);
- Member of the Advisory Board of KPMG Spain;
- Member of the Advisory Board of SAP Spain.

### Former mandates for the last five years:

- Member of the Board of Directors of Alstom SA;
- Member of the Board of Directors of Meliá Hotels International SA (ended June 2015);
- Member of the Board of Corporación Financiera Alba SA (ended October 2014).



## Sir John PARKER

73 years old

Director since 2007,  
re-elected in 2013

Independent



### Curriculum Vitae

Sir John Parker is Chairman of Anglo American PLC, Chairman of Pennon PLC, Non-Executive Director of Carnival PLC and Carnival Corporation. He has completed his term 2011-2014 as President of the Royal Academy of Engineering. He stepped down as Chairman of National Grid PLC in December 2011. His career has spanned the engineering, shipbuilding and defence industries, with some 25 years' experience as CEO including Harland & Wolff and the Babcock International Group. He also chaired the Court of the Bank of England between 2004 and 2009. Sir John Parker studied Naval Architecture and Mechanical Engineering at the College of Technology, Queens University, Belfast.

### Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- Director of Carnival PLC and Carnival Corporation;
- Chairman Anglo American PLC (2009 – Present);
- Chairman Pennon Group PLC (August 2015 – Present);
- Director of White Ensign Association Limited;
- President of the Royal Academy of Engineering;
- Visiting fellow of the University of Oxford.

### Former mandates for the last five years:

- Deputy Chairman of D.P. World (Dubai) (resigned July 2015);
- Chancellor of the University of Southampton (resigned July 2011);
- Member of the International Advisory Board of Citigroup (dissolved December 2011);
- Chairman of National Grid PLC (resigned January 2012).



74 years old

Director since 2007,  
re-elected in 2013

Independent



## Michel PÉBEREAU

### Curriculum Vitae

Michel Pébereau was Chairman of the Board of BNP Paribas between 2003 and 2011. He presided over the merger that created BNP Paribas in 2000, becoming Chairman and Chief Executive Officer (CEO). In 1993, he was appointed Chairman and CEO of the Banque Nationale de Paris and privatised it. Previously, he was Chairman and CEO of the Crédit Commercial de France. He started his career in 1967 at the Inspection Générale des Finances. In 1970 he joined the French Treasury, where he held various high ranking posts. Mr. Pébereau is an alumnus of the École Nationale d'Administration and of the École Polytechnique.



### Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- Manager of "MJP Conseil";
- Chairman of "Centre des Professions Financières";
- Chairman of the Board of "Fondation ARC pour la Recherche sur le Cancer";
- Member of the Board of Directors of "Pargesa Holding SA", Switzerland;
- Vice-Chairman and Member of the Supervisory Board of "Banque Marocaine pour le Commerce et l'Industrie", Morocco;
- Member of the Executive Committee of "Institut de l'Entreprise";
- Member of the "Académie des Sciences Morales et Politiques";
- Member of "Fondation Nationale des Sciences Politiques";
- Member of the "Conseil d'orientation Stratégique of Mouvement des Entreprises de France";
- Chairman of the Strategic Board of "ESL Network (SAS)";
- Partner in "Paris fait son cinéma (SAS)";
- Honorary President of CCF (now HSBC France);
- Member of "Centre National Éducation Économie (CNEE)";
- Member of the Sponsoring Committee of "Cercle Jean-Baptiste Say";
- Chairman of "Club des partenaires of TSE";
- Member of the Sponsoring Committee of "Collège des Bernardins";
- Member of the Board Directors of "Fondation Jean-Jacques Laffont – TSE";
- Chairman of the Strategic Board of "Institut Vaucanson".



### Former mandates for the last five years:

- Censor of "Galeries Lafayette SA";
- Member of the Board of Directors of Lafarge (until May 2011);
- Chairman of the Board of Directors of BNP Paribas (until December 2011);
- Member of the Board of Directors of Axa (until April 2013);
- Member of the Board of Directors of Saint-Gobain (until June 2013);
- Member of the Board of Directors of "Total SA";
- Member of the Board of Directors of "BNP Paribas (Suisse) SA";
- Member of the Supervisory Board of "Institut Aspen France".





## Jean-Claude TRICHET

73 years old

Director since 2012,  
re-elected in 2013

Independent



### Curriculum Vitae

Jean-Claude Trichet was President of the European Central Bank, of the European Systemic Risk Board and of the Global Economy meeting of Central Bank Governors in Basel until the end of 2011. Previously, he was in charge of the French Treasury for six years and was Governor of Banque de France for ten years. Earlier in his career, he held positions within the French Inspection Générale des Finances, as well as the Treasury department, and was Advisor to the French President for microeconomics, energy, industry and research (1978-1981). Mr. Trichet graduated from the École des Mines de Nancy, the Institut d'Études Politiques de Paris and the University of Paris in Economics, is a Doctor Honoris Causa of several universities and an alumnus of the École Nationale d'Administration.

### Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- President of "JCT Conseil, Paris";
- Chairman and CEO of the G30 (non-profit organisation), Washington D.C.;
- Chairman of the Board of Directors of the BRUEGEL Institute, Brussels (non-profit organisation);
- European Chairman of the Trilateral Commission (non-profit organisation).

### Former mandates for the last five years:

- President of the European Central Bank (end of mandate 01 November 2011);
- President of the Global Economy meeting of Central Bank Governors in Basel (end of mandate 01 November 2011);
- President of the European Systemic Risk Board (end of mandate 01 November 2011);
- President of the Group of Governors and Heads of Supervision (GHOS) (end of mandate 01 November 2011);
- President of SOGEPA - Société de Gestion de Participations Aéronautiques- (from 2012 up to 2013).

## Independent Directors

The Independent Directors appointed pursuant to the criteria of independence set out above are Denis Ranque, Manfred Bischoff, Hans-Peter Keitel, Hermann-Josef Lamberti, Anne Lauvergeon, Lakshmi N. Mittal, Sir John Parker, Michel Pébereau, Maria Amparo Moraleda Martinez (from AGM 2015) and Jean-Claude Trichet.

## Prior Offences and Family Ties

To the Company's knowledge, none of the Directors (in either their individual capacity or as Director or senior manager of any of the entities listed above) has been convicted in relation to fraudulent offences, been the subject of any bankruptcy, receivership or liquidation, nor been the subject of any official public incrimination and/or sanction by a statutory or regulatory authority, nor been disqualified by a court from acting as a Member of the administrative, management or supervisory bodies of any issuer or conduct of affairs of any company, during at least the last five years. As of the date of this document, there are no family ties among any of the Directors.

## (iii) 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, A350 XWB, 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 of Directors seized the opportunity to meet with local management and with the operative workforce.

In 2015, the Board of Directors 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 capitalise on innovative and transformational technologies and business models.

Furthermore, the Board of Directors 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 of Directors 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 of Directors 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 23 February 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 realised:

- 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 programme 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 RNGC;
- 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 Board Members to establish an internal evaluation. The next Board evaluation will be performed by the General Counsel for the year 2016.

#### 4.1.1.2 Board Committees

##### a) The Audit Committee

The Audit Committee has four (4) Members and is chaired by an Independent Director who is not the Chairman of the Board of Directors or a current or former Executive Director of the Company. The Chairman of the Audit Committee shall be, and the other members of the Audit Committee may be, financial experts with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

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 five 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%.

#### **b) The Remuneration, Nomination and Governance Committee**

The RNGC has four (4) Members, with geographic diversity. Each Member of the RNGC is an Independent Director. One Member of the RNGC is a Director who is appointed to the Board of Directors on the basis of the French State Security Agreement. One Member of the RNGC is a Director who is appointed to the Board of Directors on the basis of the German State Security Agreement. The Board of Directors, by a Simple Majority (defined below), appoints the chair of the RNGC, who may not be any of the following:

- the Chairman of the Board of Directors;
- a current or former Executive Director of the Company;
- a Non-Executive Director who is an Executive Director with another listed company; or
- a Director appointed to the Board of Directors on the basis of the French State Security Agreement or the German State Security Agreement.

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 RNGC 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 (formerly the Remuneration and Nomination Committee).

Pursuant to the Board Rules, the RNGC consults with the CEO with respect to proposals for the appointment of the members of the Group 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 RNGC 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 RNGC. The Head of Airbus Group Human Resources is requested to attend meetings to present management proposals and to answer questions.

In addition, the RNGC 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 Long-Term Incentive Plan, and the variable pay for the previous year.

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

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 RNGC is required to meet at least twice a year. In 2015, it fully performed all of the above described duties and met six times with an average attendance rate of 96%.

#### **4.1.1.3 The Group Executive Committee**

##### **a) Nomination and Composition**

The Executive Committee of Airbus Group (the "Group **Executive Committee**") is chaired by the Chief Executive Officer and its members are appointed on the basis of their performance of their individual responsibilities as well as their respective contribution to the overall interest of the Airbus Group.

The CEO proposes all of the Members of the Group Executive Committee for approval by the Board of Directors, after consultation with (a) the Chairman of the RNGC 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 Group 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 Group Executive Committee, including the CEO and the CFO, being EU nationals and residents.

The Board of Directors determines, by simple majority vote, whether to approve all of the Members of the Group Executive Committee as proposed by the CEO.

**b) Role of the Group 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 Group Executive Committee supports the CEO in performing this task. The Group 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 Group Executive Committee. In the event a consensus is not reached, the CEO is entitled to decide the matter.

