



Registration Document

2016



Airbus Group SE (the “**Company**”) is a European public company (*Societas Europaea*), with its seat in Amsterdam, The Netherlands, 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**”). In 2017, the Company continues to further integrate by merging its Group structure with the commercial aircraft activities of Airbus, with associated restructuring measures. The merger is contemplated to take place mid-2017. In this new set-up, the Company will retain Airbus Defence and Space and Airbus Helicopters as Divisions. See “— Information on Airbus Activities — 1.1.1 Overview”.

In 2016, there are no changes to the segment reporting. Nevertheless as a result of the relabelling to a single Airbus brand, the Company together with its subsidiaries will be referred to as “**Airbus**” and no longer the Group. Consequently, the segment formerly known as Airbus is referred to as “**Airbus Commercial Aircraft**” for the purpose of 2016 financial reporting. See “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — 2.1.1.2 Reportable Business Segments”.

The Company will change its name to Airbus SE; the legal name change from Airbus Group SE to Airbus SE is still subject to the approval of the Annual General Meeting (“AGM”) due to be held on 12 April 2017.

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 4 April 2017 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. This Registration Document is dated 4 April 2017.

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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 Concerns

As a global company, the Company's operations and performance depend significantly on market and economic conditions in Europe, the US, Asia and the rest of the world. Market disruptions and significant economic downturns may develop quickly due to, among other things, crises affecting credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt and bank debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including the impact of Brexit, discussed below, US policy and elections in Europe). 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 financial condition and results of operations.

Two geopolitical events in 2016 in particular could cause potential disruptions to and create uncertainty surrounding the Company's business, including affecting our relationships with our existing and future customers, suppliers and employees: (i) the public referendum in June 2016 where a majority of UK voters voted in favour of leaving the European Union (commonly referred to as "Brexit") and (ii) the US Presidential election in November 2016.

Although the terms of the UK's post-Brexit relationship with the EU are still unknown, the Company may be affected by potentially divergent national laws and regulations between the EU and the UK. This may include greater restrictions on the importing and exporting of goods and services between the UK and EU countries in which the Company operates along with costly new tariffs and increased regulatory and legal complexities. The free movement of people and skilled labour may also be limited by new border controls.

The results of the US Presidential election have introduced greater uncertainty with respect to US tax and trade policies, tariffs and government regulations affecting trade between the US and other countries.

Although it is too early for the impact of these geopolitical events to be reasonably assessed, the consequences could have a negative effect on the Company's financial condition and results of operations.

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 decisions by customers to review their order intake strategy due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or change in operating costs or weak levels of passenger demand for air travel and cargo activity more generally;
- 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 on the part 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 Airbus' 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.

In the Commercial Aircraft activities, revision clauses in sales contracts and in supplier contracts can be based on different indexes and therefore can evolve differently.

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 has been the case in the past and as higher capital requirements for banks result in higher credit charges for uncollateralised derivatives. Accordingly, the Company's foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the long term, which could have a negative effect on its financial condition and results of operations. In addition, the portion of

the Company's US dollar-denominated revenues that is not hedged in accordance with the Company's hedging strategy will be exposed to fluctuations in exchange rates, which may be significant.

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

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

* Unless otherwise indicated, EBIT figures presented in this report are Earning before Interest and Taxes. It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.

Sales Financing Arrangements

In support of sales, the Company may agree to participate in the financing of selected customers. As a result, the Company has a portfolio of leases and other financing arrangements with airlines and other customers. The risks arising from the Company's sales financing activities may be classified into two categories: (i) credit risk, which relates to the customer's ability to perform its obligations under a financing arrangement, and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft. 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 the date of their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, the Company would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, etc.). Similarly, if an unexpected decrease in the market value of a given aircraft

coincided with the exercise window date of an asset value guarantee with respect to that aircraft, the Company would be exposed to losing as much as the difference between the market value of such aircraft and the guaranteed amount, though such amounts are usually capped. 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 assurance can 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.

Due to the suspension of Export Credit Agency financing, there is a risk that additional customer financing will need to be provided, which could increase the customer financing exposure. See "— Legal Risks" and "— Information on Airbus Activities — Section 1.1.7 Legal and Arbitration Proceedings".

In addition, the Company has outstanding backstop commitments to provide financing related to orders on Airbus' and ATR's backlog. While past experience suggests it is unlikely that all such proposed financing actually will be implemented, the Company's sales financing exposure could rise in line with future sales growth depending on the agreement reached with customers. Despite the measures taken by the Company to mitigate the risks arising from sales financing activities as discussed above, the Company remains exposed to the risk of defaults by its customers or significant decreases in the value of the financed aircraft in the resale market, which may have a negative effect on its financial condition and results of operations.

Counterparty Credit

In addition to the credit risk relating to sales financing as discussed above, the Company is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments. However, Airbus 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 financial condition and results of operations.

Moreover, the progressive implementation of new financial regulations (Basel III, EMIR, CRD4, Bank Restructuring Resolution Directive, Dodd Frank Act, Volcker Rules, *etc.*) will have an impact on the business model of banks (for example, the split between investment banking and commercial banking

activities) and on the capital structure and cost of such banks' activities in relation to over-the-counter derivatives, and therefore on the funding consequences of central clearing and collateralisation of over-the-counter derivatives for corporations like the Company. This may ultimately increase the cost and reduce the liquidity of the Company's long-term hedges, for example, as banks seek to either pass-on the additional costs to their corporate counterparties or withdraw from low-profit businesses altogether.

Equity Investment Portfolio

The Company holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. Equity investments are either accounted for using the equity method (joint ventures and associated companies), if the Company has the ability to exercise joint control or significant influence, or at fair value. If fair value is not readily determinable, the investment is measured at cost.

As of 31 December 2016, the Company's remaining investment in Dassault Aviation's share capital is classified as other investments and measured at fair value, amounting to €0.9 billion at year-end 2016. For equity investments 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.

Pension Commitments

The Company participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. For information related to these plans, 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 include but are not limited to (i) the discount factor (dependent in part on interest rates) and the inflation rate applied to calculate the net present value of the pension liabilities, (ii) the performance of the asset classes which are represented in the pension assets, and (iii) 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 Exposure

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

Historically, order intake for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and the air cargo share of freight activity, which are in turn driven by a range of economic variables, such as gross domestic product (“GDP”) growth, private consumption levels or working age population size. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies and resultant yields, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) evolution of fuel price, (vii) regulatory environment, (viii) environmental constraints imposed upon

aircraft operations and (ix) market evolutionary factors such as the growth of low-cost passenger airline business models or the impact of e-commerce on air cargo volumes. The market for commercial aircraft could continue to be cyclical, and downturns in broad economic trends may have a negative effect on its financial condition and results of operations.

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 since 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.

Physical Security, Terrorism, Pandemics and Other Catastrophic Events

Past terrorist attacks and the spread of pandemics (such as H1N1 flu or Ebola) have demonstrated that such events may negatively affect public perception of air travel safety, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest or uncertainties may also affect the willingness of the public to travel by air. Furthermore, major aircraft accidents may have a negative effect on the public’s or regulators’ perception of the safety of a given class of aircraft, a given airline, form of design or air traffic management. As a result of such factors, the aeronautic industry may be confronted with sudden reduced demand for air transportation and be compelled to take costly security and safety measures. The Company may therefore suffer from a

decline in demand for all or certain types of its aircraft or other products, and the Company’s customers may postpone delivery or cancel orders.

In addition to affecting demand for its products, catastrophic events could disrupt the Company’s internal operations or its ability to deliver products and services. Disruptions may be related to threats to infrastructure and personnel physical security, terrorism, natural disasters, damaging weather, and other crises. Any resulting impact on the Company’s production and services could have a significant adverse effect on the Company’s financial condition and results of operations as well as on its reputation and its products and services.

Cyber Security Risks

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.

The Company is exposed to a number of different types of potential security risks, arising from actions that may be intentional and hostile, or negligent. Industrial espionage,

cyber-attacks such as Advanced Persistent Threat (“APT”), including systems sabotage, data breaches (confidential data, personal data and Intellectual property), and data corruption and availability are the main risks that the Company may face. Risks related to our industrial control systems, manufacturing processes and products are growing, with the increase of

interconnectivity and digitalisation, and with a growing gap developing between the defences of older, relatively insecure industrial systems and the capabilities of potential attackers.

All of the above mentioned risks are heightened in the context of greater use of cloud services, integration with extended enterprise, growing use of sophisticated mobile devices and the “internet of things” to access the Company’s IT systems.

Moreover, the extended use of social media may expose the Company to reputational damage from the growing volume of false and malicious information injected.

While the Company continues to undertake significant efforts to prevent such events from happening, no assurance can be given that these efforts will successfully prevent them or their consequences.

The occurrence of one or several of such risks could lead to severe damage including but not limited to significant financial (including through additional investment required), contractual or reputation performance degradation as well as loss of Intellectual property data and information, operational business degradation or disruptions, and product or services malfunctions.

Dependence on Key Suppliers and Subcontractors

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

The Company relies upon the good performance of its suppliers and subcontractors to meet the obligations defined under their contracts. Supplier performance is continually monitored and assessed so that supplier development programmes can be launched if performance standards fall below expectations. In addition, the Company benefits from its inherent flexibility in production lead times to compensate for a limited non-performance of suppliers, protecting the Company’s commitments towards its customers. In certain cases, dual sourcing is utilised to mitigate the risk. However, no absolute 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 financial condition and results of operations.

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

As the Company’s global sourcing footprint extends, some suppliers (or their sub-tier suppliers) may have production facilities located in countries that are exposed to socio-political unrest or natural disasters which could interrupt deliveries. 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 to be 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 financial condition and results of operations 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 financial condition and results of operations of the Company.

Industrial Ramp-Up

As a result of the large number of new orders for aircraft recorded in recent years, the Company intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft. The Company’s ability to further increase its production rate will be dependent upon a

variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given the high demand by the Company and its competitors, conversion of raw materials into parts and assemblies, and performance by

suppliers and subcontractors (particularly suppliers of 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, failures relating to any or all of these factors could lead to missed delivery commitments,

and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders. This risk increases as the Company and its competitors announce even higher production rates. Good progress has been made in 2015 and the supply chain is in general more stable. Specific areas of risk with suppliers of cabin equipment continue to be carefully managed.

Technologically Advanced Products and Services

The Company offers its customers products and services that are technologically advanced, the design, manufacturing, components and materials 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 Airbus' 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 A350-900 and -1000 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 2014, 2015 and 2016”. 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 financial condition and results of operations as well as on the reputation of the Company and its products and services.

Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. Due to the overall economic environment and competing budget priorities, several countries have reduced their level of public spending, especially with respect to defence and security budgets. Any termination or reduction of future funding or cancellations or delays impacting existing contracts may have a negative effect on the Company's financial condition and results of operations. In instances where several countries

undertake to enter together into defence or other procurement contracts, economic, political or budgetary constraints in any one of these countries may have a negative effect on the ability of the Company to enter into or perform such contracts.

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

Availability of Government and Other Sources of Financing

Since 1992, the EU and the US have operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the US sought to unilaterally withdraw from this agreement, which eventually led to the US and the EU making formal claims against each other before the World Trade Organization (“WTO”). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues. The terms and conditions of any new agreement, or the final outcome of the formal WTO proceedings, may limit access by the Company to risk-sharing-funds for large projects, may establish an unfavourable balance of access to government funds by the Company as compared to its US competitors or may in an extreme scenario cause the European Commission and the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to the Company.

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

Competition and Market Access

The markets in which the Company operates are highly competitive. In some areas, competitors may have more extensive or more specialised engineering, manufacturing and marketing capabilities than the Company. In addition, some of the Company’s largest customers and/or suppliers may develop the capability to manufacture products or provide services similar to those of the Company. This would result in these customers/suppliers marketing their own products or services and competing directly with the Company for sales of these products or services, all of which could significantly reduce the Company’s revenues. Further, new players are operating or seeking to operate in the Company’s existing markets which may impact the structure and profitability of these markets. In addition, enterprises with different business models could substitute some of the Company’s products and services. There

can be no assurance that the Company will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues, market share or profit.

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

Major Research and Development Programmes

The business environment in many of the Company’s principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments with a high level of complexity. 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 financial condition and results of operations.

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

Digital Transformation, Integration, Continuous Improvement and Competitiveness Programmes

In order to improve current operational performance while preparing for the future and building resilience, the Company has launched the integration of its headquarters and corporate functions with the largest Division, Airbus Commercial Aircraft, and has initiated a wide-reaching digital transformation programme, Quantum. In parallel, the traditional continuous improvement and competitiveness programmes running in all businesses are pursued.

Integration

The merger of the Group structure with its largest Division, Airbus Commercial Aircraft, to form one single entity to be called, simply, Airbus, is contemplated to be completed in mid-2017. This next level of integration aims to improve performance and efficiency across the group, ensuring clear focus on operational business imperatives. The new organisation with leaner functions should ease collaboration, reduce bureaucracy and allow for faster decision making at all levels and across Divisions thus laying solid foundations for digital transformation and catalysing all group transformation initiatives already underway in support functions. The streamlined set-up also brings consolidation and cost reduction opportunities at the top of the organisation, which should benefit Helicopters and Defence and Space. Some 1,100 positions will be reduced in the functions concerned, while around 230 new positions are to be created mainly in the Digital Transformation Office (DTO) and new Corporate Technology Office (CTO) organisations. The net impact would lead to an overall headcount reduction of around 9%.

Digital transformation

The Quantum transformation programme was launched to accelerate transformation of end to end operations and to define our future set-up (operations, new services, new business model) driven by customer requirements. In the short to mid-term Quantum will focus on accelerating and industrialising the most promising digitally-enabled performance improvement initiatives permitting a step change. In the longer term, Quantum will redesign end to end digital operations and enable new profitable business model and services for our customers. Quantum is supported by the DTO and CTO organisations and each key streams is led by a Division head.

Traditional cost-saving and competitiveness programmes in each Division

To improve competitiveness in soft markets, offset costs and achieve profitability targets, among other things, the Company and its Divisions have launched several restructuring, cost saving and competitiveness programmes over the past several years. These include Boost Competitiveness in Commercial Aircraft, Adapt in Helicopters and Compete in Defence and Space.

In addition to the risk of not achieving the anticipated level of cost savings, efficiency gains and other benefits 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 financial condition and results of operations may be negatively affected.

Acquisitions, Divestments, Joint Ventures and Strategic Alliances

As part of its business strategy, the Company may acquire or divest businesses and form joint ventures or strategic alliances. Acquisitions and divestments are inherently risky because of difficulties that may arise when integrating or carving out people, operations, technologies and products. There can be no assurance that any of the businesses that the Company acquires can be integrated or carved out successfully and as timely as originally planned or that they will perform well and

deliver the expected synergies once integrated or separated. In addition, the Company may incur significant acquisition or divestment, administrative and other costs in connection with these transactions, including costs related to integration or separation of acquired businesses. While the Company believes that it has established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful.

Public-Private Partnerships and Private Finance Initiatives

Defence customers may request proposals and grant contracts under schemes known as public-private partnerships (“**PPPs**”) or private finance initiatives (“**PFI**s”). 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 Skynet 5 and related telecommunications services, and in the AirTanker (FSTA) project both with the UK MoD. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the lifetime of the project.

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

Programme-Specific Risks

In addition to the risk factors mentioned above, the Company also faces the following programme-specific risks (while this list does not purport to be exhaustive, it highlights the current risks believed to be material by management and that could have a significant impact on the Company’s financial condition and results of operations):

A320neo programme. In connection with the A320neo programme, the Company faces the following main challenges: the transition from A320ceo (current engine option) to A320neo that started in 2016 with 68 deliveries and will finish in 2019; management of stress in the internal and external supply chain as a result of the industrial ramp-up; ensuring maturity and high quality service support for 17 operators of A320neo (new engine option). The main focus will be with the further ramp-up for Airbus and both engine partners. For the Pratt & Whitney

engine, challenges are to (i) meet the delivery commitments in line with agreed schedule; (ii) fix in-service maturity issues in line with Airbus and customer expectations.

A400M programme. Progress has been made in 2016 in implementing industrial recovery measures and management is focused on delivery, but the Company continues to face the following significant challenges: meeting contractual technical and military capabilities; commercial exposure; the revised engine programme and its associated recovery plan, including the Propeller Gear Box quality issues; technical issues related to the aluminium alloy used for some parts within the aircraft; recurring cost convergence issues; some delays, escalation and cost overruns in the development programme; and securing sufficient export orders in time.

The key capabilities to be achieved remain cargo management and aerial load delivery, self-defence and protection, paratrooper aerial delivery and air to air refuelling. In addition, the A400M programme continues to face challenges in production ramp-up; management of the retrofit campaign as well as providing support to enable high levels of in-service availability. Management continues to work closely with the customers to have a cohesive schedule for military capability enhancement and aircraft delivery.

Management will look to enter into negotiations with customers to cap some of the capability risks and limit additional commercial exposure.

For further information, please refer to the “— Notes to the IFRS Consolidated Financial Statements — Note 10: Revenues, Cost of Sales and Gross Margin”.

A350 XWB programme. In connection with the A350 XWB programme, after 49 successful deliveries to 10 airlines in 2016, the Company faces the following main challenges: ensuring satisfaction of operators and high quality support to their operations; maintaining supply chain performance and production ramp-up; controlling and reducing the level of outstanding work in final assembly line; managing recurring costs during the ongoing ramp-up; maintaining customisation and ramp-up of Heads of Version; and maintaining the development schedule in line with learning curve assumptions beyond the initial ramp up phase of A350-1000 XWB to ensure entry in service as planned in agreement with first customer.

A380 programme. In connection with the A380 programme, the Company faces the following main challenges: secure future order flow to mitigate the risk of a decreasing backlog; ramp down the yearly production rate towards rate 12 in 2018 and reduce fixed costs to the new production plan to protect break even at lower volumes; make continued improvements to lower the resources and costs associated with designing each customised Head of Version aircraft for new customers; and manage maturity in service.

H225 programme and AS332 L2 fleet. In connection with the H225 programme and the AS332 L2 fleet, the Company faces the following main challenges: since the crash in April 2016 of a H225 in Norway, the Company is dealing with protective measures validated by EASA who lifted the flight suspension on 7 October 2016 to put the fleet back into flight operations; providing assistance to the investigation team and the authorities ahead of the publication of the final accident report; working with the relevant stakeholders to allow the return to service of aircraft that are still under temporary flight suspensions that remain in place in the UK and Norway, following-up with retrofits and dealing with customer claims.

A330 programme. The A330 programme has successfully been transitioned to rate 6 per month from rate 10 per month both commercially and industrially. The A330neo development progresses aiming at first flight in 2017 with attention on the engine development.

H175 programme. In connection with the H175 programme produced in cooperation with Avic, the Company faces the following main challenges: after the delivery of the first H175 in VIP configuration in 2016, the Company is mastering the maturity plan of the aircraft and the certification of the Search and Rescue mission planned for 2017 and is proceeding with the industrial ramp-up.

NH90 and Tiger programmes. In connection with the NH90 and Tiger programmes, the Company is delivering according to contracts whilst negotiations for the end of some contracts and some new contract amendments are still ongoing. In connection with multiple fleets entering into service it faces the challenge of assuring support readiness.

Border security. In connection with border security projects, the Company faces the following main challenges: meeting the schedule and cost objectives taking into account the complexity of the local infrastructures to be delivered and the integration of commercial-off-the-shelf products (radars, cameras and other sensors) interfaced into complex system networks; assuring efficient project and staffing; managing the rollout including subcontractors and customers. Negotiations on change requests and schedule re-alignments remain ongoing.

3. Legal Risks

Dependence on Joint Ventures and Minority Holdings

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

- the Eurofighter and AirTanker consortia; and
- four principal joint ventures: MBDA, ATR, Airbus Safran Launchers 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

The Company designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. The Company is subject to the risk of product liability and warranty claims in the event that any of its products fails to perform as designed.

While the Company believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance coverage will be adequate.

Intellectual Property

The Company relies upon patents, copyright, trademark, confidentiality and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its intellectual property (IP) rights in its products and services and in its operations. Despite these efforts to protect its IP rights, any of the Company's direct or indirect IP rights could be challenged, invalidated or circumvented. Further, the laws of certain countries do not protect the Company's proprietary rights to the same extent as the laws in Europe and the US. Therefore, in certain jurisdictions the Company may be unable to protect its proprietary technology adequately against unauthorised third-party copying or use, which could adversely affect its competitive position.

In addition, although the Company believes that it lawfully complies with the monopolies inherent in the IP 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, result in financial penalties or prevent it from offering certain products or services which may be subject to such third-party IP rights. Any claims or litigation in this area, whether the Company ultimately wins or loses, could be time-consuming and costly, harm the Company's reputation or require it to enter into licensing arrangements. The Company might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against the Company, causing further losses.