**c) The Group Executive Committee in 2015**

The Group Executive Committee met five times during 2015. Amongst others the following matters are discussed at the Group Executive Committee meetings:

- appointment by the heads of the Airbus Group Divisions and functions of their management teams;
- major investments;
- setting up and control of the implementation of the strategy for the Group's businesses;
- Airbus Group policy matters and management and organisational structure of the business;
- performance level of the Group's businesses and support functions; and
- all business issues, including the operational plan of the Group and its Divisions and Business Units.

**COMPOSITION OF THE GROUP EXECUTIVE COMMITTEE IN 2015**

Name	Start of term	Principal Occupation
Tom Enders	2012	Chief Executive Officer Airbus Group
Fernando Alonso*	2015	Head of Military Aircraft Airbus Defence and Space
François Auque	2010	EVP Space Systems, Airbus Defence and Space
Thierry Baril	2012	Chief Human Resources Officer Airbus Group & Airbus
Jean J. Botti**	2011	Chief Technical Officer Airbus Group
Fabrice Brégier	2012	Airbus Chief Executive Officer
Guillaume Fauray	2013	Airbus Helicopters Chief Executive Officer
Bernhard Gerwert	2012	Airbus Defence and Space Chief Executive Officer
John Harrison*	2015	Group General Counsel Airbus Group
Marwan Lahoud***	2012	Chief Strategy and Marketing Officer Airbus Group
John Leahy	2012	Airbus Chief Operating Officer – Customers
Allan McArtor	2014	Airbus Group North America Chief Executive Officer
Klaus Richter	2015	Chief Procurement Officer Airbus Group & Airbus
Harald Wilhelm	2012	Chief Financial Officer Airbus Group & Airbus
Tom Williams	2015	Airbus Chief Operating Officer

Note: Status as of 31 December 2015. The professional address of all Members of the Group Executive Committee for any matter relating to Airbus Group is Mendelweg 30, 2333 CS Leiden, The Netherlands.

\* As announced in the corresponding Airbus Group press releases of 29 January 2015 and 17 March 2015 Fernando Alonso and John Harrison have joined the Airbus Group Executive Committee as of 1 March 2015 and June 2015. Domingo Ureña-Raso was a member of the Airbus Group Executive Committee through January 2015.

\*\* Jean Botti has resigned from his position as announced in the Airbus Group press release of 29 January 2016.

\*\*\* In March 2016, Marwan Lahoud became EVP International, Strategy and Public Affairs, Airbus Group.

**Tom Enders – Airbus Group CEO**

Tom Enders was appointed Chief Executive Officer (CEO) of Airbus Group, effective 1 June 2012, after having been CEO of Airbus since 2007. Before that he served as Co-CEO of EADS between 2005 and 2007. He was Head of the Group's Defence division 2000 - 2005. Tom Enders has been a member of the Executive Committee of Airbus Group since its creation in 2000. Prior to joining the aerospace industry in 1991, Mr. Enders worked, inter alia, in the German Ministry of Defence and in various Foreign Policy think tanks. He studied Economics, Political Science and History at the University of Bonn and at the University of California in Los Angeles.

Mr. Enders was President of the BDLI (German Aerospace Industry Association) from 2005 to 2012. He is member of the BDI Presidential Board (German Industry Association) since 2009. From 2005 to 2009 he was Chairman of the Atlantik-Brücke e.V. In 2014, Mr. Enders joined the Advisory Council of the Munich Security Conference as well as the Senate of the Max-Planck-Gesellschaft. He is Patron of the German Mayday Foundation which supports airmen, women and their families in times of need. From 2011 to 2015, Tom Enders was member of the Business Advisory Group of UK Prime Minister David Cameron. He sits on the Joint Advisory Council of Allianz SE since 2013.

### Fernando Alonso – Airbus Defence and Space Head of Military Aircraft

Fernando Alonso was named as Head of Military Aircraft, Airbus Defence and Space on 29 January 2015 and took up the position on 1 March 2015. He is a member of the Airbus Defence and Space Executive Committee and on 1 July 2015 was appointed to the Airbus Group Executive Committee. Previously he was Senior Vice President Flight and Integration Tests, Head of Flight Operations since September 2007, and, before that, Vice President Flight Test Division since February 2002. Fernando Alonso began his professional career with McDonnell Douglas in Long Beach, California in 1979 as a performance engineer in the company's flight test department. Three years later, he joined Airbus as a performance engineer in the flight division. While remaining with Airbus, he graduated as a flight test engineer at l'École du Personnel Navigant d'Essais et de Réception in 1990, and then became a flight test engineer responsible for aircraft performance of the A330, A340 and A321. Between 1995 and 2002, Fernando was responsible for the development of flight controls and handling qualities during the flight test programmes of the A319, A330-200, A340-500 and A340-600. Subsequently, he was deeply involved in the organisation and coordination of the flight test campaign of the A380. During a career at Airbus that has spanned more than 30 years, Fernando has accumulated more than 4,300 hours of flight tests. He was a flight test engineer on the maiden flights of A340-200 in 1992, the A319 in 1997, the A380 in April 2005 and most recently the A350 XWB in June 2013. Born in Madrid, Spain, in 1956, he obtained a degree from the Polytechnic University of Aeronautical Engineers in Madrid in 1979. He is a keen skier and tennis player. He and his family are also actively involved in the French charity Pour un Sourire d'Enfant, fundraising and organising summer camps for underprivileged children who live in a municipal dump in Phnom Penh, Cambodia.

### François Auque – EVP Space Systems, Airbus Defence and Space

François Auque became Executive Vice President of Space Systems and CEO of Airbus Defence and Space France within the Airbus Defence and Space Division on 1 January 2014. Prior to assuming this position, he was CEO of Astrium. From 1999 onwards, Auque served as Chief Financial Officer and Member of the Management Board of Aerospatiale-Matra, one of the three EADS founding companies, now Airbus Group. When EADS was created (2000) he became Director of the Space Division. Auque began his career in 1983 at the French government's audit agency, Cour des Comptes. He went on to work for the United Nations Board of Auditors, followed by a position as CFO at Banque La Hénin and later Vice President of Finance and International Development at Credisuez, both of the Suez Group. In 1991, he joined Aerospatiale as Corporate Vice President of Finance and Economics and in 1998 became Corporate Executive Vice President where he was responsible

for Finance and Strategy at Aerospatiale. François Auque, born on 1 July 1956, is a graduate of the École des Hautes Études Commerciales (HEC), Institut d'Études Politiques and École Nationale d'Administration (ENA).

Nicolas Chamussy, Chief of Staff to Airbus Group CEO, will succeed François Auque as EVP Space Systems, Airbus Defence and Space on 1 July 2016.

### Thierry Baril – Airbus Group and Airbus CHRO

Thierry Baril was appointed Chief Human Resources Officer of Airbus Group on 1 June 2012. In addition, Baril continues to serve as Airbus Chief Human Resources Officer. Thierry Baril joined Airbus in 2007 as Executive Vice President, Human Resources, and Member of the Airbus Executive Committee. Prior to this, Thierry Baril was Executive Vice President Human Resources at Eurocopter – now Airbus Helicopters – and member of the Eurocopter Executive Committee from January 2003. In this position, Baril managed the company's Human Resources activities globally, including the implementation of Human Resources policies across Eurocopter's European sites and its 15 subsidiaries worldwide. He was instrumental in the implementation of "Vital", a programme which transformed Eurocopter as a business. Thierry Baril started his career in 1988 as Deputy Human Resources Director at Bocard SA, and transferred to Laborde & Kupfer-Repelec, a subsidiary of GEC ALSTHOM, as Human Resources Manager in 1991. From 1995, Thierry Baril held roles as Human Resources Director of the Alstom Energy Belfort site and Vice President of Human Resources of the Alstom Energy Group. Following on from his experience at Alstom Energy, in 1998 Thierry Baril became Managing Director of Human Resources for Europe for GE (General Electric) at their Belfort Headquarters, followed by Vice President of Human Resources at Alcatel Space's Headquarters in Toulouse from 2000. Thierry Baril holds a University Degree in Personnel Management, as well as a Business Degree in Human Resources Management and Development from the Institut de Gestion Sociale (IGS) in Paris. Thierry Baril was born in February 1965 in Suresnes, France. He was appointed as a "Chevalier de l'Ordre National du Mérite" and was further commended as a "Chevalier de l'Ordre National de la Légion d'Honneur" in 2012. In 2013, he was named HR Director of the year by the Hudson, Le Figaro Economie and Cadremploi Group.