Export Controls Laws and Regulations

The export market is a significant market for the Company. In addition, many of the products the Company designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of the jurisdictions in which they are produced may be restricted or subject to licensing and export controls, notably by the UK, France, Germany and Spain, where the Company carries out its principal activities relating to military products and services 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 financial condition and results of operations.

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

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

In 2016, for example, the Company announced that it had discovered misstatements and omissions in certain applications for export credit financing for Airbus customers, and had engaged legal, investigative and forensic accounting experts to conduct a review. Separately, the UK Serious Fraud Office announced that it had opened a criminal investigation into allegations of fraud, bribery and corruption in the civil aviation business of Airbus, relating to irregularities concerning third party consultants. Airbus was subsequently informed that the

French authorities, the Parquet National Financier ("PNF"), had also opened a preliminary investigation into the same subject and that the two authorities will act in coordination going forward. See "— Information on Airbus Activities — 1.1.7 Legal and Arbitration Proceedings".

The Company cannot predict at this time the impact on it as a result of these matters, and accordingly cannot give any assurance that it will not be adversely affected. In addition to the temporary suspension of export credit financing, the Company may be subject to administrative, civil or criminal liabilities including significant fines and penalties, as well as suspension or debarment from government or non-government contracts for some period of time. The Company may also be required to modify its business practices and compliance programme and/or have a compliance monitor imposed on it. Any one or more of the foregoing could have a significant adverse effect on the Company's reputation and its business, financial condition and results of operations.

Legal and Regulatory Proceedings

The Company is currently engaged in a number of active legal and regulatory proceedings. See “— Information on Airbus Activities — 1.1.7 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, financial condition and results of operations. An unfavourable ruling could also negatively impact the Company’s stock price and reputation.

In addition, the Company is from time to time subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. In addition to the risk of an unfavourable ruling against the Company, any such inquiry or investigation could negatively affect the Company’s reputation and its ability to attract and retain customers and investors, which could have a negative effect on its business, financial condition and results of operations. 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 financial condition and results of operations.

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 financial condition and results of operations.

In addition, the various products manufactured and sold by the Company must comply with relevant health, safety and environmental laws, for example those designed to protect customers and downstream workers, 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. 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

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1.1 Presentation of the Company

1.1.1 Overview

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

With consolidated revenues of €66.6 billion in 2016, Airbus is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners from 100 to more than 600 seats. Airbus is also a European leader providing tanker, combat, transport and mission aircraft, as well as Europe's number one space enterprise and the world's second largest space business. In helicopters, Airbus provides the most efficient civil and military rotorcraft solutions worldwide. In 2016, it generated 83% of its total revenues in the civil sector (compared to 82% in 2015) and 17% in the defence sector (compared to 18% in 2015). As of 31 December 2016, Airbus' active headcount was 133,782 employees.

Strategy

In 2016, the Company has further pushed forward its restructuring, in accordance with the strategy introduced in 2013 and summed up in the statement "*we make it fly*".

Airbus Defence and Space continued to revisit its portfolio and refocus on military aircraft, missiles, launchers and satellites. The Company pursued the divestment process of the businesses that do not fit with the new strategic goals and have better futures in more tailored ownership structures. The Company completed the Airbus Safran Launchers ("ASL") joint venture, sold its business communications entities and entered into agreements to sell its defence electronics business and Atlas Elektronik.

The Company also announced that it will further integrate by merging its Group structure with its largest Division Airbus Commercial Aircraft. The merger of Airbus Group and Airbus paves the way for an overhaul of our corporate set-up, simplifies our company's governance, eliminates redundancies and supports further efficiencies, while at the same time driving further integration of the entire group. The other two Divisions, "Defence and Space" and "Helicopters" remain integral parts of Airbus and will derive considerable benefit from the merger through more focused business support and reduced costs.

The 8 strategic paths of the Company's strategy are as follows:

1. Remain a leader in commercial aerospace, strengthen market position and profitability

The commercial aircraft business aims to be largely self-sufficient going forward, rather than attempting to rely on a balanced group portfolio. Focus upon on-time, on-cost and on-quality deliveries is paramount given the huge backlog execution challenge. Therefore, the proven management of cycles and shocks needs to be continued and the efforts to soften adverse impacts from 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 the Company seeks to remain strong and actively shape its 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 Airbus' positioning on export markets. In Space, Airbus has strengthened its position increasing its stake in Arianespace and reached further key milestones related to Ariane 6 development, and was able to conclude the creation of Airbus Safran Launchers in its full scope.

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 innovates every day to increase its value propositions 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 Company'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 these products.

In addition, Airbus 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.

4. Exploit digitalisation to enhance our current business as well as pursue disruptive business models

Digitalisation will support Airbus' transformation by focusing on 5 main axes: (i) enabling high employee engagement, (ii) achieving 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 over 75% of our backlog and 70% of our revenues coming from outside Europe, Airbus is, more than ever, a global company. The constant effort to globalise our businesses, especially in countries with substantial growth, has paid off. This global footprint is also reflected in the diversity of our staff and skills. Locally, products may need to be adapted and will have to be 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 give Airbus a controlled entry and real citizenship, whilst partnerships and acquisitions are complementary tools.

6. Focus services on and around the Company's platforms

The strategy going forward is to focus on services where Airbus 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 bringing competitive advantage to its customers. As services are executed locally, the portfolio will be adapted to the increasingly global customer base. 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 Aircraft, the installed base is expanding rapidly, and new innovative services (power by the hour, maintenance, training) are being offered successfully.

7. Strengthen the value chain position

Airbus' core capability is to master programme management and architect / integrator capabilities in order to market, design, develop, manufacture and service large-scale aeronautics / space platforms and integrated systems. As Airbus is 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. Airbus' 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.

8. Focus on profitability and value creation; no need to chase growth at any cost; actively manage portfolio

Thanks to strong organic growth potential, mainly in the commercial airplane business, Airbus is going through a series of production ramp-ups with associated financial needs. On top of that, targeted investments are expected to help to position Airbus for the future. The financial strength of the Company is vital for mastering these challenges, and to ensure that we have enough room for manoeuvre for further strategic moves. As a prerequisite, the Company must remain attractive for investors, notably compared to its peers.

Organisation of Airbus' Businesses

In 2016, the Company organised its businesses into the following three operating Divisions: (i) Commercial Aircraft, (ii) Helicopters and (iii) Defence and Space. However, as a continuation of a number of integration and normalisation steps that took place in 2012, 2013 and 2015, the Company is now merging its Group structure with its largest Division Commercial Aircraft. The merger is contemplated to take place mid-2017 and provides the opportunity to introduce a single Airbus brand for the Company and all its entities, effective since January 2017. 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.

Commercial Aircraft

Airbus Commercial Aircraft is one of the world's leading aircraft manufacturers of passenger airliners, ranging in capacity from 100 to more than 600 seats. Across all its aircraft families Airbus Commercial Aircraft's 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 2016, Airbus Commercial Aircraft has received orders for 17,080 commercial aircraft from 394 customers around the world. In 2016, Airbus Commercial Aircraft delivered 688 aircraft (compared to 635 deliveries in 2015) and received 949 gross orders (compared to 1,190 gross orders in 2015), or 54% of the gross worldwide market share (in value terms) of aircraft with more than 100 seats (compared to 55% in 2015). After accounting for cancellations, net order intake for 2016 was 731 aircraft (compared to 1,080 aircraft in 2015). As of 31 December 2016, Airbus Commercial Aircraft's backlog of commercial orders was 6,874 aircraft (compared to 6,831 aircraft in 2015).

In 2016, Airbus Commercial Aircraft recorded total revenues of €49.23 billion – representing 73% of Airbus' revenues. See "– 1.1.2 Commercial Aircraft".

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 418 helicopters in 2016 (395 in 2015) and received 353 net orders in 2016 (compared to 333 net orders in 2015). Order intake amounted to €6.05 billion (2015: €6.2 billion). Civil contracts accounted for 55% of this order volume, with military sales representing the remaining 45%. At the end of 2016, Airbus Helicopters order book stood at 766 helicopters (2015: 831 helicopters).

In 2016, Airbus Helicopters recorded total revenues of €6.65 billion, representing 9% of Airbus' revenues. See "– 1.1.3 Helicopters".

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 in 2016 comprised the three Business Lines: Military Aircraft; Space Systems; and Communications, Intelligence & Security (CIS). 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 2016, Airbus Defence and Space recorded total revenues of €11.85 billion, representing 18% of Airbus' revenues. See "– 1.1.4 Defence and Space".

Investments

In 2016, the Company monetised its remaining 23.6% stake in Dassault Aviation further to the disposal of 18.75% that occurred in 2015. See "– 1.1.5 Investments".

Summary Financial and Operating Data

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

CONSOLIDATED REVENUES BY DIVISION FOR THE YEARS ENDED 31 DECEMBER 2016, 2015 AND 2014

<i>(in €m)</i>	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Airbus Commercial Aircraft	49,237	45,854	42,280
Airbus Helicopters	6,652	6,786	6,524
Airbus Defence and Space	11,854	13,080	13,025
Total Divisional revenues	67,743	65,720	61,829
Other / HQ / Consolidation ⁽¹⁾	(1,162)	(1,270)	(1,116)
Total	66,581	64,450	60,713

(1) "Other / HQ / Consolidation" comprises the holding function of Airbus, 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 2016, 2015 AND 2014

	Year ended 31 December 2016		Year ended 31 December 2015		Year ended 31 December 2014	
	<i>Amount in €bn</i>	<i>In percentage⁽¹⁾</i>	<i>Amount in €bn</i>	<i>In percentage⁽¹⁾</i>	<i>Amount in €bn</i>	<i>In percentage⁽¹⁾</i>
Europe	21.4	32.1%	20.1	31.1%	20.3	33.4%
North America	8.9	13.4%	10.2	15.9%	9.7	16.0%
Asia / Pacific	21.3	32.0%	18.8	29.1%	19.4	31.9%
Rest of the World ⁽²⁾	15.0	22.5%	15.4	23.9%	11.3	18.7%
Total	66.6	100%	64.5	100%	60.7	100%

(1) Percentage of total revenues after eliminations.

(2) Including the Middle East.

CONSOLIDATED ORDERS BOOKED FOR THE YEARS ENDED 31 DECEMBER 2016, 2015 AND 2014

	Year ended 31 December 2016		Year ended 31 December 2015		Year ended 31 December 2014	
	<i>Amount in €bn</i>	<i>In percentage⁽¹⁾</i>	<i>Amount in €bn</i>	<i>In percentage⁽¹⁾</i>	<i>Amount in €bn</i>	<i>In percentage⁽¹⁾</i>
Orders booked⁽²⁾						
Airbus Commercial Aircraft ⁽³⁾	114.9	84.3%	139.1	87.1%	150.1	89.4%
Airbus Helicopters	6.1	4.4%	6.2	3.9%	5.5	3.3%
Airbus Defence and Space	15.4	11.3%	14.4	9.0%	12.2	7.3%
Total Divisional orders	136.4	100%	159.7	100%	167.8	100%
Other / HQ / Consolidation	(1.9)		(0.7)		(1.4)	
Total	134.5		159.0		166.4	

(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 2016, 2015 AND 2014⁽¹⁾

	Year ended 31 December 2016		Year ended 31 December 2015		Year ended 31 December 2014	
	<i>Amount in €bn</i>	<i>In percentage⁽²⁾</i>	<i>Amount in €bn</i>	<i>In percentage⁽²⁾</i>	<i>Amount in €bn</i>	<i>In percentage⁽²⁾</i>
Airbus Commercial Aircraft ⁽³⁾	1,010.2	95.0%	952.4	94.6%	803.6	93.6%
Airbus Helicopters	11.3	1.1%	11.8	1.2%	12.2	1.4%
Airbus Defence and Space	41.5	3.9%	42.9	4.2%	43.1	5.0%
Total Divisional backlog	1,063.0	100%	1,007.1	100%	858.9	100%
Other / HQ / Consolidation	(2.6)		(1.2)		(1.4)	
Total	1,060.4		1,005.9		857.5	

(1) Without options.

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

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

Relationship between Airbus Group SE and Airbus

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

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

Airbus Commercial Aircraft's global presence includes, on top of France, Germany, Spain and the United Kingdom, fully-owned subsidiaries in the United States, China, Japan, India and in the Middle East, and spare parts centres in Hamburg, Frankfurt, Washington, Beijing, Dubai and Singapore. Airbus Commercial Aircraft also has engineering and training centres in Toulouse, Miami, Mexico, Wichita, Hamburg, Bangalore, Beijing and Singapore, as well as an engineering centre in Russia. There are also more than 150 field service offices around the world. Airbus Commercial Aircraft also relies on industrial co-operation and partnerships with major companies and a wide network of suppliers around the world.

Strategy

Airbus Commercial Aircraft's 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 Commercial Aircraft is actively:

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

Airbus Commercial Aircraft 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 Commercial Aircraft 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 Commercial Aircraft seeks to remain at the forefront of the industry by expanding its customer services offering to meet customers' evolving needs. As a result, Airbus Commercial Aircraft 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.

Building a Leaner, More Fully Integrated Company

In order to build a leaner, more fully integrated company and thereby bolster its competitiveness, Airbus Commercial Aircraft is adapting its organisation to foster an entrepreneurial spirit

and empower more teams, while maintaining harmonised processes across all sites. For series programmes, additional responsibilities and means have been delegated to plants for delivery at increased rates. Airbus also has become a more integrated company, working towards one common culture across its global workforce, as well as aligning processes and planning with the global supplier base.

Market

Market Drivers

The main factors affecting the commercial aircraft market include passenger demand for air travel, cargo activity, economic growth cycles, oil prices, 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 fifth most important markets by aircraft delivery value, respectively, in the next twenty years. As a result, Airbus Commercial Aircraft 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 single-aisle aircraft continue to be a popular choice for these carriers, demand for Airbus Commercial Aircraft's 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 2016, by the International Civil Aviation Organisation (ICAO), confirmed that some 3.7 billion passengers made use of the global air transport network for their business, tourism needs or for simply visiting friends and relatives (VFR) in 2016. The annual passenger total is up 6.0% compared to 2015 and the number of departures rose to approximately 35 million globally. World passenger traffic, expressed in terms of total scheduled revenue passenger-kilometres (RPKs), posted an increase of 6.3% with approximately 7,015 billion revenue passenger kilometres being performed.

In the long-term, Airbus Commercial Aircraft believes that air travel remains a growth business. Based on internal estimates, Airbus Commercial Aircraft anticipates a growth rate of 4.5% annually during the period 2016-2035. If the actual growth rate equals or exceeds this level, Airbus Commercial Aircraft expects that passenger traffic, as measured in revenue passenger kilometres, would more than double over the forecast period.

Cyclical. Despite an overall growth trend in air travel, aircraft order intake can vary significantly from year to year and within different regions, due to the volatility of airline profitability, cyclical of the 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 seven years, order totals exceeded record Airbus Commercial Aircraft deliveries thus strengthening both order book and backlog totals.

Despite some cyclical in airline demand, Airbus Commercial Aircraft 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 2016, the backlog stood at 6,874 aircraft, representing around 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 Commercial Aircraft has successfully increased annual deliveries for 15 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 Commercial Aircraft, 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 the 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 Commercial Aircraft has identified 47 major hub cities in its current market analysis, with this number expected to grow to over 92 by 2034. Airbus Commercial Aircraft 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 14 airlines as of January 2017. 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 Commercial Aircraft, just over 18,000 passenger aircraft with more than 100 seats were in service with airlines worldwide at the beginning of 2016. Currently, Airbus Commercial Aircraft 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.

“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 Commercial Aircraft 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 Commercial Aircraft 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 Commercial Aircraft 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 has been divided between Airbus Commercial Aircraft and Boeing. According to the manufacturers' published figures for 2016, Airbus Commercial Aircraft and Boeing, respectively, accounted for 48% and 52% of total commercial aircraft deliveries, 52% and 48% of total net orders (in units), and 55% and 45% of the total year-end backlog (in units). Airbus Commercial Aircraft's deliveries (688 in 2016) were the 14th year in a row of increased production.

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 Commercial Aircraft 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, and today are studying larger types.

Customers

As of 31 December 2016, Airbus Commercial Aircraft had 394 customers and a total of 17,082 Airbus aircraft had been ordered, of which 10,208 aircraft had been delivered to operators worldwide. The table below shows Airbus Commercial Aircraft's largest commitments in terms of total gross firm orders by customer for the year 2016.

Customer	Firm orders ⁽¹⁾
Air Asia	100
Iran Air	98
Flynas	80
Go Air	72
Synergy Aerospace Corporation	62

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

Products and Services

The Family Concept — Commonality across the Fleet

Airbus Commercial Aircraft's 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 aircraft share the same cockpit design, fly-by-wire controls and handling characteristics. Pilots can transfer among any aircraft within the Airbus Commercial Aircraft 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 Commercial Aircraft 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 Commercial Aircraft 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 Commercial Aircraft innovations often provide distinct competitive advantages, with many becoming standard in the aircraft industry.

A320 family. With more than 13,000 aircraft sold, of which 5,069 A320neo (new engine option) family, and more than 7,400 delivered (of which 68 A320neo), 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.

To ensure this market leader keeps its competitive edge, Airbus Commercial Aircraft continues to invest in improvements across the product line, including development of the A320neo 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 was certified in May 2016. The A321neo with Pratt & Whitney engines received Joint Type Certification in December 2016. Type Certifications for the A321neo with CFM engines and the A319neo in both engine variants will follow.

The A320neo family versions have over 95% airframe commonality with the A320neo (current engine option) versions, enabling it to fit seamlessly into existing A320 family fleets – a key factor for Airbus Commercial Aircraft customers and operators who have taken delivery of more than 7,300 A320 family aircraft so far.

.In 2016, 68 A320neo were delivered with both engine variants. This new engine option will be available for the A321 and A319 aircraft models. With 5,069 firm orders received from 92 customers since its launch in December 2010, the A320neo family has captured 58.4% of the market. In October 2015, Airbus Commercial Aircraft announced the decision to further increase the production rate of the single-aisle family to 60 aircraft a month in mid-2019, in response to strong customer demand and following thorough studies on production ramp-up readiness in the supply chain and in Airbus Commercial Aircraft's facilities.

To enable the ramp-up, an additional production line is being built in Hamburg and will be operational in 2017. In parallel

Airbus Commercial Aircraft integrated cabin furnishing activities for A320 aircraft produced in Toulouse into the final assembly line in Toulouse, thereby harmonising the production process across all A320 family production sites worldwide. The first A320 with a cabin installed in Toulouse was delivered to Volaris on 24 October 24, 2016.

In April 2016, Airbus Commercial Aircraft delivered the first US-assembled aircraft from Mobile, Alabama, an A321, to JetBlue.

In 2016, Airbus Commercial Aircraft received 790 gross orders for the A320 family of aircraft (607 net orders), and delivered 545 aircraft.

A320 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

Model	Entry-into-service	Passenger capacity ⁽¹⁾	Range (km)	Length (metres)	Wingspan (metres)
A318	2003	107	5,750	31.4	34.1
A319	1996	124	6,950 ⁽²⁾	33.8	35.8
A320	1988	150	6,100 ⁽²⁾	37.6	35.8 ⁽³⁾
A321	1994	185	5,950 ⁽²⁾	44.5	35.8 ⁽³⁾
A319neo		140	6,950	33.8	35.8
A320neo	2016	165	6,500	37.6	35.8
A321neo		206	7,400	44.5	35.8

(1) Two-class layout.

(2) Range with sharklets.

(3) Wingspan with sharklets.

A330 family. With 1,686 aircraft sold (of which 214 A330neo) and 1,323 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 the A330neo (new engine option), comprising the A330-800neo and A330-900neo versions. These aircraft incorporate latest generation Rolls-Royce Trent 7000 engines. Airbus Commercial Aircraft commenced final assembly for the first A330neo, an A330-900, in 2016. The first flight is scheduled for the first half of 2017 and both Type Certification and first delivery is planned for 2018.

In 2016, Airbus Commercial Aircraft received 42 net orders for the A330neo.

The platform for developing the Neo is the 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 Commercial Aircraft 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 and the first delivery in August 2016.

Airbus Commercial Aircraft is continuously developing the A330 family to keep the aircraft at the leading edge of innovations.

In 2016, Airbus Commercial Aircraft received 106 gross orders (83 net) for the A330 family of aircraft including 42 for the A330neo, and delivered 66 aircraft to customers.

A330 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

Model	Entry-into-service	Passenger capacity ⁽¹⁾	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 2016, Airbus Commercial Aircraft delivered 28 aircraft.

A380 TECHNICAL FEATURES

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

(1) Four-class layout.

Following an agreement reached between Emirates Airline and Rolls-Royce and a subsequent agreement between Emirates Airline and Airbus Commercial Aircraft, Airbus is to adapt the A380 delivery stream with six aircraft deliveries shifted from 2017 to 2018 and six others from 2018 to 2019.

Airbus Commercial Aircraft re-confirms the target to deliver around 12 A380s per year from 2018 as announced in July 2016.