### Jean Botti – Airbus Group CTO (departed 31 March 2016, successor to be determined)

Jean Botti joined Airbus Group as Chief Technical Officer in May 2006. Jean Botti began his professional career at Renault in 1978 before joining the Chassis Engineering division of General Motors in the US in 1989. Upon his return to France in 1992, Botti was appointed General Motors' Director of European Engineering for chassis components. In 1997, he returned to the US to take over the reins of the Delphi Corporation's Customer Solution Center, a position he held



until 2002. From 2002 to 2004, he managed Delphi's new corporate Dynamics, Propulsion and Thermal Innovation Center as Chief Technical Officer. He rounded out his time at Delphi as the Business Line Executive for the Powertrain product line, before joining Airbus Group in 2006. As of early 2016, Botti held 31 patents and four defensive publications for the work carried out over the course of his career, and was elected as a Delphi Hall of Fame fellow. He also received the General Motors President's Council Award in 1998, and was named a fellow of the Society of Automotive Engineers (SAE). Jean Botti graduated from the National Institute of Applied Sciences in Toulouse, France, in 1986, with a degree in mechanical engineering. He pursued further studies in the US, where he earned an MBA from Central Michigan University and a degree in Research and Development Management from the Massachusetts Institute of Technology, both in 1991. In addition, he was awarded a Ph.D. in mechanical engineering from the National Conservatory of Arts and Trades Paris in 1995, in collaboration with the University of Michigan. Jean Botti was awarded honorary degrees from Bath University and Cardiff University in 2010 and 2012 respectively, both in the UK, as well as from the US's University of South Alabama in 2014. Botti has been involved with a number of research organisations. Since 2014, he has been serving as a Senator of the acatech German Academy of Science and Engineering, advising the institution on strategic matters. In 2013, Botti joined the French National Air and Space Academy and he became a member of the National Academy of Technologies of France in 2011, where he provided important insights into new technologies – in particular to the Energy Committee – and was an active contributor to Academy reports promoting technology in training programmes. Botti also served with the European Research Area Board (ERAB) as the representative for aeronautics and space. In addition, he served as a member of the Federation of German Industries' (BDI) Technical Committee. During his time with Airbus Group, he pushed the Group forward on the path of innovation in various areas and through many initiatives. Botti's perhaps best-known initiative, the E-Fan all-electric aircraft, is a pioneering project for which he has received many international awards – most recently being bestowed with the prestigious "Pro Pilot Award" for the "Best Aviation Technical Development of the Year 2015" at the 13<sup>th</sup> Annual Living Legends of Aviation Awards in Los Angeles. Jean Botti announced his departure from Airbus Group in January 2016, and will be joining Royal Philips as its Chief Innovation and Strategy Officer as of 1 April 2016.

#### Fabrice Brégier – Airbus CEO

Fabrice Brégier was appointed President and Chief Executive Officer of Airbus on the 1 June 2012. He is a member of the Airbus Group Executive Committee. He started his career, in 1983, as a test engineer at the Creys-Malville nuclear power station, becoming sales manager for Péchiney (Japan) in 1984. In 1986, he joined the DRIRE Alsace (Ministry of Industry) and

was then appointed Director of Economic and Financial Affairs within the Ministry of Agriculture in 1989. Previously, he was appointed President and CEO of Eurocopter in 2003, CEO of MBDA in 2001 and CEO of BAe Matra Dynamics in 1998. Mr. Brégier joined Matra Défense in 1993. He is alumnus of École Polytechnique and École des Mines. Having been Advisor to several French Ministers, Brégier joined Matra Défense as Chairman of the Apache MAW GIE (co-operation with Dasa) and Chairman of the Eurodrone GIE (with STN-Atlas). In 1996, he was appointed Director of Stand-Off activities (Apache, Scalp EG/Storm Shadow) in what had become Matra BAe Dynamics. In 1998, he became CEO of Matra BAe Dynamics. He was appointed CEO of MBDA, the leading European missile systems company that was created in 2001 by Aerospatiale-Matra, British Aerospace and Finmeccanica. In 2003, Fabrice Brégier became President and CEO of the Eurocopter Group – now Airbus Helicopters and was appointed Head of the Division in June 2005. Mr. Brégier was appointed Airbus Chief Operating Officer (COO) in October 2006. As a Member of the EADS – now Airbus Group – Executive Committee, he was commissioned by Louis Gallois to improve the overall operational performance of the Group. At Airbus his responsibilities included the company's wide-ranging restructuring and change programme "Power8", the Executive Committee functions Operations, Engineering and Procurement, and the A350 XWB programme. Mr. Brégier graduated from the École Polytechnique in 1980 and from the École des Mines. He was born in 1961 in Dijon, France.

#### Guillaume Faury – Airbus Helicopters CEO

Guillaume Faury became Chief Executive Officer (CEO) of Airbus Helicopters – formerly Eurocopter – on 1 January 2014 and is a member of the Airbus Group Executive Committee. Prior to assuming this position, he had been CEO of Eurocopter since May 2013. He joined Eurocopter from Peugeot S.A., where he had served as Executive Vice President for Research and Development since 2010 and as a Member of the Managing Board since 2009. Guillaume Faury, a licensed flight test engineer, served in various senior management functions at Eurocopter from 1998 to 2008 before joining Peugeot S.A. He was Chief Engineer for the EC225/725 programme, Head of the Heavy Helicopter Flight Test department, Executive Vice President for Commercial Programmes and, ultimately, Executive Vice President for Research & Development. Mr. Faury also was a member of the Eurocopter Executive Committee.

He started his professional career with the French Defence Procurement Agency DGA, where he was in charge of Tiger helicopter flight test activities at the Istres Flight Test Centre. Faury, born in February 1968, holds an engineering degree from the École Polytechnique in Paris as well as an aeronautics and engineering degree from the École Nationale Supérieure de l'Aéronautique et de l'Espace in Toulouse.



### Bernhard Gerwert – Airbus Defence and Space CEO

Bernhard Gerwert became Chief Executive Officer of Airbus Defence and Space on 1 January 2014. Prior to assuming this position, he had served as CEO of Cassidian from 2012 and as Cassidian's Chief Operating Officer (COO) from 2011. From 2007 to 2011, Bernhard Gerwert held the position of CEO of Cassidian Air Systems and was a member of the Board of Cassidian, until 2010 known as EADS Defence & Security. Bernhard Gerwert began his career in 1979 as a Planning Engineer at Messerschmitt-Bölkow-Blohm GmbH (MBB). After having held different positions in Engineering, Product Support and Controlling at MBB, he became Vice President Finance & Controlling at Dasa Headquarters in 1990. From 1995 to 2000 he took over various leadership positions at Dasa, Dornier and Daimler Chrysler Aerospace, including the positions of Chief Financial Officer (CFO) of the Defence and Civil Systems Division of DaimlerChrysler Aerospace, as well as CFO of Dornier GmbH and a Member of the Board of Management from 1997 to 1999. In 2000, he was appointed Vice President of Electronic Systems and a member of the Executive Committee of Defence Electronics & Telecommunications. In 2001, he became Senior Vice President of Integrated Sensor Systems and a member of the Executive Committee for Systems & Defence Electronics. In 2004, he took over the role of Senior Vice President Air and Naval Defence and Member of the Executive Committee of the Business Unit, Defence & Communication Systems. In the same year, he became CEO and President of Defence Electronics and member of the Board of the EADS Defence & Security Division. In addition, he was Corporate Vice President Marketing & International Sales from 2006. Bernhard Gerwert, born on 27 April 1953, studied Electrical Engineering at the University of Paderborn and Industrial Engineering at the University of Applied Science in Bielefeld in Germany. He holds degrees in Electrical and Industrial Engineering and was appointed President of the German Aerospace Industry Association on 1 June 2013.

Former Siemens executive Dirk Hoke succeeded Bernhard Gerwert as CEO of Airbus Defence and Space on 1 April 2016.

### John Harrison – Airbus Group General Counsel

John Harrison has been Group General Counsel since June 2015 and is a member of the Group Executive Committee. Solicitor of the Supreme Court of England & Wales, John Harrison completed his academic studies at the University of McGill, Montréal, Canada. He holds a Bachelor LLB (Hons) and Masters LLM of Laws degree. John Harrison began his career in 1991 at the international law firm Clifford Chance, working consecutively in their London, New York and Paris offices. He joined Airbus then Technip S.A. where he served as Group General Counsel and Member of the

Group Executive Committee from 2007-2015. Prior to joining Technip, Mr. Harrison fulfilled various senior legal positions in Airbus Group companies over a ten year period culminating his tenure from 2003-2007 as General Counsel of the EADS Defence Division. John Harrison was born on 12 July 1967 in the United Kingdom.

### Marwan Lahoud – Airbus Group EVP International, Strategy and Public Affairs

Marwan Lahoud has been EVP International, Strategy and Public Affairs, Airbus Group since March 2016. Prior to that, he was Chief Strategy and Marketing Officer of Airbus Group. Prior to re-joining the Group, he had run MBDA as Chief Executive Officer since 2003. Marwan Lahoud began his career at the French Defence procurement agency DGA, in 1989 at the Landes test range, where he served first as Head of the computation centre, and later as project manager in charge of upgrading testing systems and coordinating investments. In 1994, he was appointed Special Advisor to the Tactical Missile Systems Engineering Division. Then he took on a new role as Deputy Director, Missiles and Space Systems. Lahoud contributed to the development of the 1995-2000 Military Planning Act and led several joint work groups bringing together political, military and industrial stakeholders, covering issues such as the non-proliferation of weapons of mass destruction, Franco-German space cooperation and expanded air defence programmes. In early 1995, Marwan Lahoud was appointed Special Advisor to the French Ministry of Defence. At the end of 1995, he moved to serve as Advisor for Industrial Affairs, Research and Weapons, where he was responsible for the industrial consolidation programmes. In May 1998, he joined Aerospatiale as Vice President Development and also served as Secretary General of the Aerospatiale-Matra Hautes Technologies Committee. In June 1999, Marwan Lahoud was appointed Senior Vice President Strategy and Planning for Aerospatiale-Matra, where he also served as Senior Vice President Military Affairs. After the foundation of EADS in 2000, Marwan Lahoud was appointed Senior Vice President Mergers & Acquisitions. During his tenure, he oversaw the creation of Airbus, MBDA and Astrium. Marwan Lahoud, born on 6 March 1966, is a graduate of France's École Polytechnique and the École Nationale Supérieure de l'Aéronautique et de l'Espace. He is Chairman of Groupement des Industries Françaises Aéronautiques et Spatiales, Chairman of the Institut des Hautes Études Scientifiques, a member of the Supervisory Board and Chairman of the Audit Committee of Banque Populaire Caisses d'Épargne, a member of the Board of the AX Polytechnique alumni association and a member of the Board of the École Polytechnique. Marwan Lahoud is an Officer of the French Légion d'Honneur.

### John Leahy – Airbus COO-Customers

John Leahy was appointed Chief Operating Officer – Customers of Airbus in July 2005, continuing his responsibilities as Chief Commercial Officer of Airbus, a role he had held since August 1994. His responsibilities cover all commercial activities including sales, marketing, contracts, business transaction control, asset management, leasing, and business development. Leahy is a member of the Airbus Executive Committee and has been a member of the Airbus Group Executive Committee since September 2012. One of Leahy's greatest achievements was to raise Airbus' market share from 18% in 1995 to over 50% by the turn of the century, where it has been maintained over the last 14 years. He also led the commercial activities that resulted in the successful launch of Airbus' next generation flagship aircraft which set the standards for large aircraft in the 21<sup>st</sup> century, the A380 and the A350 XWB. Leahy was also a key player in the launch of the A320neo (New Engine Option) family, which has become the fastest selling aircraft programme in aviation history. He was also instrumental in the launch of the A350 XWB family as well as the A330neo. John Leahy worked for seven years in marketing at Piper Aircraft before joining Airbus North America in January 1985. He became Head of Sales in 1988 and then became President of Airbus North America. Leahy was responsible for the penetration of the strategic North American market, where most major US airlines are now Airbus customers. John Leahy holds an MBA from Syracuse University with concentration in both Finance and Transportation Management and a BA from Fordham University with a dual major in Communications and Philosophy. He is also a licensed multi-engine commercial pilot and a former flight instructor. In March 2012, he received one of France's top civilian awards by being named an Officer of the Légion d'Honneur, for his services to European and French aviation.

### Allan McArtor – Chairman and CEO of Airbus Group, Inc.

Allan McArtor is Chairman and CEO of Airbus Group, Inc. and a member of the Airbus Group Executive Committee. He oversees the operations, activities and strategy of all Airbus Group companies in the United States, Canada and Latin America. Allan McArtor continues to serve as Chairman of Airbus Americas, Inc., and its subsidiaries. In this leadership role in the Americas, McArtor has enhanced relationships with Airbus' customers, suppliers and government representatives. He was instrumental in establishing the A320 Aircraft Assembly Line in Mobile, Alabama. Throughout his career, Allan McArtor has held a series of leadership and senior management positions in the military, civil and government sectors. Before joining Airbus, he was founder, chairman and CEO of Legend Airlines, a regional airline; he served as the Administrator of the FAA under President Ronald Reagan from

1987 to 1989. McArtor served on the senior management team of Federal Express from 1979 to 1987 and 1989 to 1994 first as Senior Vice President Telecommunications during the development of FedEx's extensive satellite-based digital network, then as Senior Vice President Air Operations for FedEx's global airline. Allan McArtor was a combat fighter pilot in Vietnam, an Associate Professor of Engineering Mechanics at the Air Force Academy, and a pilot with the US Air Force's Thunderbirds Aerial Demonstration Team. He is a 1964 graduate of the US Air Force Academy (BSE) and holds a master's degree (MSE) from Arizona State University. He holds an honorary doctorate degree from Christian Brothers University in Memphis, Tennessee, in recognition of his role in establishing the School of Telecommunications and Information Systems. McArtor is a member of The Group Executive Committee of The Airbus Group SAS and also serves on the Board of Directors for Airbus ProSky, Air Force Academy Athletic Corporation, Align Aerospace, Atlantic Council International, The European Institute, GKN Aerospace Transparency Systems, Kymeta Advisory Board, the NextGen Advisory Committee, Smithsonian National Air & Space Museum and Washington Area Airports Authority. He also serves on the boards of a number of civic, charitable and educational groups, including the Air Force Memorial Foundation Board of Trustees, Camp Soaring Eagle, The Falcon Foundation, Sabre Society and the St. Jude's Children's Research Hospital Professional Advisory Board. In January of 2014, Allan McArtor was inducted to the Living Legends of Aviation® to honor his significant contributions to aviation. In October 2010, The Wings Club honored Allan McArtor with the 2010 Distinguished Achievement Award, acknowledging his outstanding accomplishments in the field of aviation. In 2009, he was awarded the Air Traffic Control Association's Glen A. Gilbert Memorial Award for outstanding lifelong achievements by an individual in the field of aviation. McArtor continues to hold a commercial pilot's license (multi-engine instrument rating) and is a member of the Tau Beta Pi engineering honor society.

### Klaus Richter – Airbus Group and Airbus Chief Procurement Officer

Klaus Richter became Chief Procurement Officer for Airbus Group & Airbus on 1 January 2015. In this function, he is a member of the Airbus Group Executive Committee and the Airbus Executive Committee. In addition, he serves as the Chairman of the Board of Airbus in Germany and leads the supervisory board of Premium AEROTECH Group. He is in charge of procurement across the entire Airbus organisation, having responsibility for developing strong partnerships with suppliers and ensuring timely delivery of all purchased goods on cost and with the proper quality. In addition, Richter leads the General Procurement Organisation of Airbus Group. He coordinates strategic procurement topics, as well as the

development and application of procurement processes and tools across all Airbus Group Divisions. Richter is also responsible for the Airbus Group Regional Sourcing Offices in the US, India, and China. Klaus Richter joined Airbus Group in November 2007 as Executive Vice President Procurement for Airbus. Before joining the Group, Richter was Senior Vice President Materials Purchasing for BMW, based in Munich, Germany. In this position, he was heading all supplier relations for direct materials and equipment across the entire company. Klaus Richter began his professional career with McKinsey & Company in 1993 as a management consultant for automotive, electronics and aerospace businesses and product development, a role which he retained until he joined the BMW Group in 2003 as Head of Purchasing Strategy for production materials. Richter graduated from the Technical University of Munich where he obtained a doctorate in mechanical engineering in 1991. After graduation he received a Humboldt scholarship and spent two years as a researcher and teacher at the University of California at Berkeley.

#### Harald Wilhelm – Airbus Group and Airbus CFO

Harald Wilhelm has been Chief Financial Officer of Airbus Group and Airbus since 1 June 2012 and is a member of the Group Executive Committee. He has held the role of Airbus CFO since 1 February 2008. Previously, he was Airbus' Chief Controlling Officer and deputy to the Chief Financial Officer, a position to which he was appointed on 1 January 2007. Prior to this, he was Senior Vice President, Airbus Financial Control, a role he held from 2003 to 2006. Wilhelm joined Airbus in 2000 as Senior Vice President, Accounting, Tax and Financial Services. Before joining Airbus, Harald Wilhelm had been Vice President Mergers and Acquisitions at DaimlerChrysler Aerospace from 1998, where he worked on projects including the integration of Airbus into a single company. Prior to this, he had been Senior Manager M&A at Daimler-Benz Aerospace from 1995 to 1998 and M&A Manager for the company between 1992 and 1993. Born in April 1966 in Munich, Harald Wilhelm holds a degree in Business Studies from Ludwig Maximilians University in Munich.

#### Tom Williams – Airbus Chief Operating Officer

Tom Williams became Chief Operating Officer on 1 January 2015. In this role he is responsible for the overall operations of Airbus including Engineering, Procurement and Supply Chain Management. He is also a member of Airbus Group Executive Committee and Airbus Executive Committee. Previously, Williams was Airbus Executive Vice President Programmes, a position he held since July 2005. In this role he was in charge of ensuring the profitability of the civil programmes, of leading the product policy and the development of new products, as well as ensuring proper delivery to the customers. Before being appointed to this position, he had been Executive Vice President Procurement from February 2004. After completing an apprenticeship with Rolls-Royce Aero Engines in 1972, Tom Williams went on to carry out increasingly senior roles in a number of UK manufacturing companies. In 1992, he was appointed Operations Manager for Cummins Engines, looking after all manufacturing at the company's 1,200-strong Scottish factory. At the start of 1995, he became Manufacturing and Business Group Director for the Sensors activity of Pilkington Optronics – a joint venture with Thomson CSF of France. Focusing initially on the introduction of "lean manufacturing" techniques, he also became involved in integrating Thorn EMI Electro Optics into the business. Williams joined British Aerospace (now BAE Systems) in 1997 as Site Director and General Manager at the Prestwick site of the company's Aerostructures division. He worked as Operations Director – Internal Supply, within the company's Military Aircraft and Aerostructures Division, then Eurofighter Operations Director with responsibilities that included manufacturing and other business functions at the Warton and Salmesbury sites of BAE Systems. In November 2000, Tom Williams became Managing Director and General Manager of Airbus UK, a position he held until he became Airbus' Executive Vice President Procurement in 2004. Tom Williams was born in Glasgow in 1952. During his apprenticeship he gained an HNC in Production Engineering and in 1988 an MBA from Glasgow University.

## 4.1.2 Dutch Corporate Governance Code, "Comply or Explain"

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In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code as amended at the end of 2008 (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](http://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 Ms. 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.