Airbus Commercial Aircraft launched the iflyA380.com website enabling passengers to identify if the A380 is operated on a particular route and to book flights directly with the airlines flying A380s.

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.

Airbus Commercial Aircraft also continues to develop the A350-1000, with an entry-into-service scheduled for the second half of 2017 following the final assembly line start in February 2016 and a successful first flight in November 2016. The flight test campaign is underway.

In 2016, Airbus Commercial Aircraft received 51 gross orders for the A350 XWB family (41 net), and delivered 49 aircraft.

In October 2016, Airbus Commercial Aircraft celebrated the delivery of its 10,000th aircraft – an A350-900 for Singapore Airlines.

A350 XWB FAMILY TECHNICAL FEATURES

Model	Entry-into-service	Passenger capacity ⁽¹⁾	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

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 Commercial Aircraft's customer base has increased consistently over the past years reaching 9,289 aircraft in-service by the end of 2016 operated by 429 customers. The fleet is maintained by more than 100 Maintenance and Repair Organisations and partially owned by 100 leasing companies.

A worldwide network of more than 5,000 people cover all areas of support from technical engineering / operational assistance and spare parts supply, to crew and maintenance training. Hundreds of technical specialists provide Airbus Commercial Aircraft customers with advice and assistance 24 hours a day, 7 days a week. There are 144 field service stations available

worldwide for on-site assistance to our operators, covering 219 operators. 210 operators are covered by 18 Hubs. Our worldwide support is also based on an international network of support centres, training centres and spares' warehouses.

Beyond the core customer support activities, Airbus Commercial Aircraft has developed a comprehensive services portfolio including a wide range of modular and customised services driven by the unique added value that an aircraft manufacturer can bring.

The services portfolio is clustered around four pillars: Maintenance & Engineering Solutions consisting of Flight Hour Services & Material Services, Training, Upgrades and Flight Operations.

A recent major step in the development of Customer Services is the creation of Navblue out of the Navtech acquisition in 2016. With its comprehensive product suite of solutions for electronic flight bags (EFBs), aeronautical charts, navigation data, performance-based navigation (PBN), flight planning, aircraft performance and crew planning, Navblue further strengthens Airbus Commercial Aircraft's provision of end-to-end flight operations services. At the 2016 Farnborough International Airshow, the launch of two new services has been announced as well: Airline Operating Control Centre and Aeronautical Data solutions.

In addition, three new training centres have been opened in Singapore, Mexico and Sao Paulo, and the Services digital roadmap is progressing well with the launch of new e-solutions on Predictive Maintenance notably.

Customer Finance

Airbus Commercial Aircraft favours cash sales, and does not envisage customer financing as an area of business development. However, Airbus Commercial Aircraft 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 Commercial Aircraft's dedicated customer finance team has accumulated decades of expertise in aircraft finance. When Airbus Commercial Aircraft finances a customer, the financed aircraft generally serves as collateral, with the engine manufacturer participating in the financing. These elements assist in reducing the risk borne by Airbus Commercial Aircraft. The difference between the gross exposure resulting from the financing and the collateral value is fully provisioned for (for further information, please refer to the "— Notes to the IFRS Consolidated Financial Statements — Note 25: Sales Financing Transactions"). Airbus Commercial Aircraft's customer financing transactions are designed to facilitate subsequent sell-down of the exposure to the financial markets, third-party lenders or lessors.

In 2016, Airbus Commercial Aircraft continued to benefit from market appetite for both aircraft financing and sale and leaseback lessor opportunities, supported by plentiful liquidity. Despite a temporary suspension of Export Credit Agency support, Airbus Commercial Aircraft customer financing exposure remained limited in 2016. Airbus Commercial Aircraft will continue to provide direct aircraft financing support as it deems necessary. Management believes, in light of its experience, that the level of provisioning protecting Airbus Commercial Aircraft from default costs is adequate and consistent with standards and practice in the aircraft financing industry. See "— Risk Factors – Financial Market Risks – Sales Financing Arrangements".

Asset Management

The Asset Management Division was established in 1994 to manage and re-market used aircraft acquired by Airbus Commercial Aircraft, 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 aircraft across a wide range of models. Through its activities, the Asset Management Division helps Airbus Commercial Aircraft to respond more efficiently to the medium- and long-term fleet requirements of its customers.

Its key roles comprise commercial, technical and financial risk management of its used aircraft portfolio, as well as the enhancement of all Airbus Commercial Aircraft products' residual value.

It also provides a full range of remarketing services, including assistance with entry-into-service, interior reconfiguration and maintenance checks. Most of the aircraft are available to customers for cash sale, while some can also be offered on operating lease. In the latter, the Airbus Commercial Aircraft Asset Management team aims at eventually selling down the aircraft with lease attached to further reduce its portfolio exposure.

At the end of 2016, the Asset Management portfolio contained 37 aircraft, representing a 22% net portfolio reduction from 2015.

Production

Industrial Organisation

Each task in the building of Airbus aircraft (from design to production) is allocated to a designated plant. The Airbus Commercial Aircraft 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 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. Another transversal "Manufacturing technologies" Centre of Competences is in charge of disseminating new technologies and innovation in manufacturing across the plants and preparing manufacturing solutions for future product evolutions.

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 Commercial Aircraft 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.

Following the commencement of aircraft assembly at the A320 family final assembly line in Mobile, Alabama (US) in July 2015, the first delivery of a Mobile-assembled aircraft took place in April 2016. At the time of publication, Airbus Commercial Aircraft anticipates delivering four aircraft per month from the Mobile plant. The vast majority of the aircraft produced in Mobile will be delivered to North American customers.

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 2016, 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 CO₂ 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 30 to 78seat 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 and Leonardo, with Airbus' 50% share managed by Airbus Commercial Aircraft. Headquartered in Toulouse, ATR employs more than 1,300 people. Since the start of the programme in 1981, ATR has registered net orders for 1,570 aircraft (464 ATR 42s and 1,106 ATR 72s).

In 2016, ATR delivered 80 new aircraft (compared to 88 in 2015) and recorded firm orders for 36 new aircraft (compared to 76 in 2015), including the first ever order from an Argentinian operator, Avian Lineas Aeras. As of 31 December 2016, ATR had a backlog of 212 aircraft (compared to 260 in 2015).

Products and Services

ATR 42 and ATR 72. ATR has developed a family of high-wing, twin turboprop aircraft in the 30- to 78-seat market which comprises the ATR 42 and ATR 72, designed for optimal efficiency, operational flexibility and comfort. Like Airbus Commercial Aircraft, 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 2016, ATR had delivered 1358 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, Miami, Singapore, Bangalore, Auckland, and Johannesburg. ATR worldwide presence also includes a representative office in Beijing.

ATR Asset Management addresses the market for second-hand aircraft by assisting in the placement and financing of used and end-of-lease aircraft. ATR Asset Management activity is marginal today as the leasing market has strongly developed since 2007.

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 Commercial Aircraft production site. Flight-testing, certification and deliveries also occur in Toulouse. ATR outsources certain areas of responsibility to Airbus Commercial Aircraft, such as wing design and manufacturing, flight-testing and information technology.

STELIA Aerospace

STELIA Aerospace is a wholly-owned subsidiary of Airbus Commercial Aircraft. After the merger of Sogerma and Aerolia in 2015, it now offers global solutions for aeronautical manufacturers and airlines, as well as designs and produces aerostructures, business and first class passenger seats and pilot seats. With more than 6,500 employees worldwide, STELIA Aerospace supports the major aeronautical players, such as Airbus Commercial Aircraft, ATR, Bombardier or Boeing and Etihad Airways, Singapore Airlines or Thai Airways for the cabin interior business line.

STELIA Aerospace is present worldwide, with 11 Centres of Excellence mainly based in France, and also in Canada, Morocco and Tunisia. It designs and produces large equipped fuselage sections and wings for civil and military aircraft manufacturers. STELIA Aerospace 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.

It also designs and manufactures luxury First Class and Business Seats for key partners in the world. In the pilot seats segment, STELIA Aerospace is the joint world leader and offers support from design to production, including after-sales service.

Premium AEROTEC

Premium AEROTEC is a wholly owned subsidiary of the Company (consolidated within Airbus Commercial Aircraft), is one of the world's leading tier-1 suppliers of commercial and military aircraft structures and is a partner in the major European international aerospace programmes.

Its core business is the development and production of large aircraft components from aluminium, titanium and carbon fiber composites (CFRP). Premium AEROTEC is Europe's no.1 in this segment with its roughly 9,000 employees at various sites in Germany and Romania. Premium AEROTEC is represented by its products in all Airbus Commercial Aircraft programmes. The current military programmes include the Eurofighter "Typhoon" and the new military transport aircraft A400M.

Besides main customer Airbus, Premium AEROTEC will further intensify business with other customers and actively approach other aircraft or structural manufacturers. The Company is also striving to expand its maintenance, repair and spare parts business.

In order to contribute successfully to the shaping of the future of aviation, the engineers and developers at Premium AEROTEC are continuously working on the new and further development of lightweight and highly durable aircraft structures. They cooperate closely with universities and research institutes in the process. Premium AEROTEC plays a significant role in the design of new concepts in such fields as carbon composite technologies, 3D-printing of aircraft components made of titanium or fiber metal laminate (FML).

Elbe Flugzeugwerke GmbH – EFW

EFW 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 Commercial Aircraft aircraft as well as engineering services in the context of certification and approval.

On 17 June 2015, Airbus Commercial Aircraft 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 acquired an additional 20% of the shares of EFW, Dresden (Germany) by way of a contribution in kind and a capital increase to EFW. The transaction closed on 4 January 2016. Consequently, 45% of the shares of EFW were retained and Airbus effectively lost its control over EFW (previously reported in Airbus Commercial Aircraft).

1.1.3 Helicopters

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

Development of the next-generation H160 medium helicopter – the first of the "H Generation" – is ongoing at a steady pace. Flight-test activities were carried out throughout 2016 with two prototypes, allowing to freeze the aeromechanical configuration

of the aircraft in the summer. Work is also ongoing on the next-generation heavy-lift X6 helicopter, which will aim at capturing new opportunities in the civil market starting in the mid-2020s. Launched in 2015, the X6 concept phase is still ongoing.

In the frame of the European Clean Sky 2 research programme, Airbus Helicopters is currently leading the development of a new high-speed helicopter demonstrator, building on the lessons learned from the Company-funded X3 compound helicopter demonstrator.

In the frame of the partnership with DCNS, Airbus Helicopters aims to explore joint opportunities in the field of unmanned vertical take-off and landing system. Airbus Helicopters is currently working on the design and development of the VSR700 unmanned aerial vehicle.

In 2016, continuous upgrades of the in-service product range also continued with the EASA certification of the H135 light-twin helicopter equipped with the Helionix digital avionics suite, providing increased safety and reduced pilot workload and paving the way for first deliveries in 2016. Flight testing of the

Public Services variant of the super-medium H175 helicopter started in 2016, along with the first deliveries of the VIP version.

On Support & Services, the new “HCare” service presented in 2015 has been very well received by customers with 39 contracts signed covering 327 helicopters. As part of HCare Connected Services, Fleet Keeper is a new web and mobile application enabling pilots and technicians to log discrepancies and share in real-time fleet airworthiness status

Focusing on Customers

Airbus Helicopters continued to progress with its transformation plan in 2016 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.

Delivering Safety

Following the tragic accident of a H225 helicopter during an offshore mission off the coast of Norway, which cost the lives of 13 passengers, an investigation was launched and is currently ongoing with a final report expected in 2017.

Safety remains Airbus Helicopters’ top priority and the Company is increasing its efforts to address the topic company-wide and across its product range. In 2016, the Flight Crew Operating Manual (FCOM) – a document outlining best practices and recommendations for oil and gas missions – for the H175 was introduced. Other similar workstreams are ongoing to propose and promote changes to enhance airworthiness, increase survivability and promote standardisation of operator fleet safety-related capabilities.

Market

Market Drivers

According to market forecasts produced by Airbus Helicopters, the Teal Group and Honeywell, between 8,500 to 9,500 civil helicopters and 5,500 (Teal Group excluding China and Russia) to 8,500 military helicopters are expected to be built globally over the next 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 (both Platforms and Services activities) is expected to be resilient through the coming decade, even though one of the key Segment, Oil & Gas (in value), continues to experience challenging conditions. Airbus Helicopters does not expect market recovery in the short term but 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 2016, worldwide deliveries of civil and parapublic turbine helicopters over a 1.3t MAUW stood at ~540 units.

Demand for military helicopters and related services 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 and Middle East, while other regions like Asia Pacific or Eastern Europe are expected to continue to grow. The geopolitical tensions especially in Africa, Middle-East, Eastern Europe and Asia, and the threat from the Islamic State have recently led to a major reassessment of defence spendings and military strategies. This situation could lead to additional helicopter acquisitions. According to Airbus Helicopters’ market data, worldwide deliveries of military turbine helicopters stood at ~870 units in 2016.

Competition

Airbus Helicopters’ primary competitors in the civil and parapublic sector are Leonardo, Sikorsky and Bell Helicopter. The civil and parapublic sector has grown more competitive in recent years. Airbus Helicopters increased its market share, in a decreasing market, from 45% in 2015 to 47% in unit in 2016, followed by Leonardo with ~21%.

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 increased its share of the global market for military helicopters in unit and value (from 9% in unit in 2015 to 14% in 2016), and will continue to focus on campaigns in 2017 as it successfully did in 2016 with the UK’s Military flying training contract and the contract with Singapore for H225M.

Airbus Helicopters’ main competitors in the military sector are Leonardo in Europe, Sikorsky, Boeing and Bell Helicopter in the US. Military sales accounted for 57% of Airbus Helicopters’ revenues in 2016.

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 Americas and Asia-Pacific.

With 47% 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).

Products and Services

Airbus Helicopters offers a complete range of helicopters that covers nearly the entire civil and military market spectrum, which it continuously improves 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
Light Single Engine	
H120 "Colibri"	Corporate / Private, Commercial Pax Transport & Multipurpose, Civil & Military Training
Single Engine ("Ecoreuil" family)	
H125 "Ecoreuil" / H125M "Fennec"	Public Services ⁽¹⁾ , Military Utility ⁽²⁾ & Armed Reconnaissance, Corporate / Private, Commercial Pax Transport & Aerial Work
H130	Commercial Pax Transport & Multipurpose, Emergency Medical, Tourism, Corporate / Private
Light Twin Engine	
H135 / H135M	VIP, Military Utility & Armed Reconnaissance, Emergency Medical, Public Services ⁽¹⁾
H145 / LUH (UH-72) / H145M	VIP, Military Utility ⁽²⁾ , Emergency Medical, Public Services ⁽¹⁾
Medium ("Dauphin" family)	
AS365 "Dauphin" / AS565 "Panther"	Military Naval Warfare Mission & Maritime Security, Public Services ⁽¹⁾ (in particular Coast Guard & SAR), Oil & Gas, Commercial Pax Transport & Multipurpose
H155	Corporate / Private, VIP, Oil & Gas, Public Services ⁽¹⁾
H175	Corporate / Private, VIP, SAR, Emergency Medical, Public Services ⁽¹⁾ , Oil & Gas
Medium-Heavy	
H215 "Super Puma" / H215M "Cougar"	Civil Utility, Military Transport / SAR, Oil & Gas
H225 / H225M	SAR, Combat-SAR, Military Transport, Oil & Gas, VIP, Public Services ⁽¹⁾
NH90 (TTH / NFH)	SAR, Military Transport, Naval
Attack	
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 with the H135 and H145 as well as development for the next generation of helicopters with the H175.

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, 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 H225M derived from the H225) 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, Leonardo 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 38 NH90 deliveries in 2016, for a cumulative total of 305 deliveries as of the end of 2016. The NH90 fleet has accumulated ~120,000 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.

Airbus is also a major contractor to the US Army, having been chosen to supply the service's UH-72A Lakota helicopter. As of 1 January 2017, 395 aircraft had been delivered to the US Defense Department for operation by US Army and Army National Guard units, the Navy and foreign military sales buyers.

Overall in 2016, 19 Tigers were delivered, for a cumulative total of 154 deliveries by year-end. The Tiger fleet has accumulated more than 82,800 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 48% of Airbus Helicopters' revenues for 2016.

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 Paris-Le Bourget. 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 H125.

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 H225M helicopters acquired by the Brazilian armed forces and Romania will assemble H215 helicopters.

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 Defence and Space

Airbus Defence and Space develops and engineers cutting-edge products, systems and services 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 2016 comprised the three Business Lines Military Aircraft, Space Systems and Communications, Intelligence & Security (CIS), the broad scope of which is detailed

below. Further to a strategic portfolio review conducted in 2014, some activities from the business line CIS have been carved out and sold during 2016. In addition, an agreement has been found to sell the Defence Electronics business to KKR. These changes, together with the final phase of the creation of Airbus Safran Launchers joint venture in mid-2016, had an impact on the activities of Airbus Defence and Space as described below.

- 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 Typhoon, the A400M, the A330 MRTT

and the C295/CN235 as well as Unmanned Aerial Systems and their associated services.

- 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. In 2015, a 50/50 joint venture was launched with Safran named Airbus Safran Launchers ("ASL"), bringing together space launchers expertise from both companies. From 30 June 2016, both companies contributed their respective industrial launcher assets into the ASL joint venture including the deterrence activities. ASL has thus become a fully operational integrated company.
- Communications, Intelligence & Security (CIS) manages a portfolio of business including secure communications, cyber security and intelligence solutions and services (which links earth observation services and defence solutions). In addition, CIS houses a dedicated unit for new business development in commercial markets, leveraging Airbus Defence and Space innovations, products and capabilities. CIS customers range from governments to small companies and individuals. It is organised around three Business Clusters. The clusters combine business with close technical proximity to ensure a coherent management across all activities. Namely, they are Secure Communications, Intelligence and Cyber. Within the Business Cluster Intelligence, Defence Systems answers a key need of our Defence customers: it processes data from platforms, transforming that data into intelligence, providing valuable feedback on customer needs and mission optimisation to our Division platforms. Based on the defence Command, Control, Communications, Computers, and Intelligence (C4I) capabilities bundled in Defence Systems, CIS holds the know-how for defence systems design and integration enabling connectivity of various defence platforms. Business Clusters are run and/or develop business with a high level of independence taking into account the specificities of these businesses. The commercial satellite communication services sale was closed in May 2016.

Strategy

The strategic ambition of Airbus Defence and Space is to be a strong and international leader in "Smart AeroSpace and Defence solutions for a more secure and connected world". 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.

Airbus Defence and Space is taking steps to finalise its divestment of non-core activities and invest primarily in future organic growth on the core business: Space, Military Aircraft and related Systems and Services, while strategic growth options are also being defined.

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 of 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 and medium transport, Airbus derivatives – including the highly successful A330 MRTT (multi-role tanker transport) – and the Eurofighter Typhoon combat aircraft, further export opportunities will be pursued while investing in future capability growth and innovation both for products and services. Airbus Defence and Space is also aiming at establishing a substantive presence in the market for Unmanned Aerial Systems (UAS) building up an innovative UAS portfolio for commercial and military applications.

Space. Airbus Defence and Space has taken a major step towards future competitiveness in space transportation with the creation of ASL, which will be responsible for developing, producing and marketing the next-generation European launcher, Ariane 6. These activities will now be carried out autonomously by ASL. 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.

Related Systems and Services. Airbus Defence and Space will reinforce its competitive position by building up a digital ecosystem around our aerospace platforms and by further developing its portfolio in fast-growing markets such as Cyber for Governments and critical industries, end-to-end Secure Connectivity and Intelligence.

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 through its ASL joint venture.

Market

Airbus Defence and Space is mainly active in public and para-public markets. As a general trend, defence budgets in Europe are set to gradually increase, triggered by heightened security risks and reinforced by recent discussions on the NATO commitments. In addition, the implementation of the European Defence Action Plan of November 2016 would provide new sales opportunities through members' collaborative procurement mechanisms. 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, is well-placed to benefit from growth potential in defence across its platforms

Military Aircraft

Customers

The Military Aircraft Business Line with its products Combat Aircraft, Military Transport Aircraft, Mission Aircraft, Unmanned Aerial Systems and related services 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, its life span including considerable services business often amounts to decades.

Customers in the home countries of Airbus Defence and Space currently face budget pressures. However, this pressure may be progressively alleviated by national commitments to increase defence spending over the next few years. Ageing material leads to the need for some ongoing or upcoming procurement decisions.

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 participating 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 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, Leonardo, 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 Company's entry into this market, at a time when nations are expected to begin replacing their existing fleets.

The major combat aircraft activities are taking place through the contribution to the Eurofighter Typhoon programme jointly with the consortium partner companies BAE Systems and Leonardo. 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.

In 2016 a contract for the supply of 28 units to Kuwait was secured for the Eurofighter Typhoon consortium. A number of further sales are expected, prolonging the Eurofighter Typhoon production life.