## 4.1.3 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.

#### 4.1.3.1 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 a discussion of the main risks to which the Group is exposed, see "— Risk factors".

#### 4.1.3.2 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.

#### 4.1.3.3 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	<b>Regular monitoring</b> The Board of Directors and the Audit Committee review, monitor and supervise the ERM system.
Top Management	<b>ERM as part of the regular divisional business reviews</b> 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	<b>ERM confirmation letter procedure</b> Entities and department heads that participate in the annual ERM compliance procedures have to sign ERM confirmation letters.
ERM department	<b>ERM effectiveness measurement</b> Assess ERM effectiveness by consideration of ERM reports, ERM confirmations, <i>in situ</i> sessions (risk reviews <i>etc.</i> ), participation to key controls (e.g. major Programme Maturity Gate Reviews).
Corporate Audit	<b>Audits on ERM</b> Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.
Ethics and Compliance	<b>Alert System</b> Detect deficiencies regarding conformity to applicable laws and regulations as well as to ethical business principles.

#### 4.1.3.4 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.

#### 4.1.3.5 Business Processes Covered by the ERM System

Based on the Company’s activities, 20 high-level business processes have been identified within the Company. They are categorised into core processes (research and development, production, sales, after-sales and programme management), support processes (corporate sourcing, Human Resources, accounting, fixed assets, treasury, information technology, mergers and acquisitions, legal and insurance) and management processes (strategy, corporate audit, controlling, compliance,

risk management and management controls). These business processes, together with the corresponding ERM processes, are designed to control process risks that have significant potential to affect the Group’s financial condition and results of operations. Below is a description of the main business processes at the respective headquarters’ level which were in place during 2015.

#### Accounting

At the core of the Company’s ERM system are accounting processes and controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other financial information used by management and disclosed to the Company’s investors and other stakeholders. The integrated approach to planning and reporting aims to improve internal communication and transparency across departments and organisational units within the Company.

The Company’s financial control model defines the planning and reporting procedures that apply to all operational units of the Group, as well as the responsibilities of the Chief Financial Officer, who is charged with developing, implementing and



monitoring these procedures. Among the Chief Financial Officer's primary tasks is oversight of the preparation of the Consolidated Financial Statements of Airbus Group SE, which are prepared under the direct supervision of the Chief Accounting Officer ("CAO"). The CAO is responsible for the operation of the Group's consolidation systems and rules and for the definition of group-wide accounting policies which comply with IFRS, reporting rules and financial guidelines in order to ensure the consistency and quality of financial information reported by the Divisions and Business Units. The Company's accounting policies are set out in a written accounting manual, which is agreed with the Company's external auditors. Changes to the Company's accounting manual require approval by the CAO, and, where significant changes are involved, the Chief Financial Officer or the Board of Directors (based upon the advice of the Audit Committee).

Control of the financial planning and reporting processes is achieved not only through the development of group-wide accounting systems and policies, but also through an organised process for providing information from the reporting units on a timely basis as an up-to-date decision-making tool to control the operational performance of the Group. This information includes regular cash and treasury reports, as well as other financial information used for future strategic and operative planning and control and supervision of economic risks arising from the Group's operations. The Divisional Chief Financial Officers frequently meet with the CAO and his responsible staff to discuss the financial information generated by the Divisions.

Prior to being disclosed to the public and subsequently submitted for approval to the shareholders, the consolidated year-end financial statements are audited by the Company's external auditors, reviewed by the Audit Committee and submitted for approval by the Board of Directors. A similar procedure is used for the semi-annual and quarterly closing. Group auditors are involved before the Company's financial statements are submitted to the Board of Directors.

### Treasury

Treasury management procedures, defined by the Company's Central Treasury department at Group headquarters, enhance management's ability to identify and assess risks relating to liquidity, foreign exchange rates and interest rates. Controlled subsidiaries fall within the scope of the centralised treasury management procedures, with similar monitoring procedures existing for jointly controlled affiliates, such as MBDA.

**Cash management.** The management of liquidity to support operations is one of the primary missions of the Company's Central Treasury department. Regular cash planning, in conjunction with the Planning / Reporting department, as well as monthly cash reporting by the Central Treasury department, provide management with the information required to oversee the Group's cash profile and to initiate necessary corrective

action in order to ensure overall liquidity. To maintain targeted liquidity levels and to safeguard cash, the Company has implemented a cash pooling system with daily cash sweeps from the controlled subsidiaries to centrally managed accounts. Payment fraud prevention procedures have been defined and communicated throughout the Group. For management of credit risks related to financial instruments, please refer to the "— Notes to the IFRS Consolidated Financial Statements — Note 35.1: Information about financial instruments — Financial risk management".

**Hedge management.** Commercial operations generate material foreign exchange and interest rate exposures. A Group hedging policy is defined and updated regularly by the Board of Directors. In order to ensure that all hedging activity is undertaken in line with the Group hedging policy, the Company's Central Treasury department executes all hedging transactions, unless such centralised hedging is not allowed by local bank regulations. The Central Treasury department conducts on-going risk analysis and proposes appropriate measures to the Divisions and Business Units with respect to foreign exchange and interest rate risk. Subsidiaries are required to calculate, update and monitor their foreign exchange and interest rate exposure with the Company's Central Treasury department on a monthly basis, in accordance with defined treasury procedures. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.7 Hedging Activities".

**Sales financing.** In connection with certain commercial contracts, the Company may agree to enter into sales financing arrangements. In respect of sales financing at Airbus, an annual sales financing budget is defined as part of the Company's operative planning process. Sales financing transactions are approved on a case-by-case basis with the involvement of top management, in line with certain risk assessment guidelines and managed by a group-wide integrated organisation.

### Sales

Commercial contracts entered into by the Company's operating subsidiaries have the potential to expose the Group to significant financial, operational and legal risks. To control these risks, management has implemented contract proposal review procedures that seek to ensure that the Company does not enter into material commercial contracts that expose it to unacceptable risk or are not in line with the Group's overall objectives. These procedures include (i) Board of Directors-approved thresholds and criteria for determining the risk and profitability profiles and (ii) a mandated pre-approval process for contracts defined as "high-risk". Contracts falling within the defined threshold categories require approval by the respective Divisional Chief Financial Officer. Contracts that are deemed "high-risk" and exceed certain thresholds must be submitted to a standing Commercial Committee (with the Chief

Financial Officer and the Chief Strategy and Marketing Officer serving as Chairmen, and a possible escalation to the Chief Executive Officer when needed). This committee is responsible for reviewing the proposal and giving recommendations when necessary, based on which the concerned Business Unit is allowed to remit its offer. In the case of Airbus, due to the nature and size of its business, contracts are approved in accordance with Airbus' own corporate governance policy based on the Company's guidelines which follow the same principle, with participation of the Company. In general, where the Company shares control of a subsidiary with a third party, the Commercial Committee is responsible for developing the Company's position on proposed commercial contracts.

## Legal

The Company is subject to myriad legal requirements in each jurisdiction in which it conducts business. The mission of the Company's Legal department, in coordination with the Division and Business Unit Legal departments, is to actively promote and defend the interests of the Group on all legal issues and to ensure its legal security at all times. By carrying out this mission it is responsible for implementing and overseeing the procedures designed to ensure that the Company's activities comply with all applicable laws, regulations and requirements. It is also responsible for overseeing all major litigation affecting the Group, including Intellectual property.

The Company's Legal department also plays an essential role in the design and administration of (i) the Company's corporate governance procedures and (ii) the legal documentation underlying the delegation of powers and responsibilities which define the Company's management and its internal control environment.

## Corporate Audit & Forensic

The Company's Corporate Audit & Forensic department, reporting to the CEO, provides independent assurance to the Group Executive Committee and Audit Committee Members based upon a risk-oriented approved annual audit plan. The Corporate Audit & Forensic department (i) reviews the achievement of the Group's strategic, financial or operational objectives, (ii) reviews the reliability and integrity of Group reporting, (iii) reviews the effectiveness of the ERM system,

(iv) reviews the efficiency and effectiveness of selected processes, entities or functions and (v) reviews compliance with laws, regulations, Group guidelines and procedures. Corporate Audit & Forensic also conducts *ad hoc* reviews, performed at the request of Group Executive Committee Members. In 2015, the *Institut français de l'audit et du contrôle internes* (IFACI) reviewed the Corporate Audit & Forensic department and certified that it fulfilled the requirements of the International Professional Practices Framework. Corporate Audit & Forensic also includes a team of forensic experts in charge of conducting investigations of compliance allegations.

## Corporate Sourcing

The performance of the Company is to a large extent determined through its supply chain. Therefore, sourcing is a key lever for the Company in its marketplace.

The Company's size and complexity requires a common approach to maximise market levers and to avoid inefficiencies in the procurement process. To help ensure that sourcing is carried out in the most effective, efficient and ethical manner, a set of common procurement processes, which support a common sourcing strategy and ultimately the Group strategy and vision, is defined by the head of Corporate Sourcing and the Group's Procurement Leadership Team.

The common approach and processes are then implemented and optimised across all Divisions through the Sourcing Commodity Boards and Networks. These Sourcing Commodity Boards and Networks comprise representatives from all Divisions. They are tasked by the Group's Procurement Leadership Team to define and roll out across the Company's strategic sourcing topics such as Sourcing Strategy, Supplier Relationship Management, Common Processes and Tools, Global Sourcing, Joint Procurement, Compliance, Corporate Social Responsibility, Procurement Academy and Procurement Performance Management. The procurement processes are regularly reviewed by means of performance indicators, audits and self-assessments and thus consistently challenged and optimised.

## Ethics and Compliance

See "— 4.1.4 Ethics and Compliance Organisation" below.

## 4.1.4 Ethics and Compliance Organisation

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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 organisation, 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 organisation is made of 5 pillars:

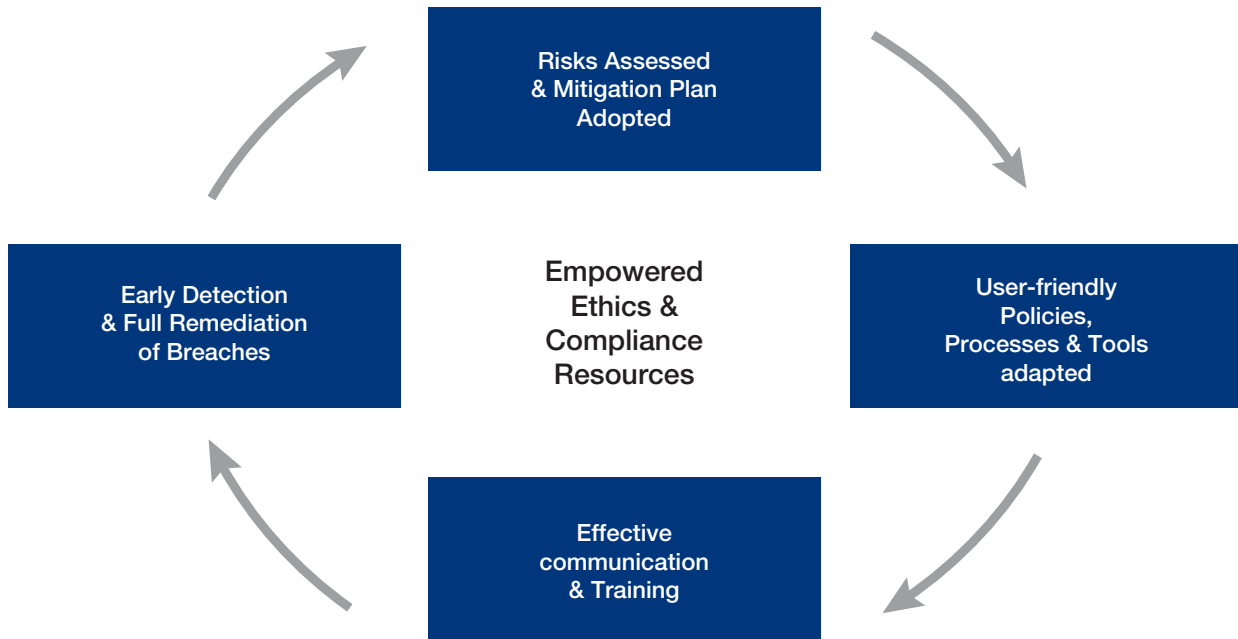
- the E&C Programme sets the rules and policies and deals with the allegations and investigations;
- the International Compliance Office addresses corruption and bribery risks;
- the Export Compliance Office ensures that the activities of the Group comply with all relevant export control rules and with 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 organisation.

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, 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 “– 1. Information on Group Activities – 1.1.8 Legal and arbitration proceedings”. As a matter of transparency and to leverage on lessons learnt, this report is shared with the top management.

## 4.2 Interests of Directors and Principal Executive Officers

### 4.2.1 Remuneration Policy

The Company’s 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.

For the changes to the Remuneration Policy that will be proposed for adoption by the 2016 General Meeting of Shareholders, see “— 4.2.1.3 — Proposed Amendments to the Remuneration Policy”.

To see how the Remuneration Policy was applied in 2015 in respect of the CEO (the only Executive Member of the Board of Directors)<sup>(1)</sup>, see “— 4.2.1.4 — Implementation of the remuneration policy in 2015: CEO”. The cumulated remuneration of all Group Executive Committee Members is presented in the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

To see how the Remuneration Policy was applied in 2015 in respect of the non-Executive Members of the Board of Directors, see “— 4.2.1.5 — Implementation of the remuneration policy in 2015: Non-Executive Fees”.

#### 4.2.1.1 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.

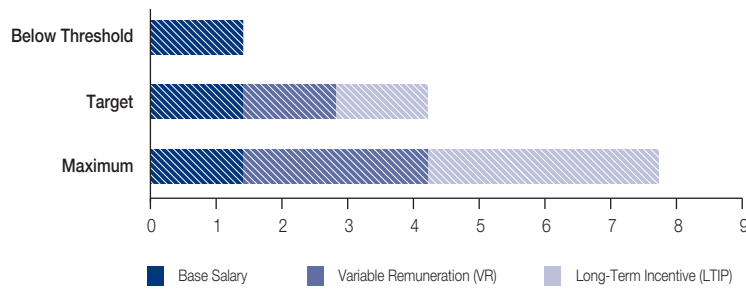
The elements of the Total Direct Compensation are described below:

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%).	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.
		Individual (50% of VR): achievement of annual individual objectives, divided between Outcomes and Behaviour.	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.	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.

(1) The cumulated remuneration of all Group Executive Committee Members is presented in the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

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

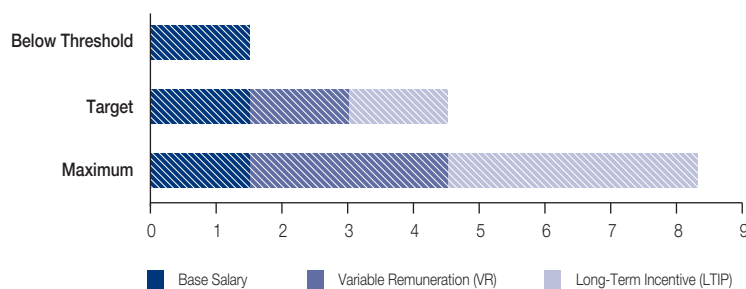
The Remuneration Committee regularly benchmarks the CEO’s Total Direct Compensation (Base Salary, Annual Variable Remuneration and LTIP) against an extensive peer group. The last review took place in October 2014, and was completed with the assistance of an independent consultant: Towers Watson. The 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 capitalisation. Financial institutions were excluded from the peer group (for further details, see “— 4.2.1.4 Implementation of the Remuneration Policy in 2015: CEO”).

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 RINGC 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.

SCENARIOS CEO TOTAL DIRECT COMPENSATION - 2016



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.

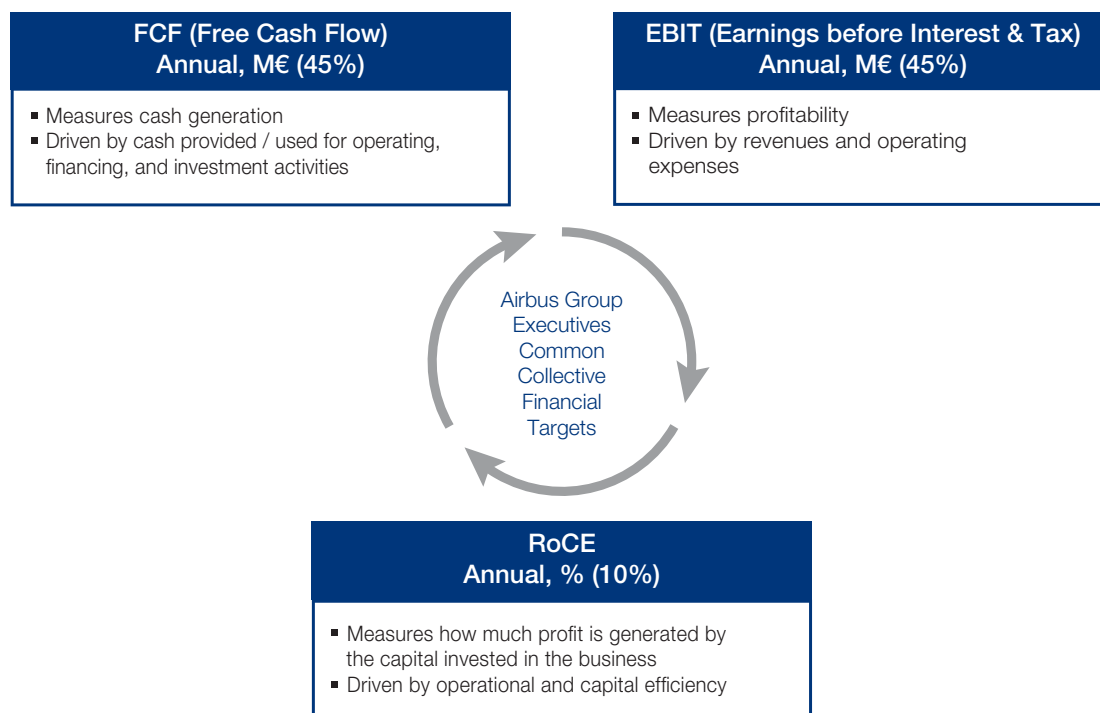


### Common Collective Component

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.