Unmanned Aerial Systems 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 and are undergoing strong growth in line with the deliveries of A400M and A330 MRTT on top of the existing robust revenue stream associated with Eurofighter Typhoon support.

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.

The joint venture ASL is 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, equipment bay, the flight software as well as numerous sub-assemblies. ASL is contracted for the development of the future Ariane 6 launcher, planned for first launch in 2020 and is the prime contractor responsible for the development, manufacturing and maintenance of the French deterrence 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. ASL provides 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 OneWeb Satellites JV, an equally owned company with OneWeb that will design and build 900+ satellites for the OneWeb constellation programme. This satellite constellation aims to provide competitive global internet access. This participation

is entrepreneurial in nature and is meant to drive innovation in a new space market. In 2016, OneWeb Satellites JV selected a manufacturing site in Florida, US.

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, aviation, road), energy (oil, gas, electricity), mining and agriculture.

This business line is divided into three clusters: Intelligence, Secure Communications and Cyber Security.

Through Intelligence, Airbus Defence and Space develops Command and Control solutions for Ministries of Defence. Competitors in this area largely come from European or American based defence companies. Intelligence is also amongst the largest players in the satellite imagery (optical and radar) market. 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.

Through its Secure Communications cluster, Airbus Defence and Space is also a leader in governmental satellite communications. This cluster offers a full portfolio of mobile and fixed satellite communication and terrestrial secure communications solutions for application at sea, on land and in the air. Customers are Ministries of Defence, Ministries of Interior and NGOs.

Airbus Defence and Space is also a leading provider of cybersecurity products and services including consultancy services in Europe. The market growth is driven by an exponential increase of cyber-attacks, the increase in use of connected assets and global digital transformation. Customers are governments and private companies with a high grade security requirement.

In addition to the business clusters, CIS also houses New Business which is a business accelerator taking existing capabilities anywhere in the Division to new markets not traditionally served. The goal is to form stable and sustainable new business bringing profitable revenue to Airbus Defence and Space on a scale significant to the Division within five years.

Airbus Defence and Space has good market position in Europe in all businesses areas covered by CIS.

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, 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, a re-emphasis on defence and security and the growth in demand for digital services. CIS has the objective to develop and scale digital services e.g. new services based on data generated by existing Airbus Defence and Space products, to generate significant profitable revenues.

Products and Services

Military Aircraft

A400M – Heavy military transport. The A400M is designed to be the most capable new generation airlifter on the market today. 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 21st century. The A400M is designed to do 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 tactical tanker.

A total of 174 aircraft have been ordered so far by the seven launch customer nations Belgium, France, Germany, Luxemburg, Spain, Turkey, the UK and one export customer, Malaysia. Type Certificate and Initial Operating Clearance have been achieved in 2013. Since then, 38 units have been delivered to six nations by the end of 2016. The A400M is already deployed operationally since 2014 and military capability is expected to grow over time.

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, as well as the full cabin available for personnel transport. 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 2016, the A330 MRTT programme has a total of 51 aircraft firm orders by seven nations, of which 28 already delivered and in service in four nations.

Eurofighter Typhoon Combat Aircraft. The Eurofighter Typhoon multi-role combat aircraft (also referred to as Typhoon) 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 Jagdflugzeug GmbH shareholders are Airbus Defence and Space (46% share), BAE Systems (33% share) and Leonardo (21% share). With regard to series production, the respective production work shares of the participating partners within the Eurofighter Typhoon consortium stand at

43% for Airbus Defence and Space, 37.5% for BAE Systems and 19.5% for Leonardo. 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.

Airbus Defence and Space signed long-term global sustainment and material availability contracts for the Eurofighter Typhoon weapon system with the UK, Spain, Italy and Germany. The new agreement on Contract 1, effective 1 January 2017, runs for five years and is the second phase of sustainment for the Eurofighter Typhoon weapon system for all core nations forming the baseline for all in-service activities.

The new Contract 3, also effective from 1 January 2017, runs as well for five years and is the first milestone on the way to performance based logistics securing for the first time material availability for the Spanish and German air forces.

At the end of 2016, a total of 599 Eurofighter Typhoon aircraft had been ordered by eight customers (UK, Germany, Italy, Spain, Austria, Saudi Arabia, Oman and Kuwait), with a total of 495 aircraft delivered. Production of aircraft within the core programme is scheduled to last at least until 2018, while further export opportunities are being actively developed together with the other shareholders of the Eurofighter consortium.

CN235, C295 – Light and Medium military transport/mission aircraft. 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 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 460 orders had been recorded for both types together at the end of 2016. The last C295 order was signed in December 2016 by the Royal Canadian Air Force (RCAF) for 16 C295Ws modified for Search and Rescue (SAR).

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 and 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 P-3 Orion. 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 at 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 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 ASL joint venture.

ASL is responsible for the coordination and programme management of civil activities of the launcher business and relevant participations that have been transferred. ASL owned a total 39% stake in Arianespace (which increased to 74% in December 2016 after the acquisition of the 35% stake 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. ASL 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 ASL 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.

French deterrence systems. ASL as prime contractor holds the contracts with the French State for the submarine-launched deterrence system family.

Communications, Intelligence & Security

Intelligence. Airbus Defence and Space is a provider of commercial satellite imagery, C4ISR systems and related services with unrivalled expertise in satellite imagery acquisition, data processing, fusion, dissemination and intelligence extraction allied to significant command and control capabilities.

The cluster is a designer and supplier of C4I systems (Command, Control, Communications, Computers and Intelligence), which provides information systems and solutions to Armed Forces worldwide to support land, air and sea operations, assuring information superiority and supporting decision making at all levels of the command chain.

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.

Airbus Defence and Space is also 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.

Secure Communications. Airbus Defence and Space offers a full portfolio of mobile and fixed satellite communication and secure terrestrial communications solutions for application at sea, on land and in the air. 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.

Cyber Security. Airbus Defence and Space has established a cyber-security business 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. As a leading provider of Security Operation Centres, incident response services; key management; cryptography and high-security national solutions and consulting and training services, 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.

Security Solutions

Security Solutions include sensor networks ranging from IR and video cameras through radars to airborne and space surveillance systems, all connected to command and control centres, mainly for border security systems. 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.

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.

MBDA

The Company's missile business in addition to the ASL joint venture derives from its 37.5% stake in MBDA (a joint venture between the Company, BAE Systems and Leonardo). 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 defence system TLVS/MEADS for Germany, the Aster Block 1 NT air and missile defence 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)", the network enabled precision surface attack SPEAR missile and the "Common Anti-Air Modular Missile (CAMM)", which is an anti-air missile family with land, naval and air launched applications.

ASL

On 20 May 2016, Airbus and Safran signed the second phase of the Master Agreement enabling the joint venture to be fully equipped for all design, development, production and commercial activities related to civil and military launchers and associated propulsion systems. During the second phase, Safran and Airbus integrated within the joint venture all the remaining contracts, assets and industrial resources, related to space launchers and associated propulsion systems. On 30 June 2016, Airbus contributed the second phase assets and liabilities in exchange for shares issued by Airbus Safran Launchers Holding, and also sold additional assets in exchange for €750 million in cash. Airbus participation in ASL accounted for at-equity amounts to €677 million. The loss of control in the business resulted in a capital gain of €1,175 million recognised in other income (reported in Airbus Defence and Space Division).

Airbus and Safran finalised the respective contribution balance sheet in the third quarter 2016 in alignment with the provision of the Master Agreement. On 31 December 2016, the transfer of the 34.68% of CNES's stake in Arianespace to ASL was completed. ASL holds 74% of the shares of Arianespace. This change in the shareholder mix at Arianespace finalises the creation of a new launcher governance in Europe.

1.1.5 Investments

Dassault Aviation

As disclosed in a press release dated 10 June 2016, the Company sold approximately 0.83 million shares in Dassault Aviation, representing around 9.05% of the company's share capital (the "Equity Placement"). As part of its share buyback programme, Dassault Aviation purchased 502,282 shares concurrently with the Equity Placement (representing around 5.5% of Dassault Aviation's share capital) (the "Buyback").

In addition to the Equity Placement and the Buyback, the Company has also issued bonds due 2021 and exchangeable into Dassault Aviation shares. Following the Equity Placement and the Buyback, the Company holds approximately 10% of Dassault Aviation's share capital and 6.2% of its voting rights. In case of exchange in full of the bonds, the Company will no longer hold any of Dassault Aviation shares and voting rights.

1.1.6 Insurance

The Company's Insurance Risk Management function ("IRM") is 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 Company and is empowered to deal directly with the insurance and re-insurance markets. A continuous task of IRM in 2016 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 Airbus. A systematic review, monitoring and reporting procedure applicable to all Divisions is in place to assess the exposure and protection systems applicable to all Airbus sites. The Company's insurance programmes cover high risk exposures related to its assets and liabilities.

Asset and liability insurance policies underwritten by IRM for the Company cover risks such as property damage, business interruption, aviation and non-aviation general and product liability. IRM also provides a group insurance policy for Supervisory and Managing Board Members and certain other employees of Airbus, which is renewed on an annual basis. The Company follows a policy of seeking to transfer the insurable risk of the Company to external insurance markets at reasonable rates, on customised and sufficient terms and limits as provided by the international insurance markets.

The insurance industry remains unpredictable. There may be future demands to change scope of coverage, premiums and deductible amounts. Thus, no assurance can be given that the Company will be able to maintain its current levels of coverage nor that the insurance coverages in place are adequate to cover all significant risk exposure of Airbus.

1.1.7 Legal and Arbitration Proceedings

Airbus 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 is not aware of any material governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering at least the previous twelve months which may have, or have had in the recent past significant effects on the Company's or Airbus' financial position or profitability.

Regarding Airbus' provisions policy, Airbus 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 Airbus, (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 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 is not a party, Airbus 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 Commercial Aircraft 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 review pursuant to WTO rules.

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

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

GPT

Prompted by a whistleblower's allegations, Airbus conducted internal audits and retained PricewaterhouseCoopers ("PwC") to conduct an independent review relating to GPT Special Project Management Ltd. ("GPT"), a subsidiary that Airbus acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by Airbus, relating to activities conducted by GPT in Saudi Arabia. PwC's report was provided by Airbus to the UK Serious Fraud Office ("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 is in continuing engagement 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 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 in December 2013. Airbus provided the report to the public prosecutors in Germany. Airbus' request for access to the prosecutor's file is pending. Airbus Defence and Space GmbH settled with the tax authorities in August 2016 on the question of deductibility of payments made in connection with the Eurofighter Austria campaign. In February 2017, the Austrian Federal Ministry of Defence has raised criminal allegations against Airbus Defence and Space GmbH for wilful deception and fraud in the context of the sale of the Eurofighter aircraft to Austria and respective damage claims. Airbus is cooperating fully with the authorities.

Investigation by the UK SFO and France's PNF into civil aviation business

In the context of review and enhancement of its internal compliance improvement programme, Airbus discovered misstatements and omissions relating to information provided in respect of third party consultants in certain applications for export credit financing for Airbus customers. In early 2016 Airbus informed the UK, German and French Export Credit Agencies ("ECAs") of the irregularities discovered. Airbus made a similar disclosure to the UK Serious Fraud Office ("SFO"). In August 2016, the SFO informed Airbus that it had opened an investigation into allegations of fraud, bribery and corruption in the civil aviation business of Airbus relating to irregularities concerning third party consultants (business partners). In March 2017, France's Parquet National Financier ("PNF") informed Airbus that it had also opened a preliminary investigation into the same subject and that the two authorities will act in coordination going forward. Airbus is cooperating fully with both authorities. The SFO and PNF investigations and any enforcement action potentially arising as a result could have negative consequences for Airbus. The potential imposition of any monetary penalty (and the amount thereof) arising from the SFO and PNF investigations would depend on factual findings, and could have a material impact on the financial statements, however at this stage it is too early to determine the likelihood or extent of any liability. Investigations of this nature could also result in (i) civil claims or claims by shareholders against Airbus (ii) adverse consequences on Airbus' ability to obtain or continue financing for current or future projects (iii) limitations

on the eligibility of group companies for certain public sector contracts and/or (iv) damage to Airbus' business or reputation via negative publicity adversely affecting Airbus' prospects in the commercial market place.

ECA financing

ECA financing continues to be suspended. Airbus is working with the relevant ECAs to re-establish ECA financing. See "— Financial Market Risks — Sales Financing Arrangements".

Other investigations

In October 2014, the Romanian authorities announced an investigation relating to a border surveillance project in Romania. Airbus confirms that Airbus Defence and Space GmbH had 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 has cooperated fully with the authorities. In October 2016, the German authorities announced that they were dropping their investigations into the Romanian and Saudi projects. The tax authorities may challenge the tax treatment of business expenses in connection with the Romanian and Saudi projects.

In 2013, public prosecutors in Greece and Germany launched investigations into a current employee and former Managing Directors and employees of Atlas Elektronik GmbH ("Atlas"), a joint company of ThyssenKrupp and Airbus, on suspicion of bribing foreign officials and tax evasion in connection with projects in Greece. The public prosecutor in Germany has launched an administrative proceeding for alleged organisational and supervisory shortfalls against Atlas. The authorities in Greece have launched civil claims against Atlas. In 2015, the public prosecutor in Germany launched another investigation into current and former employees and Managing Directors of Atlas on suspicion of bribery and tax evasion in connection with projects in Turkey and extended the investigation in 2016 to five current and former employees of Atlas' shareholders. A further investigation was also launched against two former Atlas employees on suspicion of bribery in connection with projects in Pakistan. In 2016, two further investigations were started by the Bremen public prosecutor with regard to operations in Indonesia and Thailand. With the support of its shareholders, Atlas is cooperating fully with the authorities and is conducting its own internal investigation. Settlement talks with the Bremen public prosecutor started in November 2016.

Airbus is cooperating with a judicial investigation against unknown persons in France related to Kazakhstan. Airbus is cooperating with French judicial authorities pursuant to a request for mutual legal assistance made by the government of Tunisia in connection with historical aircraft sales.

Review of business partner relationships

In light of regulatory investigations and commercial disputes, including those discussed above, Airbus has determined to enhance certain of its policies, procedures and practices, including Ethics and Compliance. Airbus 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 to inform decisions on corresponding payments. Airbus has therefore engaged legal, investigative, and forensic accounting expertise of the highest calibre to undertake a comprehensive review of all relevant third party business consultant relationships and related subject matters. Airbus believes that these enhancements to its controls and practices will best position it for the future, particularly in light of advancements in regulatory standards. Certain consultants and other third parties have initiated commercial litigation and arbitration against Airbus. The comprehensive review and these enhancements of its controls and practices may lead to additional commercial disputes or other civil law or criminal law consequences in the future, which could have a material impact on the financial statements, however at this stage it is too early to determine the likelihood or extent of any liability.

Commercial disputes

In May 2013, Airbus has been notified of a commercial dispute following the decision taken by Airbus to cease a partnership for sales support activities in some local markets abroad. Airbus 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 will not be completed until 2018 at the earliest.

In the course of another commercial dispute, Airbus 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 dispute is currently the subject of arbitration.

1.1.8 Research and Technology, Intellectual Property

Positioning Airbus for the Future

Airbus' technological expertise is essential for ensuring the Company's long-term market leadership and opening business opportunities in new markets. Airbus' research and technology ("R&T") 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.

Airbus' Corporate Technology Office (CTO), which was previously known as the Corporate Technical Office, is the focal point for this activity, ensuring that business and technology strategies are closely linked. The CTO addresses technology trends that impact Airbus' business, and identifies key areas for R&T. It is responsible for the Airbus Group Innovations R&T network and also oversees information technology, cyber security, quality, new business ventures and Intellectual property activities across the Group.

Significant restructuring of CTO was undertaken in 2016 and will continue into 2017. The CTO is undergoing a transformation programme to become more agile, innovative and aligned with the needs of Airbus. The new CTO organisation is responsible for guiding all R&T of the Company and ensures Airbus-wide integration of technology. The CTO is also in charge of developing the Airbus-wide R&T Roadmaps and executing Demonstrator projects together with the Divisions. This organisation applies a lean, project-based approach, will encourage collaboration with external research communities and develop partnerships, especially through open innovation with technical and scientific experts. Airbus Demonstrators are a means to develop new products, services and design and manufacturing methods that encompass and represent radical technological breakthroughs, rather than incremental development. Airbus Demonstrators also provide a maturation mechanism and maturity gates for Airbus' R&T portfolio. The Demonstrators will employ a CTO-established development methodology, including phasing and key gates, lightweight project management and earned-value management processes, and budgeting, HR and contracting mechanisms tailored for speed of execution.

Airbus Group Innovations (AGI) will become a Central R&T organisation to provide expertise in breakthrough technologies in support of the Group demonstrators. The CTO nursery and Airbus BizLab will be merged into a single entity responsible for incubation and acceleration of internal and start-up ideas that can be turned into viable business ventures. The CTO organisation will serve as a pilot for the construct of an

Exponential Organisation and if successful, a proof point for the ability to create such an organisation internally, close to the core of the business.

Four technology thrusts ensure that road mapping, group demonstrators and R&T projects form a coherent portfolio of activities to advance rapidly strategic priorities. These thrusts are:

- Electrification;
- Urban Air Mobility;
- Digital Product Development Process and Factory;
- Connected Fleet.

Quality

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. Following its kick-off in 2014, the Quality initiative Quest has made significant progress. More than €500 million of Cost of non-Quality could be saved since the beginning of the project by focusing on the right tools and methodologies and supporting people in the evolution of the Mindset and Behaviours, especially when it comes to making Quality a priority.

With the decision to implement APQP (Advanced Product Quality Planning), a methodology to become industry standard very soon, the end-to-end focus of Quality has been and will continue to be significantly increased. A dedicated learning path has been established and the first 50 APQP-Masters were trained in 2016. Overall, people were in the focus of 2016 efforts, with for example:

- reaching a total of more than 15,000 employees with a dedicated "Quality experience world" that travelled across 31 sites (production included);
- training more than 5,000 people in dedicated train-the-trainer and team sessions on Mindset & Behaviour;
- creation of dedicated communities on the Airbus intranet HUB with several of thousands of people connected and sharing their expertise and best practice.

Furthermore, a harmonised and simple set of five KPIs has been established, covering Quality from engineering, supply chain, production and customer satisfaction at handover to the resulting measure of Cost of non-Quality.

In the frame of the Gemini project the closer integration of the quality functions has been decided, leading to a further increase in focus on Quality first.

Leading a Group-wide Strategy

Corporate-level R&T efforts are centered around nine key strategic technology roadmaps that provide the framework on which to build Airbus' 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 R&T 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

AGI – the Company's global R&T network – is managed by the CTO and driven by Airbus' overall strategy. It leverages a close relationship with Airbus' three Divisions to identify new technologies and breakthrough concepts for eventual transfer to Airbus' commercial Divisions. AGI 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 AGI creates long-term value for Airbus.

AGI employs over 1,000 people across several sites including France, Germany, the UK, Spain, Singapore, and India, along with its operations in China, Japan, South Korea, Thailand, Malaysia, Canada and the US. This international presence increases Airbus' 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 Company'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. Electric-powered thrust fans for aircraft will contribute to the aviation technology environmental targets of reductions of CO₂ emissions by 75%, NO_x emissions by 90%, and noise by 65% by 2050.

In April 2016 a partnership agreement was signed between Airbus and Siemens to research and develop hybrid-electric propulsion systems. The collaboration objectives are to demonstrate the technical feasibility and performance of various hybrid-electric propulsion subsystems by 2020.

This cooperation is linked with the E-Aircraft Systems Programme and Airbus and Siemens engineers are working together in Ottobrunn where the E-Aircraft Systems House will be located. This development team will be made up of around 200 people (roughly a 50/50 split from Airbus and Siemens) harnessing the expertise of their worldwide R&D network. A dedicated Airbus team for Assembly, Test and Integration, supported by Siemens test engineers are working in the E-Aircraft System House to integrate the developed equipment and execute the testing.

Airbus' E-Aircraft Systems Programme pushes electric and hybrid-electric technologies towards the required performance of up to 20 MW, needed for electric and hybrid-electric flight of a short range passenger aircraft. The E-Aircraft Systems House is Airbus' research lab for future electric and hybrid-electric technologies. It will also be the supporting ground test facility to develop and test the propulsion technologies needed for future flying demonstrators.

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 Airbus from the increasing threat of cyber attacks in the short- and long-terms.

Intellectual Property and Open Innovation

Airbus' policy is to establish, protect, maintain and defend its IP rights in all commercially significant countries and to use those rights in responsible ways. Airbus 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 R&T with external partners, while creating new market opportunities for Airbus. Under the CTO's responsibility, Airbus' 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 expertise and know-how.

1.1.9 Corporate Social Responsibility

Airbus CSR Approach

At Airbus, corporate social responsibility (CSR) refers to how we are aligning the Company with the needs and expectations of society. Airbus 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' 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

Airbus focuses on material issues that have significant operational and strategic impacts, potentially affecting Airbus' risks and performance. Airbus 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 is committed to the UN Global Compact principles and has reached the "Advanced Level"⁽¹⁾.

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 ⁽²⁾ of externally reviewed environmental indicators. For a selection of social performance indicators, see "— 1.1.10 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 website at www.airbusgroup.com.

Environmental performance	KPI	Unit	2016	2015
Energy	Total energy consumption (excluded electricity generated by CHP on site for own use) ✓	MWh	3,893,111	3,872,080
	Energy consumption from stationary sources ✓	MWh	1,395,192	1,398,765
	<i>of which</i>			
	natural gas consumption	MWh	1,335,263	1,311,602
	distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	12,170	16,060
	liquefied petroleum gas consumption	MWh	360	150
	propane consumption	MWh	3,883	7,237
	biomass consumption	MWh	43,517	63,715
	Energy consumption from mobile sources ✓	MWh	1,045,159	934,679
	<i>of which</i>			
	gasoline consumption	MWh	2,769	2,860
	distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	27,166	26,561
	liquefied petroleum gas consumption	MWh	118	6
	propane consumption	MWh	1,700	615
	jet fuel aircraft / kerosene consumption	MWh	1,010,647	900,375
	▪ flight tests	MWh	559,106	520,012
	▪ Beluga	MWh	451,540	380,363
	aviation gasoline consumption	MWh	2,760	4,263
	Total electricity consumption	MWh	1,452,760	1,538,636
	<i>of which</i>			
purchased electricity consumption ✓	MWh	1,371,842	1,440,722	
purchased heat / steam	MWh	80,671	97,494	
generated electricity from photovoltaic on-site for own use	MWh	247	220	
generated electricity from other renewable source on-site for own use	MWh	0	199	
Generated electricity from CHP on-site for own use ✓	MWh	188,144	177,359	
Air emissions	Total CO₂ emissions ✓	tonnes CO ₂	935,402	927,616
	Total direct CO₂ emissions (Scope 1) ✓	tonnes CO ₂	557,447	525,883
	<i>of which</i>			
	CO ₂ emissions from stationary sources	tonnes CO ₂	272,679	269,569
	CO ₂ emissions from mobile sources	tonnes CO ₂	269,493	241,039
	CO ₂ emissions from fugitive sources	tonnes CO ₂	15,203	15,190
	CO ₂ emissions from processes on site	tonnes CO ₂	72	84
	Total indirect CO₂ emissions (Scope 2) ✓	tonnes CO ₂	377,955	401,734
	Total VOC emissions*	tonnes	1,539	1,450
	Total SO_x emissions	tonnes	15	15
Total NO_x emissions	tonnes	241	248	
Water	Total water consumption ✓	m ³	3,834,265	5,478,896
	<i>of which</i>			
	purchased water ✓	%	76.4%	52.4%
	abstracted ground water	%	20.0%	45.2%
	withdrawn surface water	%	3.5%	2.3%
	rainwater collected used	%	0.1%	0.1%
Total water discharge	m ³	3,464,179	4,209,858	
<i>of which</i> water discharged via an internal pre-treatment plant	m ³	228,428	1,196,339	
Waste	Total waste production, excluding exceptional waste	tonnes	104,505	105,114
	<i>of which</i>			
	non-hazardous waste ✓	tonnes	77,835	78,635
	hazardous waste ✓	tonnes	26,670	26,479
	waste going to material recovery	tonnes	62,344	63,293
	waste going to energy recovery	tonnes	21,954	21,381
	Material recovery rate ✓	%	59.7%	60.2%
Energy recovery rate	%	21.0%	20.3%	
EMS certification	Number of sites with ISO 14001 / EMAS certification**	unit	61	79
	Percentage of workforce covered by ISO 14001 & environmental reporting	%	86%	83%

✓ Data audited by Ernst & Young et Associés. 2016 data covers 85% of total group employees. 2015 data correspond to the data validated by the external third party in 2015, without any recalculation to take into account perimeter movements, which can explain some of the observed variances.

* 2016 VOC emissions data is estimated.

** Number of sites covered by the environmental reporting which are certified ISO 14001. Decrease due to perimeter change within the group Airbus. Only 100% consolidated entities are taken into account.

1.1.10 Employees

As of 31 December 2016, Airbus' workforce amounted to 133,782 employees (compared to 136,574 employees in 2015), 95.9% of which consisted of full time employees. These statistics take into account consolidation effects and perimeter changes throughout 2016. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

In 2016, 7,532 employees worldwide were welcomed into Airbus (compared to 5,266 in 2015 and 5,211 in 2014). At the same time, 4,698 employees left Airbus including partial retirements (compared to 4,870 in 2015 and 4,478 in 2014).

In terms of nationalities, 36.6% of Airbus' employees are from France, 33.6% from Germany, 9.3% from the UK and 9.2% are from Spain. US nationals account for 1.8% of employees. The remaining 9.5% are employees coming from a total of 136 other countries. In total, 91.2% of Airbus' active workforce is located in Europe on more than 100 sites.

Workforce by Division and Geographic Area

The tables below provide a breakdown of Airbus' employees by Division and geographic area, as well as by age and gender, including the percentage of part-time employees.

Employees by Division	31 December 2016	31 December 2015	31 December 2014
Airbus Commercial Aircraft ✓	73,852	72,816	73,958
Airbus Helicopters ✓	22,507	22,520	22,939
Airbus Defence and Space ✓	34,397	38,206	38,637
Airbus Corporate Functions ⁽¹⁾ ✓	3,026	3,032	2,989
Other Businesses ✓	-	-	99
Group Total ✓	133,782	136,574	138,622

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

Employees by geographic area	31 December 2016	31 December 2015	31 December 2014
France ✓	47,963	50,810	51,740
Germany ✓	46,713	47,796	48,374
Spain ✓	12,682	12,521	12,449
UK ✓	12,020	12,157	12,783
US ✓	2,829	2,821	2,991
Other Countries ✓	11,575	10,469	10,285
Group Total ✓	133,782	136,574	138,662

% Part time employees	31 December 2016	31 December 2015	31 December 2014
France	4.5%	4.2%	4.1%
Germany	5.5%	5.1%	4.5%
Spain	1.1%	1.2%	1.0%
UK	2.7%	2.4%	1.8%
US	0.7%	1.1%	1.6%
Other Countries	1.5%	1.4%	0.8%
Group Total	4.1%	3.9%	3.4%

Active Workforce by contract type	31 December 2016	31 December 2015	31 December 2014
Unlimited contract ✓	131,153	133,650	135,688
Limited contract > 3 months ✓	2,629	2,924	2,934

% Active Workforce by Age	31 December 2016	31 December 2015	31 December 2014
<20 ✓	0.2%	0.2%	0.2%
20-29 ✓	10.4%	10.6%	11.4%
30-39 ✓	29.5%	29.7%	30.0%
40-49 ✓	27.9%	27.9%	27.8%
50-59 ✓	27.1%	27.1%	26.3%
60+ ✓	4.9%	4.6%	4.3%

	31 December 2016	31 December 2015	31 December 2014
Women in Active Workforce ✓	17.2%	17.2%	17.1%
Women in Management Positions ✓	11.4%	10.9%	10.2%
Employee Turnover Rate ✓	3.6%	3.6%	3.3%
Total number of Training Hours ✓	2,320,508	2,264,145	2,906,356
Total number of Training Participants ✓	214,819	226,692	238,386

✓ Data audited by Ernst & Young et Associés.

The turnover rate does not include departures of the non-active workers.

The % of women in management positions only applies to the top 4% of the active workforce.

Reporting Scope

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

The scope for HR structure reporting covers about 97% of Airbus' consolidated companies, including all employees of these companies, irrespective of their individual consolidation

quota. This includes employees working for the Company or its subsidiaries in France, Germany, Spain, Great Britain and internationally. In total, about 3% of the companies belonging to Airbus – usually recently acquired – are not included in the scope, as no detailed employee data is available at group level.

The reporting scope for training indicators is limited to Airbus core Divisions and subsidiaries, with a coverage rate of 81%.

For more details on Scope and Methodology, please refer to the Airbus website at www.airbusgroup.com

1.2 Recent Developments

As announced on 12 January 2017, Airbus Defence and Space has entered into an agreement to sell its 49 percent share in Atlas Elektronik Group to thyssenkrupp AG based in Essen, Germany. With this acquisition, thyssenkrupp, which to date has held a 51 percent share in the company, will become the sole owner of Atlas Elektronik. The sale of its shares in Atlas Elektronik, a supplier of cutting-edge maritime technology, is part of Airbus Defence and Space's divestment programme which will allow it to focus on its core business. Closing of the transaction is subject to customary regulatory approvals.

As announced on 28 February 2017, Airbus has finalised the sale of its Germany-based Defence Electronics business to KKR, a leading global investment firm, following the receipt of regulatory and other approvals, including from the German government.

The France-based portion of the business will be transferred to KKR once the carve-out of the French entity in Elancourt, near Paris, is completed. The closing of this part of the transaction is subject to regulatory approval from the French government. KKR acquires the business for an enterprise value of approximately €1.1 billion. Airbus has agreed to maintain a 25.1% minority stake for a limited number of years post-closing until the full separation of the sites. This measure will facilitate a smooth transition for employees and business stakeholders. The Defence Electronics activity, which will be renamed Hensoldt, is a global provider of mission-critical sensors, integrated systems and services for premium defence and security applications. Headquartered in Ottobrunn, Germany, it has around 4,000 employees worldwide, with annual revenues of around €1 billion.



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 Airbus as of and for the years ended 31 December 2016, 2015 and 2014 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, Airbus makes use of the non-GAAP measures (*i.e.* Alternative Performance Measures) “EBIT Adjusted”, “net cash” and “Free Cash Flow”.

Airbus 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 Airbus 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 Airbus’ results as reported under IFRS. Because of these limitations, they should not be considered substitutes for the relevant IFRS measures.

For its full-year 2016 financial reporting, Airbus has implemented the European Securities and Markets Authority’s guidelines on Alternative Performance Measures. As a result, certain items will no longer be labelled as “one-offs”. Such items will instead be labelled as “Adjustments”. Airbus will no longer measure and communicate its performance on the basis of “EBIT*” (*i.e.* EBIT pre-goodwill impairment and exceptionals) but on the basis of “EBIT” (reported). Terminology will change such that “EBIT* before one-offs” will be replaced by “EBIT Adjusted” and “EPS* before one-offs” will be replaced by “EPS Adjusted”.

2.1.1 Overview

With consolidated revenues of €66.6 billion in 2016, Airbus is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners from 100 to more than 600 seats. Airbus is also a European leader providing tanker, combat, transport and mission aircraft, as well as Europe's number one space enterprise and the world's

second largest space business. In helicopters, Airbus provides the most efficient civil and military rotorcraft solutions worldwide. In 2016, it generated 83% of its total revenues in the civil sector (compared to 82% in 2015) and 17% in the defence sector (compared to 18% in 2015). As of 31 December 2016, Airbus' active headcount was 133,782 employees.

2

2.1.1.1 Exchange Rate Information

The financial information presented in this document is expressed in euro, US dollar or pound 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 2014	1.3285	0.8061	1.2141	0.7789
31 December 2015	1.1095	0.7259	1.0887	0.7340
31 December 2016	1.1069	0.8195	1.0541	0.8562

2.1.1.2 Reportable Business Segments

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

- **Airbus Commercial Aircraft** (formerly 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 holding function of Airbus' 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 2014, 2015 and 2016

A380 programme. In 2014, Airbus Commercial Aircraft 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 Commercial Aircraft improved 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.

In 2016, Airbus Commercial Aircraft found an agreement with Emirates and Rolls Royce to shift six deliveries from 2017 into 2018 and from 2018 into 2019, which secures the delivery profile into 2019. 12 aircraft remains the 2018 target for deliveries. Fixed cost reduction measures will be accelerated to minimise the impact on breakeven at a lower level of deliveries.

A350 XWB programme. In 2014, the 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 Commercial Aircraft 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 Commercial Aircraft applied IAS 11 Construction Contracts 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 Commercial Aircraft delivered 14 additional aircraft. Despite the progress made, significant challenges remained with the ramp-up acceleration.

In 2016, Airbus Commercial Aircraft delivered 49 A350 XWB aircraft, including to 7 new customers. To reflect expected lower revenues escalation, increased learning curve costs and delivery phasing, Airbus Commercial Aircraft recorded a net charge of €385 million on A350 XWB loss making contracts in the second quarter 2016. The industrial ramp-up is progressing and associated risks 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, challenges remain with the ramp-up acceleration and recurring costs convergence.

A400M programme. Technical progress on the A400M programme resulted in the recognition of A400M-related revenues of €1.6 billion in 2014, €1.6 billion in 2015 and €1.7 billion in 2016.

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 11 A400M aircraft were delivered in 2015, resulting in 21 cumulative deliveries up to 31 December 2015.

Management reviewed the programme evolution and estimated contract result driven to a large extent from the implications of the A400M accident in Seville in May 2015, 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.

17 A400M aircraft were delivered during 2016. Acceptance activities of one additional aircraft were finalised at the end of December 2016, but transfer of title only took place on 1 January 2017 (corresponding revenues will be recognised in 2017). In total, 38 aircraft have now been delivered to the customer as of 31 December 2016.

Industrial efficiency and military capabilities remain a challenge for the A400M programme and furthermore, the EASA Airworthiness Directive, linked to the Propeller Gear Box ("PGB") on the engine, and various PGB quality issues have strongly impacted the customer delivery programme.

The first major development milestone of the mission capability roadmap defined with customers earlier in 2016 was successfully completed in June with certification and delivery of "MSN 33", the ninth aircraft for the French customer, however achievement of contractual technical capabilities remains challenging.

In the first half-year 2016, management reviewed the programme evolution and estimated contract result incorporating the implications at this time of the revised engine programme and its associated recovery plan, technical issues related to the aluminium alloy used for some parts within the aircraft, recurring cost convergence issues, an updated assumption of export orders during the launch contract phase and finally some delays, escalation and cost overruns in the development programme. During the second half-year 2016, the programme encountered further challenges to meet military capabilities and management reassessed the industrial cost of the programme, now including an estimation of the commercial exposure. As a result of these reviews, Airbus Defence and Space has recorded a charge of €2,210 million in 2016 (thereof €1,026 million in the first half-year 2016). This represents the current best management assessment. Challenges remain on meeting contractual capabilities, securing sufficient export orders in time, cost reduction and commercial exposure, which could be significant. Given the order of magnitude on the cumulative programme loss, the Board of Directors has mandated the management to re-engage with customers to cap the remaining exposure.

The A400M contractual SOC 1, SOC 1.5 and SOC 2 milestones remain to be achieved. SOC 1 fell due end October 2013, SOC 1.5 fell due end December 2014, and SOC 2 end of December 2015. The associated termination rights became exercisable by OCCAR on 1 November 2014, 1 January 2016, and 1 January 2017, respectively. Management judges that it is highly unlikely that any of these termination rights will be exercised.

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 got underway with the focus on maturity and service-readiness for early operations in line with customer expectations.

In 2016, 68 aircraft on the A320neo programme were delivered to 17 customers. Both engine suppliers are committed to deliver in line with customer expectations. Challenges remain with the A320neo ramp-up and delivery profile, which is expected to be back-loaded in 2017. For the Pratt & Whitney engine, challenges are to (i) meet the delivery commitments in line with agreed schedule; (ii) fix in-service maturity issues in line with Airbus and customer expectations.

A330 programme. In 2016, the A330neo development was ongoing. The first delivery is scheduled for the first half of 2018.

Airbus 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. Airbus 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 2016, a net € 182 million provision related to restructuring measures was booked by Airbus.

Following the announcement in September 2016 of the merger of the Group structure with its largest Division Airbus Commercial Aircraft to increase future competitiveness, a restructuring provision of € 160 million has been recorded at year-end 2016. Accordingly, a plan including temporary contract termination, non-replacement of attrition, redeployment, partial and early retirement as well as voluntary leaves in Germany, France, the

UK and Spain has been communicated to the employees and the European Works Council in November 2016.

In Airbus Helicopters, the business has been reassessed in 2016 leading to a restructuring provision of € 42 million.

In 2013, a provision of € 292 million was booked related to the restructuring of the Airbus Defence and Space Division and Headquarters. After reassessing and adjusting the provision, releases were made of € 41 million in 2015 and € 20 million in 2016, respectively.

2.1.1.4 Current Trends

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

Airbus' 2017 earnings and Free Cash Flow guidance is based on a constant perimeter: in 2017, Airbus Commercial Aircraft expects to deliver more than 700 commercial aircraft. Before M&A, Airbus expects mid-single-digit percentage growth in EBIT Adjusted and EPS Adjusted compared to 2016. Free Cash Flow is expected to be similar to 2016 before M&A and customer financing.

2.1.2 Significant Accounting Considerations, Policies and Estimates

Airbus' 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", Airbus 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 Airbus' 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. Airbus 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 Airbus and translation differences for other assets and liabilities of Airbus 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 (historical rates of customer advances). US dollar-denominated costs are converted at the exchange rate prevailing on the date they are incurred (historical rates of US dollar-denominated costs). To the extent those historical rates and the amounts received and paid differ, 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 and spot rate (€/US\$).

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 Airbus, see "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 Airbus 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 Company'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 will no longer measure and communicate its performance on the basis of EBIT (*i.e.* EBIT pre-goodwill impairment and exceptionals) but on the basis of EBIT as the difference between the two KPIs, the so called "pre-goodwill and exceptionals", has become less relevant. EBIT (Earnings before interest and taxes) is identical to Profit before finance cost and income taxes as defined by IFRS Rules.

Airbus Commercial Aircraft

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

<i>(in €m)</i>	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Order Intake (net)	114,938	139,062	150,085
Order Book	1,010,200	952,450	803,633
Revenues	49,237	45,854	42,280
EBIT	1,543	2,287	2,646
<i>in % of revenues</i>	3.1%	5.0%	6.3%

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>	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Order Intake (net)	6,057	6,168	5,469
Order Book	11,269	11,769	12,227
Revenues	6,652	6,786	6,524
EBIT	308	427	413
<i>in % of revenues</i>	4.6%	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>	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Order Intake (net)	15,393	14,440	12,225
Order Book	41,499	42,861	43,075
Revenues	11,854	13,080	13,025
EBIT	(93)	736	387
<i>in % of revenues</i>	<i>(0.8)%</i>	<i>5.6%</i>	<i>3.0%</i>

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 Airbus 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 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 2016, 2015 AND 2014⁽¹⁾

	Year ended 31 December 2016		Year ended 31 December 2015		Year ended 31 December 2014	
	<i>Amount in €bn</i>	<i>In percentage⁽²⁾</i>	<i>Amount in €bn</i>	<i>In percentage⁽²⁾</i>	<i>Amount in €bn</i>	<i>In percentage⁽²⁾</i>
Airbus Commercial Aircraft ⁽³⁾	1,010.2	95.0%	952.4	94.6%	803.6	93.6%
Airbus Helicopters	11.3	1.1%	11.8	1.2%	12.2	1.4%
Airbus Defence and Space	41.5	3.9%	42.9	4.2%	43.1	5.0%
Total Divisional backlog	1,063.0	100%	1,007.1	100%	858.9	100%
Other / HQ / Consolidation	(2.6)		(1.2)		(1.4)	
Total	1,060.4		1,005.9		857.5	

(1) Without options.

(2) Before “Other / HQ / Consolidation”.

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

2016 compared to 2015. The €54.5 billion increase in the order backlog from 2015, to €1,060.4 billion, primarily reflects Airbus’ order intake in 2016 (€134 billion catalogue price), which exceeded the reduction of the backlog from 2016 deliveries. Additionally, the stronger US dollar spot rate used for conversion of the non-hedged portion of the backlog into euro at year-end (€-US\$1.05 as compared to €-US\$1.09 at the end of 2015) had a positive impact on order backlog of approximately €+31 billion.

Airbus Commercial Aircraft’s backlog increased by €57.8 billion from 2015, to €1,010.2 billion in 2016, primarily reflecting a book-to-bill ratio of more than one (calculated using units of new net orders). Order intake consisted of 731 net orders in 2016 (as compared to 1,080 in 2015), driven mainly by the A320 family, which received 607 net firm orders (561 A320neo and 46 A320ceo). Total order backlog at Airbus Commercial Aircraft

amounted to 6,874 aircraft at the end of 2016 (as compared to 6,831 aircraft at the end of 2015).

Airbus Helicopters’ backlog decreased by €-0.5 billion from 2015, to €11.3 billion in 2016, reflecting a book-to-bill ratio of less than one with new net orders of €6.1 billion. Airbus Helicopters received 353 net orders in 2016 (as compared to 333 in 2015). Total order backlog amounted to 766 helicopters at the end of 2016 (as compared to 831 helicopters at the end of 2015).