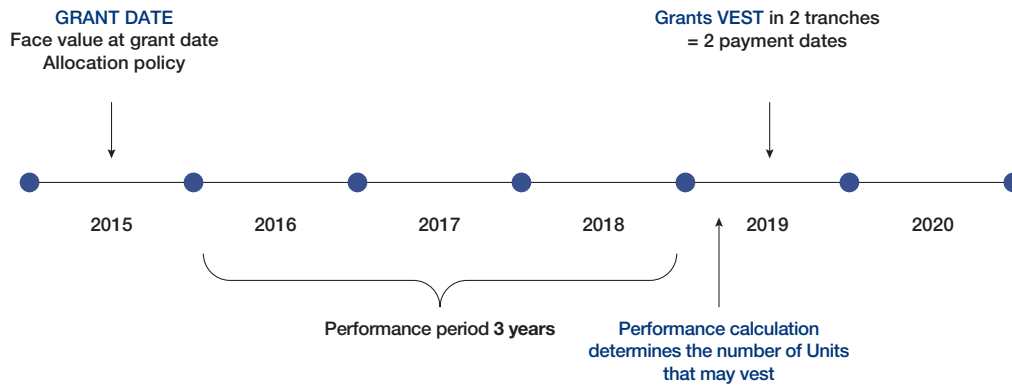
### e) Long-Term Incentive Plan

For the CEO, the Company's current 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.

### 4.2.1.2 Non-Executive Remuneration – Applicable to Non-Executive Members of the Board of Directors

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 recognise 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 23 February 2016 the Board confirmed the recommendation of the RNGC to increase the total target remuneration of the Chairman of the Board of Directors to €300,000 (currently €240,000) while that of a Non-Executive Director shall increase to €140,000 (currently €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 € 10,000 while leaving the fixed fee unchanged. The Chairman's remuneration will be increased with regards to both the fixed fee by €30,000 and the attendance fee by €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 €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)

### 4.2.1.3 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 recognise 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 recognise 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.

### 4.2.1.4 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<sup>(1)</sup> 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.

### 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) were 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. 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 A350 XWBs in the first year of industrialisation, acceleration of the A350 XWB 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).

Conversely, **certain areas** were considered as work-in-progress, and contributed to **lowering the achievement assessment**, such as the operational disappointments leading to sudden charges on the A400M programme; besides, certain on-going objectives are repeated into 2015 priorities, such as those relating to continuing to set a commanding tone from the top regarding the updating of processes supporting Ethics and Compliance; the completion of a group vision on responsibility and eco-efficiency, and the introduction of an updated group-wide environmental policy; the implementation of the "one-roof" management of our activities in key countries. The RNGC and the Board noted that the CEO's performance assessment is also consistent with the average outcome of the Group Executive Committee Members' assessments.

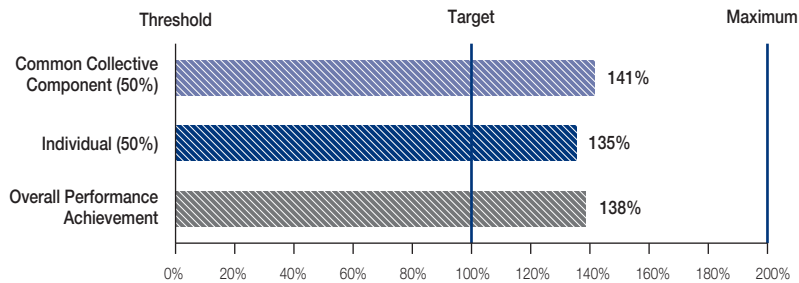
(1) **France:** Air Liquide, Danone, Michelin, Renault, Sanofi, Schneider Electric, GDF Suez, Vinci.

**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.

## PERFORMANCE AGAINST TARGET 2015



## d) Long-Term Incentive Plan

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	Vesting dates
	Granted in 2015	
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 WFT 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.

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 (4 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).



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	3 <sup>rd</sup> vesting – 6 May 2015: €62.17 4 <sup>th</sup> vesting – 4 November 2015: €57.97
2011	51,400	€21.41	€1,100,474	Conditional	128%	65,792	4 vestings in 2015 - 2016	1 <sup>st</sup> vesting – 6 May 2015: €62.17 2 <sup>nd</sup> 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.

### Review of achievement of performance conditions

The Board of Directors on 26 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 normalisation to align it with policies in force when setting the target (notably IAS 11).

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	€1.54	136%	73,984	€0.15 <sup>(1)</sup>
2011	51,400	€1.55	€2.10	128%	65,792	€0.56 <sup>(2)</sup>

(1) Average EPS of 2009, 2008 and 2007.

(2) Average EPS of 2010, 2009 and 2008.

### e) Share Ownership

The CEO owned 64,521 Airbus Group shares on 31 December 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 be 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 (i) the seniority of the CEO in the Company and on its Group Executive Committee and (ii) 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.

### 4.2.1.5 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 <sup>(2)</sup>			Directors' remuneration related to 2014 <sup>(1)</sup>		
	Fixum (in €)	Attendance Fees <sup>(2)</sup> (in €)	Total (in €)	Fixum (in €)	Attendance Fees (in €)	Total (in €)
<b>Current Non Executive Board Members<sup>(1)</sup></b>						
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 Martinez <sup>(3)</sup>	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
<b>Former Non Executive Board Members</b>						
Josep Piqué i Camps	41,668	0	41,668	100,000	15,000	115,000
<b>Total</b>	<b>1,151,668</b>	<b>370,000</b>	<b>1,521,668</b>	<b>1,160,000</b>	<b>370,000</b>	<b>1,530,000</b>

(1) 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.

(2) The Board meetings of 24 March and 3 June were telephone-based and it was agreed that no remuneration will be paid for it.

(3) Member of the Company Board of Directors, Audit Committee as of 27 May 2015.

## 4.2.2 Long-Term Incentives Granted to the Chief Executive Officer

See "— 4.3.3 Long-Term Incentive Plans".

### 4.2.3 Related Party Transactions

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Reflecting Article 2:129(6) of the Dutch Civil Code, Article 18.5 of the Articles of Association provides that “a *Director shall not take part in the deliberations or decision-making if he has a direct or indirect personal interest which conflicts with the interests of the Company and of the enterprise connected with it. If as a result thereof no resolution of the Board of Directors can be adopted, the resolution is adopted by the General Meeting*”.

During the years 2013, 2014 and 2015, no agreement was entered into by the Company with one of its Directors or principal officers or a shareholder holding more than 5% of the voting rights of the Company outside the ordinary course of business and in conditions other than arm’s length conditions. For more information, please refer to the “— Notes to the

IFRS Consolidated Financial Statements — Note 8: Related party transactions” for the year ended 31 December 2015 and “— Notes to the IFRS Consolidated Financial Statements — Note 36: Related party transactions” for the year ended 31 December 2014, as incorporated by reference herein.

For a description of the relationships between the Company and its principal shareholders, see “— General Description of the Company and its Shareholders — 3.3.2 Relationships with Principal Shareholders”. Other than the relationships between the Company and its principal shareholders described therein, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

## 4.3 Employee Profit Sharing and Incentive Plans

### 4.3.1 Employee Profit Sharing and Incentive Agreements

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The Company’s remuneration policy is strongly linked to the achievement of individual and Company objectives, both for each Division and for the overall Group. In 2012, a Performance and Restricted Unit plan was established for the senior management of the Group (see “— 4.3.3 Long-term incentive plans”), and employees were offered shares at favourable conditions within

the context of a new employee share ownership plan (see “— 4.3.2 Employee share ownership plans”).

The success sharing schemes which are implemented at the Company in France, Germany, Spain and the UK follow one set of common rules of the Group, ensuring a consistent application in these four countries.

### 4.3.2 Employee Share Ownership Plans

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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.

The following table summarises the main terms of the ESOPs conducted over the last three years:

Year	Price per share	Nominal value per share	Number of shares issued	Date of issuance
2013	€42.02 <sup>(1)</sup> / €44.20 <sup>(2)</sup>	€1	2,113,245	29 July 2013
2014	<sup>(3)</sup>			
2015	€49.70 <sup>(1)</sup> / €51.63 <sup>(2)</sup> / €65.59 <sup>(4)</sup>	€1 €1	1,436,901 102,113	21 April 2015 November 2015

(1) Shares purchased within context of Group employee savings plan.

(2) Shares purchased directly.

(3) July 2014 the Board of Directors decided to cancel the ESOP scheme for 2014 due to volatility of the share price and the financial situation.

(4) Under the umbrella of the ESOP 2015, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.

## Future ESOP

The Company intends to implement an ESOP in 2016, subject to approval by the Board of Directors. The 2016 ESOP is expected to be a share matching plan whereby a certain number of directly acquired shares would be matched by the Company as matching shares. The total offering would be up to approximately 2 million shares of the Company, *i.e.* up to 0.25% of its issued

share capital, open to all qualifying employees (including the CEO). A dedicated UK tax advantageous (Share Incentive Plan – SIP) would also be deployed in March 2016, under the umbrella of the ESOP 2016.

Non-Executive Members of the Board are not eligible to participate in future ESOP.

4.

## 4.3.3 Long-Term Incentive Plans

Based on the authorisation granted to it by the Shareholders' Meetings (see dates below), the Board of Directors approved Stock Option Plans in 2004, 2005 and 2006. In 2009, 2010, 2011, 2012, 2013, 2014 and 2015, the Board of Directors approved the granting of Performance Units and Restricted Units in the Company. The grant of so-called "units" will not physically be settled in shares but represents a cash settled plan in accordance with IFRS 2.