Airbus Defence and Space’s backlog decreased by €-1.4 billion from 2015, to €41.5 billion in 2016, reflecting a book-to-bill ratio of more than one with new net orders of €15.4 billion. The order intake is mainly driven by Military aircraft with 16 light and medium aircraft ordered by Canada and Eurofighter sustainment and support contracts as well as in Space with telecom and earth navigation and science.

2015 compared to 2014. The €148.4 billion increase in the order backlog from 2014, to €1,005.9 billion, primarily reflects Airbus' strong order intake in 2015 (€159 billion catalogue price), 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 Commercial Aircraft's 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 Commercial Aircraft

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.

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

	Year ended 31 December 2016		Year ended 31 December 2015		Year ended 31 December 2014	
	Amount in €bn ⁽¹⁾	In percentage	Amount in €bn ⁽¹⁾	In percentage	Amount in €bn ⁽¹⁾	In percentage
Backlog:						
Civil Sector	1,020.6	96%	967.5	96%	815.3	95%
Defence Sector	39.8	4%	38.4	4%	42.2	5%
Total	1,060.4	100%	1,005.9	100%	857.5	100%

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

2.1.3.3 Use of EBIT Adjusted

Airbus uses an alternative performance measure **EBIT Adjusted** as a key indicator capturing the underlying business margin by excluding material charges or profits caused by movements in provisions related to programmes, restructurings or foreign exchange impacts as well as capital gains/losses from the disposal and acquisition of businesses.

Set forth below is a table reconciling Airbus' EBIT with its EBIT Adjusted.

(in €m)	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
EBIT	2,258	4,062	3,991
PDP mismatch / BS revaluation	930	635	(142)
A400M business update	2,210	290	551
A350 XWB business update	385	0	0
ASL creation phase 2	(1,175)	0	0
Portfolio in Airbus Defence and Space and Airbus Commercial Aircraft	33	(90)	(40)
Restructuring / Transformation	182	(41)	0
Dassault Aviation disposal	(868)	(748)	(343)
EBIT Adjusted	3,955	4,108	4,017

2.1.3.4 EBIT Adjusted by Division

<i>(in €m)</i>	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Airbus Commercial Aircraft	2,811	2,766	2,504
Airbus Helicopters	350	427	413
Airbus Defence and Space	1,002	1,051	898
Total Divisional EBIT Adjusted	4,163	4,244	3,815
Other / HQ / Consolidation	(208)	(136)	202
Total	3,955	4,108	4,017

2.1.3.5 EBIT by Division

<i>(in €m)</i>	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Airbus Commercial Aircraft	1,543	2,287	2,646
Airbus Helicopters	308	427	413
Airbus Defence and Space	(93)	736	387
Total Divisional EBIT	1,758	3,450	3,446
Other / HQ / Consolidation	500 ⁽²⁾	612 ⁽¹⁾	545 ⁽¹⁾
Total	2,258	4,062	3,991

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

(2) "Other / HQ / Consolidation" comprises the capital gain from the sale of Dassault Aviation shares and the revaluation at fair value of the remaining investment in Dassault Aviation.

2016 compared to 2015. 2016 financials reflect the portfolio reshaping in Airbus Defence and Space resulting in reduction in revenues of about €1 billion and related EBIT impact.

Airbus' consolidated EBIT decreased by 44.4%, from €4.1 billion for 2015 to €2.3 billion for 2016. Airbus Commercial Aircraft's EBIT decreased from €2.3 billion for 2015 to €1.5 billion for 2016. A solid operational performance driven by a higher A320 volume and R&D reduction was weighed down by the lower A330 production rate, transition pricing, ramp-up costs and a negative revaluation impact from foreign exchange linked to the dollar pre-delivery mismatch and balance sheet revaluation in the amount of €-902 million. Additionally, it was affected by a €385 million net charge on the A350 XWB programme. (See "2.1.1.3 Significant Programme Developments, Restructuring and Related Financial Consequences in 2014, 2015 and 2016").

Airbus Helicopters' EBIT decreased from €427 million for 2015 to €308 million for 2016, reflecting an unfavourable mix and lower commercial flight hours in services as well as the H225 accident and some campaign costs. However, the underlying performance continues to be supported by ongoing transformation measures and strong efforts to adapt to market challenges.

Airbus Defence and Space's EBIT decreased from €736 million for 2015 to €-93 million for 2016. A good operational performance partially mitigated the perimeter change effects from portfolio reshaping. In addition, a net charge of €2,210 million was

recorded related to the A400M programme for the period ended 31 December 2016 (€290 million for the period ended 31 December 2015). Airbus Defence and Space's EBIT in 2016 also included a net gain of €1,175 million from the completion of the second phase of the creation of the ASL joint venture, an adjustment of the provision for restructuring generating a positive impact of €20 million and some further small disposal impacts. (See "2.1.1.3 Significant Programme Developments, Restructuring and Related Financial Consequences in 2014, 2015 and 2016").

The EBIT of Other / Headquarters / Consolidation decreased by 18.3% from €612 million for 2015 to €500 million for 2016. 2016 includes the capital gain from the sale of Dassault Aviation shares and the revaluation at fair value of the remaining investment in Dassault Aviation from ongoing divestment started in 2015. It also includes the restructuring provisions for €160 million recorded at year-end 2016 following the announcement in September 2016 of the merger of the Group structure with its largest Division Airbus Commercial Aircraft to increase future competitiveness. (See "2.1.1.3 Significant Programme Developments, Restructuring and Related Financial Consequences in 2014, 2015 and 2016").

2015 compared to 2014. 2015 financials reflect the portfolio reshaping in Airbus Defence and Space resulting in reduction in revenues of about €0.5 billion and related EBIT impact.

Airbus' consolidated EBIT increased by 1.8%, from €4.0 billion for 2014 to €4.1 billion for 2015.

Airbus Commercial Aircraft's EBIT decreased by 13.6%, from €2.6 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).

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 90.2% from €387 million for 2014 to €736 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). Airbus Defence and Space's EBIT also included an adjustment of its provision for restructuring generating a positive impact of €41 million and a net gain from the ASL first phase deconsolidation and some further small disposal impacts.

The EBIT of Other / Headquarters / Consolidation increased by 12.3% from €545 million for 2014 to €612 million for 2015. This was 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.

Foreign currency impact on EBIT. At least 70% of Airbus' 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), Airbus 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 Airbus' 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 2016, cash flow hedges covering approximately US\$23.5 billion of Airbus' US dollar-denominated revenues matured excluding US\$ 1.5 billion of new hedges entered into to address intra-year shifts in Net Exposure linked to delivery phasing. In 2016, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €-US\$1.32, as compared to €-US\$1.34 in 2015. This difference resulted in an approximate €+0.18 billion increase in EBIT from 2015 to 2016. 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 €-0.30 billion on EBIT compared to 2015. See "2.1.2.4 Foreign Currency Translation".

During 2015, cash flow hedges covering approximately US\$25.5 billion of Airbus' 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.

2.1.4 Results of Operations

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

<i>(in €m, except for earnings per share)</i>	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Revenues	66,581	64,450	60,713
Cost of sales	(61,317)	(55,599)	(51,776)
Gross margin	5,264	8,851	8,937
Selling and administrative expenses	(2,723)	(2,651)	(2,601)
Research and development expenses	(2,970)	(3,460)	(3,391)
Other income	2,689	474	330
Other expenses	(254)	(222)	(179)
Share of profit from investments accounted for under the equity method and other income from investments	252	1,070	895
Profit before finance costs and income taxes	2,258	4,062	3,991
Interest result	(275)	(368)	(320)
Other financial result	(692)	(319)	(458)
Income taxes	(291)	(677)	(863)
Profit for the period	1,000	2,698	2,350
Attributable to:			
Equity owners of the parent (Net Income)	995	2,696	2,343
Non-controlling interests	5	2	7
Earnings per share (basic) (in €)	1.29	3.43	2.99
Earnings per share (diluted) (in €)	1.29	3.42	2.99

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

2.1.4.1 Consolidated Revenues

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

<i>(in €m)</i>	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Airbus Commercial Aircraft	49,237	45,854	42,280
Airbus Helicopters	6,652	6,786	6,524
Airbus Defence and Space	11,854	13,080	13,025
Total Divisional revenues	67,743	65,720	61,829
Other / HQ / Consolidation	(1,162)	(1,270)	(1,116)
Total	66,581	64,450	60,713

For 2016, consolidated revenues increased by 3.3%, from €64.5 billion for 2015 to €66.6 billion for 2016. The increase was primarily due to higher revenues at Airbus Commercial Aircraft.

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 Commercial Aircraft.

Airbus Commercial Aircraft

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

Number of aircraft	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
A320 family	545	491	490
A330	66	103	108
A350 XWB	49	14	1
A380	28	27	30
Total	688	635	629

Airbus Commercial Aircraft's consolidated revenues increased by 7.4%, from €45.9 billion for 2015 to €49.2 billion for 2016. This was due to higher deliveries of 688 aircraft (compared to 635 deliveries in 2015) including 49 A350 XWBs and the strengthening US dollar.

Airbus Commercial Aircraft's 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 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 2016	Year ended 31 December 2015	Year ended 31 December 2014
Light	177	178	226
Medium	165	124	132
Heavy	57	77	101
<i>of which NH90</i>	38	35	53
<i>Tiger</i>	19	16	12
Total	418	395	471

Consolidated revenues of Airbus Helicopters decreased by 2.0%, from €6.8 billion for 2015 to €6.7 billion in 2016, mainly reflecting an unfavourable mix and lower commercial flight hours in services.

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).

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 2016	Year ended 31 December 2015	Year ended 31 December 2014
A400M	17	11	8
A330 MRTT (Tanker)	2	4	5
Light & Medium aircraft	14	19	19
Telecom satellites	1	5	5
Total	34	39	37

Airbus Defence and Space's consolidated revenues decreased by 9.4% from €13.1 billion for 2015 to €11.9 billion in 2016, reflecting a negative impact from portfolio reshaping of about €1 billion but were broadly stable on a comparable basis.

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 ASL joint venture's first phase.

2.1.4.2 Consolidated Cost of Sales

Consolidated cost of sales increased by 10.3% from €55.6 billion for 2015 to €61.3 billion for 2016. The increase was primarily due to business growth at Airbus Commercial Aircraft and negative foreign exchange revaluation impacts from PDP/BS revaluation.

The charge related to the A400M programme in the amount of €2,210 million (in 2015: €290 million) and to the A350 XWB programme in the amount of €385 million (in 2015: €0 million).

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 Commercial Aircraft and negative foreign exchange revaluation impacts from pre-delivery payments. This was partly offset by a lower net charge related to the 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.

2.1.4.3 Consolidated Selling and Administrative Expenses

Consolidated selling and administrative expenses were broadly stable at €2.7 billion in 2016 and 2015.

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

2.1.4.4 Consolidated Research and Development Expenses

Consolidated research and development expenses decreased by 14.2%, from €3.5 billion for 2015 to €3.0 billion for 2016 primarily reflecting a reduction of R&D activities on the A350 XWB programme at Airbus Commercial Aircraft as committed. In addition, an amount of €311 million of development costs has been capitalised, mainly related to the A350-1000, FSTA and H160 programmes. See "2.1.2.2 Capitalised development costs".

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 was capitalised, mainly related to the H160 and single-aisle NEO programmes.

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 2016, other income and other expenses was €+2,435 million net as compared to €+252 million net for 2015. The net increase is due mainly to the capital gain of €1,175 million following the completion of the creation of the ASL joint venture, the capital gain from the sale of Dassault Aviation shares of €528 million and the revaluation at fair value of the remaining investment in Dassault Aviation of €340 million and the capital gain of €146 million on the disposal of the business communications entities.

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 2016, Airbus recorded €252 million in consolidated share of profit from investments accounted for under the equity method and other income from investments as compared to €1,070 million for 2015. It also includes Airbus' share in ASL's results. In 2015, it included the net gain from the partial sale of Dassault Aviation shares. 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 2015, Airbus 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 was mainly due to higher results from joint ventures. The consolidated share of profit from investments accounted for under the equity method included a €748 million net gain from the sale of 18.75% stake in Dassault Aviation in the first half of 2015.

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 2016, Airbus recorded a consolidated net interest expense of €-275 million, as compared to €-368 million for 2015. The improvement in interest result is primarily due to lower interest expense recorded on European government refundable advances.

For 2015, Airbus recorded a consolidated net interest expense of €-368 million, as compared to €-320 million for 2014. The deterioration in interest result was primarily due to higher 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 decreased from €-319 million for 2015 to €-692 million for 2016 reflecting a €-373 million negative change from revaluation of financial instruments together with a deterioration of the foreign exchange translation of monetary items.

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.

2.1.4.9 Consolidated Income Taxes

For 2016, income tax expense was €-291 million as compared to €-677 million for 2015. The decrease was primarily due to the lower income before tax recorded in 2016 (€1,291 million) as compared to 2015 (€3,375 million). The effective tax rate was 23% in 2016. The effective tax rate was affected by the sale of shares of Dassault Aviation and the creation of ASL both subject to specific tax treatment. These effects were partially offset by additional income tax charges including the planned reduction of the income tax rate in France from 34.43% to 28.92% enacted in December 2016. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 15: Income Tax".

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.

2.1.4.10 Consolidated Non-Controlling Interests

For 2016, consolidated profit for the period attributable to non-controlling interests was €5 million, as compared to €2 million for 2015.

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, Airbus recorded consolidated net income of €995 million for 2016, as compared to €2,696 million for 2015.

2.1.4.12 Earnings per Share

Basic earnings were €1.29 per share in 2016, as compared to €3.43 per share in 2015. The number of issued shares as of 31 December 2016 was 772,912,869. The denominator used to calculate earnings per share was 773,798,837 shares (in 2015: 785,621,099), reflecting the weighted average number of shares outstanding during the year. In 2014, the Company reported basic earnings of €2.99 per share, based on a denominator of 782,962,385 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".

Diluted earnings were €1.29 per share in 2016, as compared to €3.42 per share in 2015. The denominator used to calculate diluted earnings per share was 779,109,634 (in 2015: 788,491,929), reflecting the weighted average number of shares outstanding during the year, adjusted to assume the conversion of all potential ordinary shares. In 2014, the Company reported diluted earnings of €2.99 per share, based on a denominator of 784,155,749 shares.

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 2016 through 31 December 2016.

<i>(in €m)</i>	
Balance as at 31 December 2015	5,973
Profit for the period	1,000
Other comprehensive income	(1,902)
<i>Thereof foreign currency translation adjustments</i>	<i>(171)</i>
Cash distribution to shareholders / dividends paid to non-controlling interests	(1,012)
Capital increase	60
Equity transactions (IAS 27)	15
Change in treasury shares	(513)
Share-based payment (IFRS 2)	31
Balance as at 31 December 2016	3,652

Please refer to the “Airbus Group SE IFRS Consolidated Financial Statements — IFRS Consolidated Statements of Changes in Equity for the Years Ended 31 December 2016 and 2015” 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

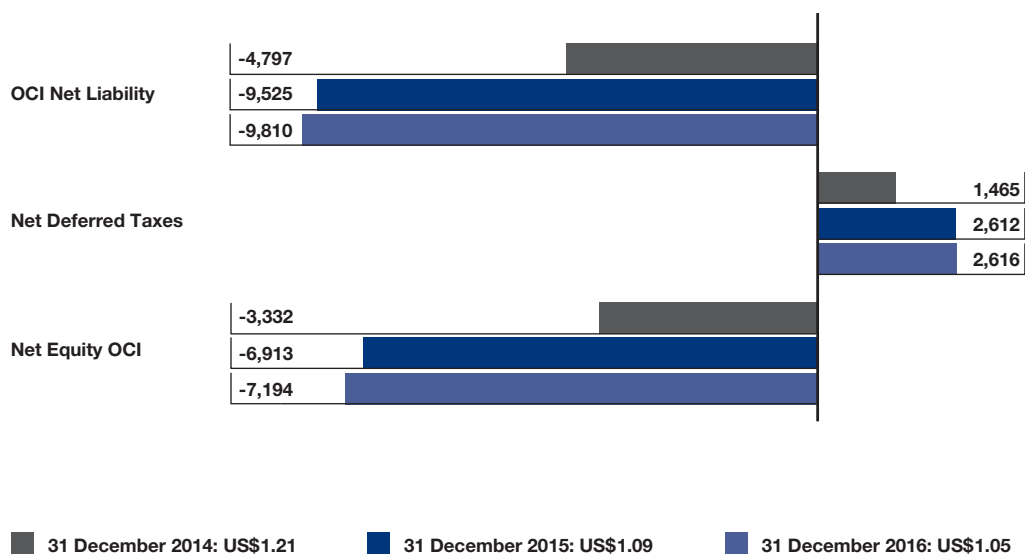
As of 31 December 2016, the notional amount of Airbus’ portfolio of outstanding cash flow hedges amounted to US\$ 102.4 billion, hedged against the euro and the pound sterling. The year-end mark to market valuation of this portfolio required under IAS 39 resulted in a negative pre-tax AOCI valuation change of €-0.3 billion as of 31 December 2016 compared to 31 December 2015, based on a closing rate of €-US\$ 1.05 as compared to a negative pre-tax AOCI valuation change of €-4.7 billion as of

31 December 2015 compared to 31 December 2014, based on a closing rate of €-US\$ 1.09. 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 2016, AOCI amounted to a net liability of €-9.8 billion for 2016, as compared to a net liability of €-9.5 billion for 2015. The corresponding €0 billion tax effect led to a net deferred tax asset of €2.6 billion as of 31 December 2016 as compared to a net deferred tax asset of €2.6 billion as of 31 December 2015.

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 €-171 million currency translation adjustment related impact on AOCI in 2016 mainly reflects the effect of the variations of the pound sterling and the US dollar.

2.1.6 Liquidity and Capital Resources

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

Airbus 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). Net cash position is an alternative performance measure and an indicator that allows the Company to measure its ability to generate sufficient liquidity to invest in its growth and future expansion, honour its dividend policy and maintain financial flexibility. The net cash position as of 31 December 2016 was € 11.1 billion (€ 10.0 billion as of 31 December 2015 excluding the reassessment and reclassification of investments made by Airbus Group SE in certain securities and trade liabilities amounting to € -899 million).

The liquidity is further supported by a €3.0 billion syndicated back-up facility, undrawn as of 31 December 2016 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 Airbus' 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

Airbus 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, Airbus' military activities benefit from government-financed research and development contracts. If necessary, the Company may raise funds in the capital markets.

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

<i>(in €m)</i>	2016	2015	2014
Consolidated net cash position at 1 January	10,003	9,092	8,454
Gross cash flow from operations ⁽¹⁾	3,565	4,614	5,595
Changes in other operating assets and liabilities (working capital) ⁽²⁾	346	(723)	(2,386)
<i>Thereof customer financing</i>	<i>(252)</i>	<i>(150)</i>	<i>108</i>
Cash used for investing activities ⁽³⁾	(730)	(1,066)	(1,207)
<i>Thereof industrial capital expenditures</i>	<i>(3,060)</i>	<i>(2,924)</i>	<i>(2,548)</i>
Free Cash Flow⁽⁴⁾	3,181	2,825	2,002
<i>Thereof M&A transactions</i>	<i>2,025</i>	<i>1,650</i>	<i>893</i>
<i>Free Cash Flow before M&A⁽⁵⁾</i>	<i>1,156</i>	<i>1,175</i>	<i>1,109</i>
Cash flow from customer financing (net)	(252)	(150)	108
<i>Free Cash Flow before customer financing</i>	<i>3,433</i>	<i>2,975</i>	<i>1,894</i>
<i>Free Cash Flow before M&A and customer financing</i>	<i>1,408</i>	<i>1,325</i>	<i>1,001</i>
Cash distribution to shareholders / non-controlling interests	(1,012)	(948)	(589)
Contribution to plan assets of pension schemes	(290)	(217)	(462)
Changes in capital and non-controlling interests	60	195	52
Share buyback / Change in treasury shares	(736)	(264)	102
Others	(93)	(680)	(467)
Consolidated net cash position as of 31 December⁽⁶⁾	11,113	10,003	9,092

(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 (€ -187 million in 2014; € -74 million in 2015; € -151 million in 2016). It is an alternative performance measure and an indicator used to measure its operating cash performance before changes in working capital.

(2) Excluding reclassification of certain trade liabilities.

(3) Does not reflect change of securities (net investment of € -2,016 million for 2014 and of € -2,361 million for 2015; net disposal of €337 million for 2016), which are classified as cash and not as investments solely for the purposes of this net cash presentation. Excluding bank activities.

(4) Does not reflect change of securities, contribution to plan assets of pension schemes and realised foreign exchange results on Treasury swaps and reclassification of certain trade liabilities. Excluding bank activities. Free Cash Flow is an alternative performance measure and indicator that reflects the amount of cash flow generated from operations after cash used in investing activities.

(5) Free Cash Flow before M&A refers to Free Cash Flow adjusted for net proceeds from disposals and acquisitions. It is an alternative performance measure and indicator that reflects Free Cash Flow excluding those cash flows from the disposal and acquisition of businesses.