The principal characteristics of these options as well as Performance and Restricted Units as of 31 December 2015 are set out in the "Notes to the IFRS Consolidated Financial Statements – Note 30: Share-based payment". They are also summarised in the tables below:

		<b>Eighth tranche</b>
Date of Shareholders' Meeting		4 May 2006
Date of Board of Directors meeting (grant date)		18 December 2006
		<b>Stock Option Plan</b>
Number of options granted		1,747,500
Number of options outstanding <sup>(1)</sup>		264,500
Options granted to:		
▪ Mr. Thomas Enders		67,500
▪ Mr. Louis Gallois		67,500
▪ the 10 employees having being granted the highest number of options during the year 2006 (eighth tranche)		425,000
Total number of eligible beneficiaries		221
Date from which the options may be exercised	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 "– General description of the company and its share capital – 3.1.11 Disclosure of holdings")	
Date of expiration		16 December 2016
Conversion right		One option for one share
Vested		100%
Exercise price		€25.65
Exercise price conditions		110% of fair market value of the shares at the date of grant
Number of exercised options		1,276,500

<b>Twelfth tranche</b>		
Date of Board of Directors meeting (grant date)	10 November 2010	
<b>Performance and Restricted Unit plan</b>		
	<b>Performance Units</b>	<b>Restricted Units</b>
Number of units granted <sup>(1)</sup>	2,891,540	977,780
Number of units outstanding <sup>(2)</sup>	0	0
Units granted to:		
▪ Mr. Louis Gallois*	54,400	-
▪ the 10 employees having being granted the highest number of units during the year 2010 (twelfth tranche)	341,600	79,000
Total number of eligible beneficiaries		1,711
Vesting dates	<p>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 4 payments over 2 years:</p> <ul style="list-style-type: none"> <li>▪ 25% expected in May 2014;</li> <li>▪ 25% expected in November 2014;</li> <li>▪ 25% expected in May 2015;</li> <li>▪ 25% expected in November 2015.</li> </ul>	
Number of vested units <sup>(2)</sup>	3,693,272	916,700

(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 Airbus 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) Re-evaluation based on 136% performance achievement for the remaining outstanding Performance Units.  
\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

<b>Thirteenth tranche</b>		
Date of Board of Directors meeting (grant date)	9 November 2011	
<b>Performance and Restricted Unit plan</b>		
	<b>Performance Units</b>	<b>Restricted Units</b>
Number of units granted <sup>(1)</sup>	2,606,900	880,225
Number of units outstanding	1,621,252	430,509
Units granted to:		
▪ Mr. Louis Gallois*	51,400	-
▪ the 10 employees having being granted the highest number of units during the year 2011 (thirteenth tranche)	320,050	-
Total number of eligible beneficiaries		1,771
Vesting dates	<p>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 4 payments over 2 years:</p> <ul style="list-style-type: none"> <li>▪ 25% expected in May 2015;</li> <li>▪ 25% expected in November 2015;</li> <li>▪ 25% expected in May 2016;</li> <li>▪ 25% expected in November 2016.</li> </ul>	
Number of vested units	1,524,034	417,472

(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 Airbus 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).  
\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

<b>Fourteenth tranche</b>		
Date of Board of Directors meeting (grant date)	13 December 2012	
<b>Performance and Restricted Unit plan</b>		
	<b>Performance Units</b>	<b>Restricted Units</b>
Number of units granted <sup>(1)</sup>	2,119,160	621,980
Number of units outstanding	2,024,076	601,800
Units granted to:		
▪ Mr. Thomas Enders*	50,300	-
▪ the 10 employees having being granted the highest number of units during the year 2012 (fourteenth tranche)	251,800	-
Total number of eligible beneficiaries		1,797
Vesting dates	<p>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 4 payments over 2 years:</p> <ul style="list-style-type: none"> <li>▪ 25% expected in May 2016;</li> <li>▪ 25% expected in November 2016;</li> <li>▪ 25% expected in May 2017;</li> <li>▪ 25% expected in November 2017.</li> </ul>	
Number of vested units	2,000	2,800

(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 Airbus 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).  
\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

<b>Fifteenth tranche</b>		
Date of Board of Directors meeting (grant date)	13 November 2013	
<b>Performance and Restricted Unit plan</b>		
	<b>Performance Units</b>	<b>Restricted Units</b>
Number of units granted <sup>(1)</sup>	1,241,020	359,760
Number of units outstanding	1,202,576	355,120
Units granted to:		
▪ Mr. Thomas Enders*	30,300	-
▪ the 10 employees having being granted the highest number of units during the year 2013 (fifteenth tranche)	173,100	-
Total number of eligible beneficiaries		1,709
Vesting dates	<p>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 4 payments over 2 years:</p> <ul style="list-style-type: none"> <li>▪ 25% expected in May 2017;</li> <li>▪ 25% expected in November 2017;</li> <li>▪ 25% expected in May 2018;</li> <li>▪ 25% expected in November 2018.</li> </ul>	
Number of vested units	600	-

(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 Airbus 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).  
\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".



<b>Sixteenth tranche</b>		
Date of Board of Directors meeting (grant date)	13 November 2014	
<b>Performance and Restricted Unit plan</b>		
	<b>Performance Units</b>	<b>Restricted Units</b>
Number of units granted <sup>(1)</sup>	1,109,650	290,840
Number of units outstanding	1,109,650	290,840
Units granted to:		
▪ Mr. Thomas Enders*	29,500	-
▪ the 10 employees having being granted the highest number of units during the year 2014 (sixteenth tranche)	176,460	-
Total number of eligible beneficiaries		1,621
Vesting dates	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 2 payments over 2 years: <ul style="list-style-type: none"> <li>▪ 50% expected in June 2018;</li> <li>▪ 50% expected in June 2019.</li> </ul>	
Number of vested units	-	-

(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 Airbus 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).  
\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

The information in respect of stock options and performance and restricted shares cancelled and exercised during the year are set out in "Notes to the IFRS Consolidated Financial Statements — Note 30: Share-based payment".

<b>Seventeenth tranche</b>		
Date of Board of Directors meeting (grant date)	29 October 2015	
<b>Performance and Restricted Unit plan</b>		
	<b>Performance Units</b>	<b>Restricted Units</b>
Number of units granted <sup>(1)</sup>	926,416	239,604
Number of units outstanding	926,416	239,604
Units granted to:		
▪ Mr. Thomas Enders*	24,862	-
▪ the 10 employees having being granted the highest number of units during the year 2015 (seventeenth tranche)	156,446	-
Total number of eligible beneficiaries		1,564
Vesting dates	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 2 payments over 2 years: <ul style="list-style-type: none"> <li>▪ 50% expected in June 2019;</li> <li>▪ 50% expected in June 2020.</li> </ul>	
Number of vested units	-	-

(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 Airbus 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).  
\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

## SHAREHOLDING IN THE COMPANY OF THE MEMBERS OF THE BOARD OF DIRECTORS

Member of the Board of Directors	Shareholding
▪ Mr. Thomas Enders	64,521 ordinary shares
▪ Mr. Denis Ranque	2,000 ordinary shares
▪ Mr. Manfred Bischoff	1,292 ordinary shares
▪ Mr. Ralph D. Crosby, Jr.	40,000 stock options

No other Member of the Board of Directors holds shares or other securities in the Company.

Chapter

5

## Entity Responsible for the Registration Document

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## 5.1 Entity Responsible for the Registration Document

Airbus Group SE

## 5.2 Statement of the Entity Responsible for the Registration Document

The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

Airbus Group SE represented by:

Thomas Enders  
*Chief Executive Officer*

## 5.3 Information Policy

- Contact details for information:

Ms Julie Kitcher  
Head of Investor Relations and Financial Communication,  
Airbus Group SE  
1 rond-point Maurice Bellonte  
P.O. Box B03-5A4  
31707 Blagnac France  
Telephone: +33 5 82 05 53 01  
E-mail: ir@airbus.com

- Special toll-free hotlines are available to shareholders in France (0 800 01 2001), Germany (00 800 00 02 2002) and Spain (00 800 00 02 2002). An international number is also available for the rest of the world (+33 800 01 2001)
- An e-mail box is dedicated to shareholders' messages: ir@airbus.com

A website, [www.airbusgroup.com](http://www.airbusgroup.com), provides a wide range of information on the Company, including the Board of Directors' report. Additionally, for the life of this Registration Document, copies of:

- the Company's Articles of Association;
- the Registration Document filed in English with, and approved by, the AFM on 4 April 2014;
- the Registration Document filed in English with, and approved by, the AFM on 16 April 2015; and
- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of Airbus Group SE for the years ended 31 December 2013, 2014 and 2015, together with the related Auditors' reports, may be inspected at the Company's registered office at: Airbus Group SE, Mendelweg 30, 2333 CS Leiden, the Netherlands, Seat (*statutaire zetel*) Amsterdam, Tel.: +31 (0)71 5245 600.

5.

## 5.4 Undertakings of the Company regarding Information

Given the fact that the shares of the Company are listed on Euronext Paris, on the *regulierter Markt* (in the sub-segment Prime Standard) of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges, the Company is subject to certain laws and regulations applicable

in France, Germany and Spain in relation to information, the main ones of which are summarised in "General Description of the Company and its Share Capital – 3.1.3 Governing Laws and Disclosures".

## 5.5 Significant Changes

As of the date of this Registration Document, there has been no significant change in the Group's financial or trading position since 31 December 2015.