(6) Excluding the reassessment and reclassification of investments made by Airbus Group SE in certain securities and trade liabilities amounting to € -899 million in 2015.

The net cash position as of 31 December 2016 was €11.1 billion, a 11.1% increase from 31 December 2015. The increase primarily reflects the gross cash flow from operations (€3.6 billion), partially offset by the cash distribution to shareholders / non-controlling interests (€-1.0 billion), the cash used for investing activities (€-0.7 billion) and the share buyback (€-0.7 billion).

Gross Cash Flow from Operations

Gross cash flow from operations is an alternative performance measure and an indicator used by Airbus to measure its operating cash performance before changes in working capital. Gross cash flow from operations decreased by 22.7% to €3.6 billion for 2016, primarily a consequence of the lower A330 production rate, transition pricing and ramp-up costs, partly mitigated by higher A320 volume.

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 €+0.3 billion positive impact on the net cash position for 2016, as compared to a negative impact of €-0.7 billion for 2015.

In 2016, the main net contributor to the positive working capital variation was the pre-delivery payment from customers (€4.6 billion) and an increase in trade liabilities (€1.5 billion). This was partly offset by the change in inventory (€-3.5 billion) reflecting increased work in progress mainly associated with the A350 XWB at Airbus Commercial Aircraft and increased activity on A400M at Airbus Defence and Space. Additionally, trade receivables (€-1.2 billion) and other assets and liabilities (€-0.8 billion) contributed negatively.

European government refundable advances. As of 31 December 2016, total European government refundable advances liabilities, 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 €7.1 billion, including accrued interest.

European government refundable advances (net of reimbursements) decreased in 2016, due primarily to repayment made under the A380 and the A350 XWB programmes. 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 €-3.1 billion for 2016 as compared to €-2.9 billion for 2015 and €-2.5 billion for 2014. Capital

expenditures in 2016 related to programmes at Airbus Commercial Aircraft of €-2.3 billion (mainly for the ramp-up phase of A350 XWB and A320 family and for the A330 neo development) and additional projects in the other Divisions of €-0.8 billion. Capital expenditures include product-related development costs that are capitalised in accordance with IAS 38. See "2.1.2.2 Capitalised development costs".

M&A transactions. In 2016, the €2.0 billion figure principally reflects the sale of Dassault Aviation shares and the finalisation of the creation of ASL in the first half of 2016. Please refer to the "Notes to the IFRS Consolidated Financial Statements – Note 6: Acquisitions and Disposals".

In 2015, the €1.7 billion figure principally reflects the sale of Dassault Aviation shares in the first half of 2015.

Free Cash Flow

Airbus 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. It is an alternative performance measure and key indicator that is important in order to measure the amount of cash flow generated from operations after cash used in investing activities. As a result of the factors discussed above, Free Cash Flow amounted to €3.2 billion for 2016 as compared to €2.8 billion for 2015 and €2.0 billion for 2014. Free Cash Flow before customer financing was €3.4 billion for 2016 as compared to €3.0 billion for 2015 and €1.9 billion for 2014.

Free Cash Flow before M&A

Free Cash Flow before mergers and acquisitions refers to Free Cash Flow adjusted for net proceeds from disposals and acquisitions. It is an alternative performance measure and key indicator that reflects Free Cash Flow excluding those cash flows resulting from acquisitions and disposals of businesses.

Free Cash Flow before M&A and Customer Financing

Free Cash Flow before M&A and customer financing refers to Free Cash Flow before mergers and acquisitions adjusted for cash flow related to aircraft financing activities. It is an alternative performance measure and indicator that may be used from time to time by Airbus in its financial guidance, especially when there is higher uncertainty around customer financing activities, such as during the suspension of ECA financing support.

Change in Treasury Shares

Change in treasury shares for 2016 amounted to €-0.7 billion, which is mostly related to the share buyback. In 2015, the Company undertook a share buyback for a maximum amount of €1 billion. The total cumulative amount of shares bought back and cancelled in 2015 and 2016 under the programme was 17,016,374 shares. The buyback programme took place

between 2 November 2015 and 30 June 2016 and has been completed. All shares purchased under the share buyback programme have been cancelled. As of 31 December 2016, the Company held 184,170 treasury shares.

Contribution to Plan Assets of Pension Schemes

The cash outflows of €-0.3 billion, €-0.2 billion and €-0.5 billion in 2016, 2015 and 2014, 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 2017, Airbus intends to make approximately €400 million contributions to plan assets in order to reduce the provision for retirement plans on its statement of financial position.

Others

In 2016, the negative amount of €-93 million mainly resulted from the bank activities, partly compensated by changes in consolidated financing liabilities and changes in securities.

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

2.1.6.2 Consolidated Cash and Cash Equivalents and Securities

The cash and cash equivalents and securities portfolio of Airbus 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".

Airbus has a partially automated cross-border and domestic cash pooling system in all countries with major group presence and whenever country regulations allow such practice (among others this includes mainly 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 Airbus and enables Management to allocate cash optimally within Airbus depending upon shifting short-term needs.

2.1.6.3 Consolidated Financing Liabilities

The outstanding balance of Airbus' consolidated financing liabilities increased from €9.1 billion as of 31 December 2015 to €10.5 billion as of 31 December 2016. The increase in bonds corresponds to a bond issued on 13 May 2016, for a total of €1.5 billion, with a 10 year-maturity tranche of €600 million at a 0.875% coupon, and a 15 year-maturity tranche of €900 million at a 1.375% coupon. Additionally, exchangeable bonds to be convertible into Dassault Aviation shares were issued for €1,078 million on 14 June 2016, with a 5 year-maturity. These bonds bear a coupon of 0% and were issued at 103.75% of par. Their effective interest rate, after separation of the equity conversion option, is 0.6415%. This was partly reduced by the maturing of a bond and lower commercial paper programmes (€-1.5 billion). For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Net Cash — Financing Liabilities".

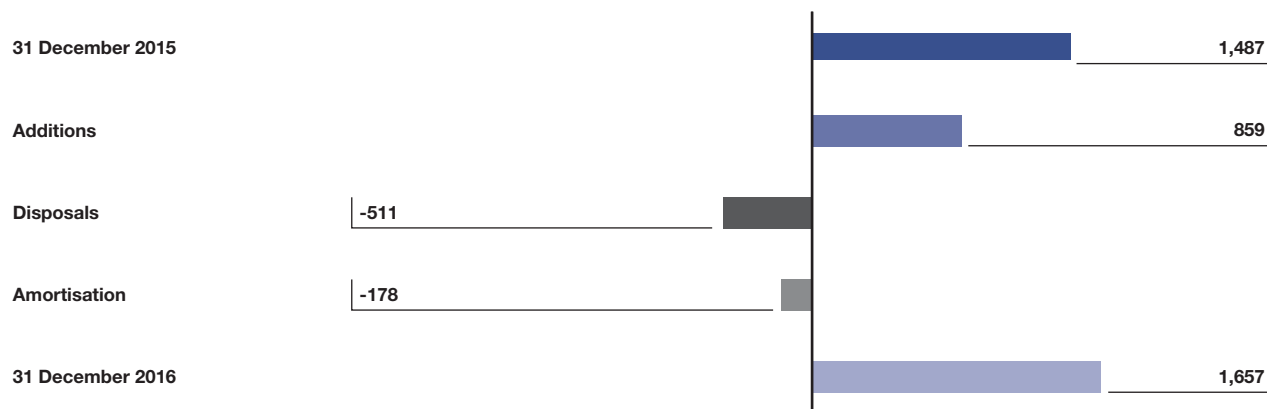
2.1.6.4 Sales Financing

Airbus 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 Commercial Aircraft and Airbus Helicopters, Airbus 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 Airbus 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 finance and asset value exposure of Airbus and its evolution in terms of quality, volume and intensity of cash requirements. Airbus 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 COMMERCIAL AIRCRAFT GROSS EXPOSURE DURING 2016 (IN US\$ MILLIONS)



Airbus Commercial Aircraft Gross Customer Financing Exposure as of 31 December 2016 is distributed over 61 aircraft, operated at any time by approximately 15 airlines. In addition, the level of exposure may include other aircraft-related assets, such as spare parts. More than 90% of Airbus Commercial Aircraft Gross Customer Financing Exposure is distributed over 9 countries (this excludes backstop commitments).

Over the last three years (2014 to 2016), the average number of aircraft delivered in respect of which financing support has been provided by Airbus Commercial Aircraft amounted to 1% of the

average number of deliveries over the same period, *i.e.* 9 aircraft financed per year out of 651 deliveries per year on average.

Airbus Helicopters' Gross Customer Financing Exposure amounted to €119 million as of 31 December 2016. This exposure is distributed over 62 helicopters, operated by approximately 2 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 Airbus' 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 Airbus 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 Airbus intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, Airbus 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 2016, and the average US dollar rates applicable to corresponding EBIT.

	2017	2018	2019	2020	2021+	Total
Total Hedges (in US\$bn)	24.9	25.1	24.9	17.8	9.7	102.4
Forward Rates (in US\$)						
€-US\$	1.29	1.25	1.24	1.23	1.22	
£-US\$	1.55	1.55	1.47	1.39	1.37	

For further information on Airbus' 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 2016, together with the related notes, appendices and independent auditors' report, 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 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; and
- 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, as incorporated by reference in the Registration Document filed in English with,

and approved by, the AFM on 5 April 2016 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 (Investors & Shareholders > 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 (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

Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 37: Auditor Fees".

2.4 Information Regarding the Statutory Auditors

	Date of first appointment	Expiration of current term of office ⁽¹⁾
Ernst & Young Accountants LLP Boompjes 258 – 3011 XZ Rotterdam Postbus 488 – 3000 AL Rotterdam The Netherlands Represented by A.A.Van Eimeren	28 April 2016	12 April 2017

(1) A resolution will be submitted to the Annual General Meeting of Shareholders in 2017, in order to appoint Ernst & Young Accountants LLP as the Company's auditors for the 2017 financial year.

Ernst & Young Accountants LLP has a licence from the AFM to perform statutory audits for Public Interest Entities and its representative is a member of the Royal NBA (*Koninklijke 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

Commercial Name: Airbus

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

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

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 7 of EU Regulation No. 596/2014 on market abuse (the "**Market Abuse Regulation**" or "**MAR**"). 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, relating, directly or indirectly, to one or more issuers 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 delay 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 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

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, any inside information as defined above will be disclosed simultaneously in Spain by filing the relevant regulatory announcement (*hecho relevante*) with the CNMV.

Pursuant to the Spanish securities rules and regulations, the Company is also required to make available to shareholders and file with the CNMV a corporate governance report 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

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

3.1.5 Objects of the Company

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

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

3.1.7 Inspection of Corporate Documents

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 (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 (Willy-Messerschmitt-Strasse 1, 82024 Ottobrunn, Germany, Tel.: +49 89 60 70).

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

3.1.8 Financial Year

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 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 AGM 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), 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 AGM 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 certain circumstances.

The persons who have the right to attend and vote at shareholders' meetings are those who are on record in a register designated for that purpose by the Board of Directors on the 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 Company shares through Euroclear France 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 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) in the register of the Company. However, only shares registered in the name of Euroclear France may be traded on stock exchanges.

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

Pursuant to its Articles of Association, the Company may provide for electronic means of attendance, speaking and voting at the shareholders' meetings. 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

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 the Company'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).

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⁽¹⁾ 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 Market Abuse Regulation, certain persons discharging managerial or supervisory responsibilities within the Company as well as persons closely associated with them (together "**Insiders**", as defined below), are required to notify the Company and the AFM within three 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 as well as certain other senior executives who are not members of these bodies and who have regular access to inside information relating directly or indirectly to the Company and power to take managerial decisions affecting the future developments and business prospects 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, 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.

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.

Pursuant to the Market Abuse Regulation, 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.

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 Company shares. The foundation’s Articles of Association and the terms of administration governing the relationship between the foundation and the depositary receipt holders provide, *inter alia*, that:

- the Board Members of the foundation must be independent from the Company, any grandfathered persons and their affiliates (see “— 3.1.12.2 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 of the Company shares held by it and will in a mechanical manner vote to reflect the outcome of the votes cast (or not cast) by the other shareholders, and the foundation will distribute any dividends or other distributions it receives from the Company to the holders of depositary receipts; and

- no transfer of a depositary receipt can be made without the prior written approval of the foundation’s Board.

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

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

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 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 when 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 Société de Gestion de Participations Aéronautiques (“**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, Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG (“**GZBV**”) and Sociedad Estatal de Participaciones Industriales (“**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 a 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.

3.2 General Description of the Share Capital

3.2.1 Issued Share Capital

As of 31 December 2016, the Company’s issued share capital amounted to €772,912,869, consisting of 772,912,869 fully paid-up shares of a nominal value of €1 each.

3.2.2 Authorised Share Capital

As of 31 December 2016, the Company’s authorised share capital amounted to €3 billion, consisting of 3 billion shares of €1 each.

3.2.3 Modification of Share Capital or Rights Attached to the Shares

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

Holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of the Company or of an Airbus 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 million 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 28 April 2016, 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 and share-related long-term incentive plans, provided that such powers shall be limited to 0.14% of the Company's authorised share capital; and
2. funding the Company and its Airbus 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 2017, 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 28 April 2016, 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.

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 28 April 2016, 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 that has been completed. All shares repurchased under the share buy back programme have been cancelled (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 convertible bonds (See “— Corporate Governance — 4.3.3 Long-Term Incentive Plans” and please refer to “Notes to the IFRS Consolidated Financial Statements — Note 34.3: Financing 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 convertible bonds issued as of 31 December 2016 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights ⁽¹⁾
Total number of Company shares issued as of 31 December 2016	772,912,869	99.354%	772,728,699	99.354%
Total number of Company shares which may be issued following exercise of the convertible bonds	5,022,990	0.646%	5,022,990	0.646%
Total potential Company share capital	777,935,859	100%	777,935,859	100%

(1) The potential dilutive effect on capital and voting rights of the exercise of these convertible bonds may be limited as a result of the Company's share repurchase 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 ⁽¹⁾	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 ⁽²⁾	€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 ⁽²⁾	€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 ⁽²⁾	€1	1,910,428	-	785,344,784	€785,344,784
In 2016	Cancellation of treasury shares	€1	14,131,131	-	771,213,653	€771,213,653
In 2016	Issues of shares for the purpose of an employee offering	€1	1,474,716	-	772,688,369	€772,688,369
In 2016	Issue of shares following exercise of options granted to employees ⁽²⁾	€1	224,500	-	772,912,869	€772,912,869

(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 2016, Airbus' employees exercised 224,500 stock options granted to them through the Stock Option Plans launched by the Company and 1,474,716 new shares were issued in the framework of the Employee Share Ownership Plan (“ESOP”) 2016. As a result, a total number of 1,699,216 new shares were issued in the course of 2016.

During 2016, (i) the Company repurchased in aggregate 12,938,028 shares and (ii) 14,131,131 treasury shares were cancelled. As a result, as at 31 December 2016, the Company held 184,170 treasury shares.

3.3 Shareholdings and Voting Rights

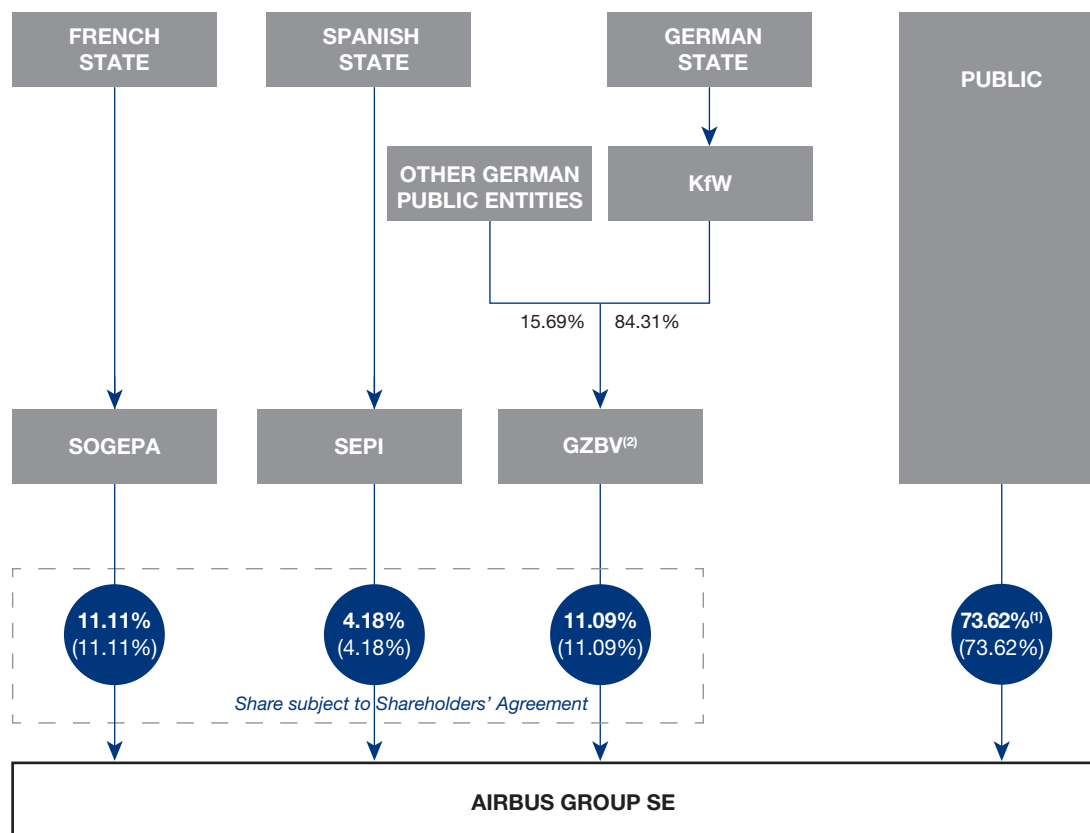
3.3.1 Shareholding Structure at the end of 2016

As of 31 December 2016, the French State held 11.11% of the outstanding Company shares through Sogepa, the German State held 11.09% through 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 4.18% through SEPI. The public (including Airbus’ employees)

and the Company held, respectively, 73.60% and 0.02% of the Company’s share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2016 (% of capital and of voting rights (in parentheses) before exercise of the convertible bonds). See “— Corporate Governance — 4.3.3 Long-Term Incentive Plans”.

OWNERSHIP STRUCTURE OF AIRBUS GROUP SE AS OF 31 DECEMBER 2016



(1) Including shares held by the Company itself (0.02%).

(2) KfW & other German public entities.

In 2016, the below listed entities have notified the AFM of their substantial interest in the Company. For further details, please refer to the website of the AFM at www.afm.nl:

- Capital Group International Inc. owns 5.04% of the voting rights via Capital Research and Management Company and EuroPacific Growth Fund.

As of 31 December 2016, the Company held, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 184,170 of its

own shares, equal to 0.02% 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 2.1% of the share capital (and voting rights) was held by the Company’s employees as of 31 December 2016.

3.3.2 Relationships with Principal Shareholders

3

In 2013, GZBV, Sogepa and SEPI entered into a shareholders’ agreement (the “**Shareholders’ Agreement**”). The Shareholders’ Agreement, further details of which are set out in more detail below, does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. The Company has also entered into state security agreements with each of the French State and German State, which are also described in more detail below.

3.3.2.1 Corporate Governance Arrangements

Corporate governance arrangements of the Company were substantially changed, resulting in changes in the composition of the Board of Directors and its internal rules, as well as amendments to the Articles of Association of the Company. These changes were intended to further normalise and simplify the Company’s corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Changes to the Company’s corporate governance arrangements in the Articles of Association, included (i) disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds and (ii) ownership restrictions prohibiting any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others. See sections 3.1.11 and 3.1.12 above and 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. The courts of the Netherlands shall have exclusive jurisdiction. This is binding advice for any dispute, controversy or claim arising out of or in connection with the post-concert Grandfathering Agreement in accordance with the procedure set forth in the post-concert Grandfathering Agreement; provided, however, that application to the courts is permitted to resolve any such dispute controversy or claim.

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

The Company and the German State have entered into an agreement relating to the protection of essential interests to the German State’s security (the “**German State Security Agreement**”). Under the German State Security Agreement, certain sensitive German military assets are held by a Company subsidiary (the “**German Defence Holding Company**”). The German State has the right to approve or disapprove of — but not to propose or appoint — three outside Directors to the Supervisory Board of the German Defence Holding Company (the “**German Defence Outside Directors**”), at least two of whom must qualify as Independent Directors under the Board Rules if they 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.

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 shares of the Company performing the ballistic missiles activity exercisable under certain circumstances, including if (i) a third party acquires, directly or indirectly, either alone or in concert, more than 15%

For more information about Dassault Aviation, see "— Information of Airbus Activities — 1.1.5 Investments".

Stock Exchange Listings

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

or any multiple thereof of the share capital or voting rights of the Company or (ii) the sale of the shares of such companies carrying out such activity is considered and (b) a right to oppose the transfer of any such shares. The Company, the French State and 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

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 2016			Position as of 31 December 2015			Position as of 31 December 2014		
	% 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	11.11%	11.11%	85,835,477	10.93%	10.95%	85,835,477	10.94%	10.94%	85,835,477
GZBV ⁽¹⁾	11.09%	11.09%	85,709,822	10.91%	10.93%	85,709,822	10.92%	10.93%	85,709,822
SEPI	4.18%	4.18%	32,330,381	4.12%	4.12%	32,330,381	4.12%	4.12%	32,330,381
-	-	-	-	-	-	-	-	-	-
Sub-total New Shareholder Agt.	26.38%	26.38%	203,875,680	25.96%	26.01%	203,875,680	25.98%	25.99%	203,875,680
Foundation "SOGEPA"	0.00%	0.00%	0	0.00%	0.00%	0	0%	0%	0
Public ⁽²⁾	73.60%	73.62%	568,853,019	73.85%	73.99%	579,995,047	73.97%	74.01%	580,473,073
Own share buy-back ⁽³⁾	0.02%	-	184,170	0.19%	-	1,474,057	0.06%	-	431,832
Total	100%	100%	772,912,869	100%	100%	785,344,784	100%	100%	784,780,585

(1) KfW & other German public entities.

(2) Including Company employees. As of 31 December 2016, the Company's employees held approximately 2.1% 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 2016, resulted in the identification of 2,255 shareholders holding a total

of 560,635,551 Company shares (including 3,622,357 shares held by Iberclear on behalf of the Spanish markets and 31,396,269 shares held by Clearstream on behalf of the German market).

The shareholding structure of the Company as of 31 December 2016 is as shown in the diagram in "— 3.3.1 Shareholding Structure at the end of 2016".

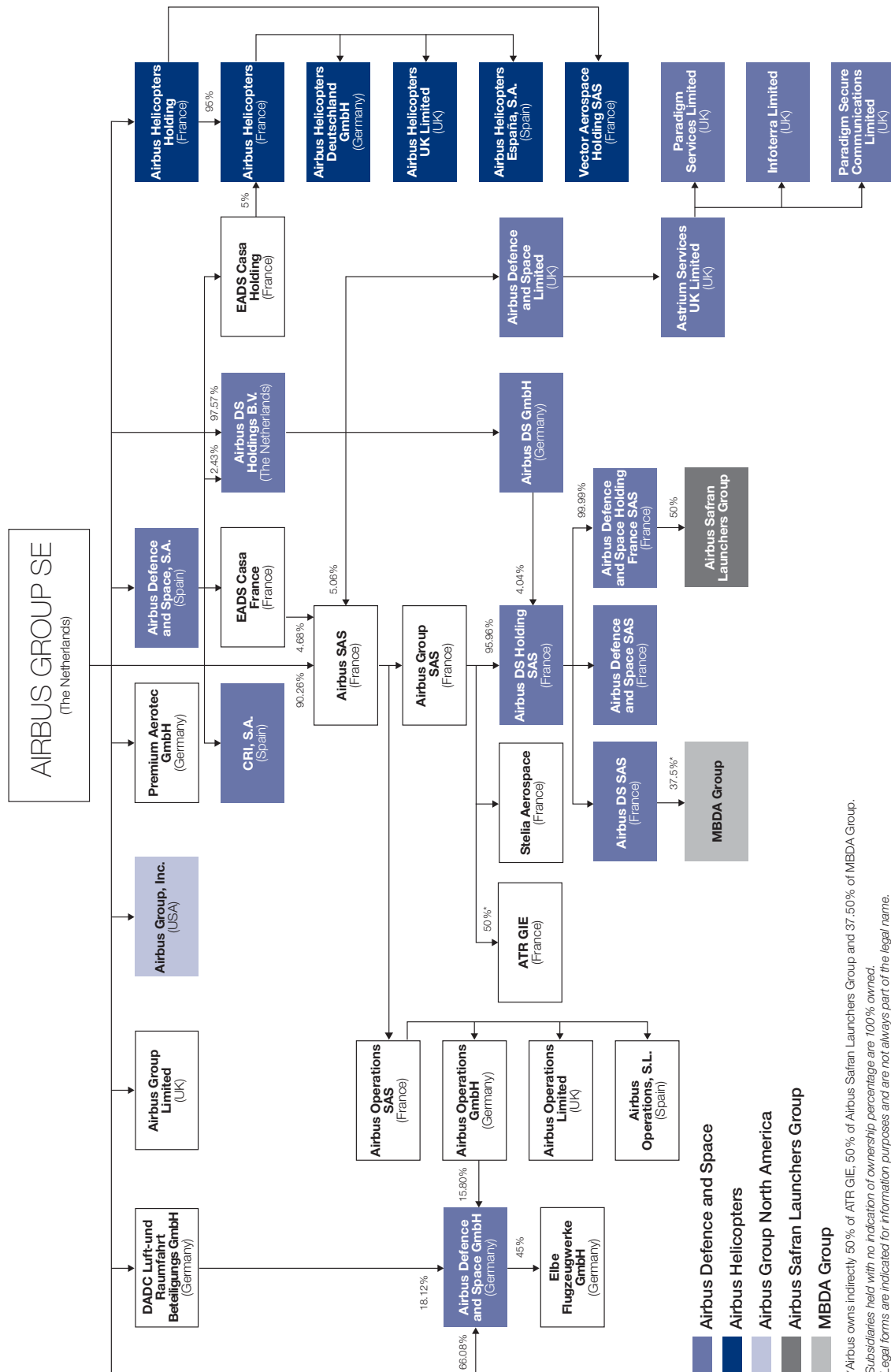
3.3.5 Persons Exercising Control over the Company

See "— 3.3.1 Shareholding Structure at the end of 2016" and "— 3.3.2 Relationships with Principal Shareholders".

3.3.6 Simplified Group Structure Chart

The following chart illustrates the simplified organisational structure of Airbus as of 31 December 2016, comprising three Divisions and the main Business Units. See "— Information on Airbus Activities — 1.1.1 Overview — Organisation of Airbus' Businesses". For ease of presentation, certain intermediate holding companies have been omitted.

SIMPLIFIED GROUP STRUCTURE CHART



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

* Airbus owns indirectly 50% of ATR GIE, 50% of Airbus Safran Launchers Group 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.

For the authorisations granted to the Board of Directors at the AGM of Shareholders held on 28 April 2016, see "— 3.2.3 Modification of Share Capital or Rights Attached to the Shares".

3.3.7.2 European Regulation

Pursuant to the Market Abuse Regulation and EU Delegated Regulation No. 2016/1052, the Company is subject to conditions for share repurchase programmes and disclosure relating thereto. In particular, prior to implementing the share repurchase programme, the Company must ensure adequate disclosure of the following information: the purpose of the programme, the maximum pecuniary amount allocated to the programme, the maximum number of shares to be acquired, and the duration of the programme.

In addition, the Company must report to the competent authority of each trading venue on which the shares are admitted to trading or are traded no later than by the end of the seventh daily market session following the date of execution of the transaction, all the transactions relating to the buy-back programme and ensure adequate disclosure of that certain information relating thereto within the same time frame. These transactions must be posted on the Company's website and be made available to the public for at least a 5-year period from the date of adequate public disclosure.

3.3.7.3 French Regulations

As a result of its listing on a regulated market in France, the Company is subject to the European Regulations summarised above in 3.3.7.2 (*European Regulation*).

In addition, the *Autorité des marchés financiers* ("AMF") General Regulations and AMF guidelines n°2017-04 define the conditions for a company's trading in its own shares to be

valid in accordance with the Market Abuse Regulation and EU Delegated Regulation No. 2016/1052.

Moreover, 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.

3.3.7.4 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 on equal treatment of shareholders are applicable.

The European Regulations summarised above in 3.3.7.2 (*European Regulation*) also applies to the Company in Germany.

3.3.7.5 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. The European Regulations summarised above in 3.3.7.2 (*European Regulation*) also applies to the Company in Spain.

3.3.7.6 Description of the Share Repurchase Programme to be Authorised by the Annual General Meeting of Shareholders to be held on 12 April 2017

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:** 12 April 2017;
- **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 Airbus and Airbus' companies;
- **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 Airbus and Airbus' 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: 77,291,286 shares, based on an issued share capital of 772,912,869 shares as of 31 March 2017,
 - the amounts to be paid in consideration for the purchase of the treasury shares must be, in accordance with applicable Dutch law, 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.
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 12 October 2018 inclusive, *i.e.* the date of expiry of the authorisation requested from the AGM of Shareholders to be held on 12 April 2017.
- 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.

3.4 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 ⁽¹⁾
2013	3 June 2014	€0.75
2014	3 June 2015	€1.20
2015	3 May 2016	€1.30

(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, Airbus 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%.

Based on earnings per share (EPS) of €1.29 and a net income of €995 million, the Board of Directors will propose to the AGM the payment to shareholders on 20 April 2017 of a dividend of €1.35 per share (FY 2015: €1.30). This value exceeds the range of the dividend policy on an exceptional basis, reflecting the positive evolution of the 2016 underlying performance and our 2016 cash generation. It demonstrates our confidence in our future operational cash generation and our on-going commitment to increasing shareholder returns.

The record date should be 19 April 2017. This proposed dividend represents year-on-year dividend per share increase of 3.8%.

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

The statements below represent a broad analysis of the current tax laws of the Netherlands. 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

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 12 Directors, who each retire at the close of the AGM held three years following their appointment. Under the Board Rules, at least a majority of the Members of the Board of Directors (*i.e.*, 7/12) must be European Union (“EU”) nationals (including the Chairman of the Board of Directors) and a majority of such majority (*i.e.*, 4/7) must be both EU nationals and residents. No Director may be an active civil servant. The Board of Directors has one Executive Director and 11 Non-Executive Directors. While the Board of Directors appoints the 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 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. According to the criteria of the Dutch Code and the Board Rules, all Non-Executive Directors (including the Chairman), presently qualify as an “Independent Director”⁽¹⁾.

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 Airbus (in particular among the nationals of the four Member States of the EU 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 (i) two 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

(1) Mr Ralph D. Crosby terminated his executive position within Airbus on 31 December 2011. He therefore qualifies as an Independent Director since 1 January 2017, *i.e.* after a five-year cooling-off period, according to the Board Rules and the Dutch Code.

(ii) two 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 should 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 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 being 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 should not enter into transactions that form part of the key responsibilities of the Board of Directors unless these transactions have been approved by the Board of Directors.

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

- approving any change in the nature and scope of the business of the Company and Airbus;

- debating and approving the overall strategy and the strategic plan of Airbus;
- approving the operational business plan of Airbus (the "Business Plan") and the yearly budget of Airbus ("Yearly Budget"), 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 Airbus and of the operational headquarters of the Company (Qualified Majority);
- approving decisions in connection with the location of new industrial sites material to Airbus as a whole or the change of the location of existing activities that are material to Airbus;
- approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of €300 million;
- approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of €800 million (Qualified Majority);
- approving decisions to enter into and terminate strategic alliances at the level of the Company or at the level of one of its principal subsidiaries (Qualified Majority);
- approving matters of shareholder policy, major actions or major announcements to the capital markets; and
- approving decisions in respect of other measures and business of fundamental significance for Airbus or which involves an abnormal level of risk.





























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

In addition, the Board Rules detail the rights and duties of the Members of the Board of Directors and sets out the core principles 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 2016

(i) Composition of the Board of Directors in 2016

Airbus Group SE Board of Directors

Name	Age	Since	Current term expires	Director expertise	Status	Primary occupation & Other mandates	Board attendance	Committee attendance		
								Audit	Remuneration Nomination and Governance	
Denis RANQUE	65	 2013, re-election in 2016	2017		Independent	Chairman of the Board of Directors of Airbus Group SE	6/6			
Thomas ENDERS	58	 2012, last re-election in 2016	2019		Executive	Chief Executive Officer of Airbus Group SE	6/6			
Ralph D. CROSBY, Jr.	69	 2013, re-election in 2016	2017		Independent	Member of the Board of Directors of Serco Group plc and former Member of the Corporate Policy Council of Northrop Grumman Corporation	6/6			
Catherine GUILLOUARD	52	 2016	2019		Independent	Deputy Chief Executive Officer of Rexel* and Member of the Board of Directors of ENGIE	4/4 (from AGM 2016)	2/2 (from AGM 2016)		
Hans-Peter KEITEL	69	 2013, re-election in 2016	2018		Independent	Vice President of the Federation of German Industry (BDI) and Member of the Supervisory Board of Thyssenkrupp AG	6/6		 3/3	
Hermann-Josef LAMBERTI	61	 2007, last re-election in 2016	2017		Independent	Member of the Supervisory Board of ING Groep N.V. and former Member of the Management Board of Deutsche Bank AG	6/6	5/5		
Lakshmi N. MITTAL	66	 2007, last re-election in 2016	2017		Independent	Chairman and Chief Executive Officer of ArcelorMittal	6/6		 3/3	
Amparo MORALEDA	52	 2015	2018		Independent	Member of the Board of Directors of Solvay and former General Manager of IBM South Region	6/6	5/5		
Claudia NEMAT	48	 2016	2019		Independent	Member of the Board of Management of Deutsche Telekom AG	3/4 (from AGM 2016)	2/2 (from AGM 2016)		
Sir John PARKER	74	 2007, last re-election in 2016	2018		Independent	Chairman of the Board of Anglo American plc	6/6		 3/3	
Carlos TAVARES	58	 2016	2019		Independent	Chairman of the Managing Board of Peugeot SA	3/4 (from AGM 2016)			
Jean-Claude TRICHET	74	 2012, last re-election in 2016	2018		Independent	Honorary Governor of Banque de France and former President of the European Central Bank	6/6		 3/3	
							5 meetings – 95% average attendance rate	3 meetings – 100% average attendance rate		

Status as of 21 February 2017.

* Until 20 February 2017.

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

 Chairman  Member



Global 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 2016

Denis RANQUE	
 <p>65 years old Director since 2013, re-elected in 2016 Independent</p> 	<p>Curriculum Vitae</p> <p>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.</p> <p> Current Mandates:</p> <ul style="list-style-type: none"> - 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 Enterprise SAS; - President of the French Haut Comité de Gouvernement d'Entreprise; - President of the Board of Foundation de l'École Polytechnique; - Co-Chairman of the Board of Directors of La Fabrique de l'industrie. <p> Former mandates for the last five years:</p> <ul style="list-style-type: none"> - Director of CGG (2010 to 2012); - Director of Fonds Stratégique d'Investissement (2011 to 2012); - Chairman of Technicolor (2010 to 2012).

Ralph Dozier CROSBY, JR.



69 years old

*Director since 2013,
Re-elected in 2016*

Independent



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 Company headquartered in Columbus, Ohio, where he chairs the Human Resources Committee; and Serco Group plc, 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 U.S. 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 Légion 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 Company;
- Member of the Board of Directors (Supervisory Board) of Serco Group plc;
- Member of the Board of Directors and 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).

Thomas ENDERS



58 years old

Director since 2012,
last re-elected in 2016

Executive



Curriculum Vitae

Dr. Thomas ("Tom") Enders was appointed Chief Executive Officer (CEO) of Airbus Group SE, on 1 June 2012, after having been CEO of Airbus Commercial Aircraft Division since 2007. Before that he served as Co-CEO of EADS between 2005 and 2007. He was Head of the Group's Defence Division from 2000 to 2005. He has been a member of the Executive Committee of Airbus Group since its creation in 2000. Prior to joining the aerospace industry in 1991, Enders worked, inter alia, as a Member of the "Planungsstab" of the German Minister 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. Enders was President of the BDLI (German Aerospace Industry Association) from 2005 to 2012. From 2005 to 2009 he was Chairman of the Atlantik-Brücke e.V. In 2014, 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. Tom Enders is a member of the BDI Board (German Industry Association) since 2009 and the Joint Advisory Council of Allianz SE since 2013. From 2011 to 2015, Tom Enders was a member of the Business Advisory Group of U.K. Prime Minister David Cameron.



Current Mandates:





- Chief Executive Officer of Airbus Group SE;
- Member of the Board of Directors of Airbus Group SE;
- Member of the Executive Committee of Airbus Group SE;
- Chairman of the Shareholder Board of Airbus SAS;
- Chairman of the Supervisory Board of Airbus Helicopters SAS;
- Chairman of the Supervisory Board of Airbus DS Holding B.V.;
- Chairman of the Supervisory Board of Airbus Defence and Space Deutschland GmbH;
- Member of the Presidential Board of the BDI (Federation of German Industry);
- Member of the Advisory 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.

Catherine GUILLOUARD	
 <p>52 years old Director since 2016 Independent</p> 	<p>Curriculum Vitae</p> <p>Catherine Guillouard began her career in 1993 at the Ministry of Economy in the French Treasury working for the department in charge of the Africa – CFA zone and later in the Banking Affairs department. She joined Air France in 1997 as IPO Senior Project Manager. She was subsequently appointed Deputy Vice President Finance Controlling in 1999, Senior Vice President of Flight Operations in 2001, Senior Vice President of Human Resources and Change Management in 2003 and Senior Vice President of Finance in 2005. In September 2007, she joined Eutelsat as Chief Financial Officer and member of the Group Executive Committee.</p> <p>Catherine joined Rexel in April 2013 as Chief Financial Officer and Group Senior Vice President. She has been Deputy Chief Executive Officer of Rexel from May 2014 until February 2017. Catherine Guillouard, born in 1965, is a graduate of the Institute of Political Studies of Paris and the École Nationale d'Administration and she has a PhD of European laws (Pantheon-Sorbonne).</p> <hr/> <p> Current Mandates:</p> <ul style="list-style-type: none"> - Member of the Board of Directors of Airbus Group SE; - Member of the Board of Directors of Engie. <p> Former mandates for the last five years:</p> <ul style="list-style-type: none"> - Deputy Chief Executive Officer of Rexel (until February 2017); - Member of the Board of Directors of Technicolor (until 2013); - Member of the Board of Directors of ADP (until 2013).

Hans-Peter KEITEL	
 <p>69 years old Director since 2013, re-elected in 2016 Independent</p> 	<p>Curriculum Vitae</p> <p>Hans-Peter Keitel held office as President of the Federation of German Industries (BDI) from 2009 to 2012 and until 2016 as one of its Vice Presidents. Prior to this he served nearly 20 years at Hochtief – first as Director for International Business and Member of the Board, subsequently from 1992 to 2007 as Chief Executive Officer. From 1992 until 1999 he was Member of the Board of RWE, Hochtief's then major shareholder. He started his career in 1975 at Lahmeyer International as project manager and department head 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.</p> <hr/> <p> Current Mandates:</p> <ul style="list-style-type: none"> - Member of the Board of Directors of Airbus Group SE; - Member of the Supervisory Board of RWE AG; - Chairman of the Supervisory Board and the Shareholders Committee of Voith GmbH; - Member of the Supervisory Board of ThyssenKrupp AG; - Deputy Chairman of the Supervisory Board of National-Bank AG. <p> Former mandates for the last five years:</p> <ul style="list-style-type: none"> - Member of the Supervisory Board of Commerzbank AG (until May 2012); - Member of the Supervisory Board of Deutsche Messe AG (until 2013).

Hermann-Josef LAMBERTI

61 years old

Director since 2007,
last re-elected in 2016

Independent

**Curriculum Vitae**

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;
- Member of the Board of Trustees of Institute for Law and Finance Frankfurt;
- Member of the Advisory Board of Wirtschaftsinitiative FrankfurtRheinMain e.V.;
- Member of the Board of Trustees of Johann Wolfgang Goethe-Universität Fachbereich Wirtschaftswissenschaften;
- Member of the Board of Trustees of Frankfurt Institute for Advanced Studies (FIAS) of Goethe-Universität;
- Member of the Supervisory Board of ING Groep N.V.;
- Senior Business Advisor of Advent International GmbH;
- Owner / Managing Director of Frankfurt Technology Management GmbH;
- Member of the Board of Stonebranch INC., Alpharetta, Georgia, USA;
- Member of the Board of LDM – Lefdal Data Mine, AS, Maloy, Norway.

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

- Member of the Supervisory Board Open-Xchange AG (until June 2016);
- Member of the Advisory Board of Barmenia Versicherungen Wuppertal (until December 2014);
- Member of the Managing Committee of Institut für Wirtschaftsinformatik der HSG Universität St. Gallen (until December 2013);
- Member of the Board of Trustees of Frankfurt International School e.V (until December 2013);
- Member of the University Council of University of Cologne (until June 2013);
- Member of the Steering Committee and of the Federal Committee Wirtschaftsrat der CDU e.V. (until June 2013);
- Member of the Supervisory Board of Carl Zeiss AG (until March 2013);
- Member of the Board of Trustees of Junge Deutsche Philharmonie (resigned 8 October 2012);
- Member of the Board of Trustees of Hanns Martin Schleyer-Stiftung (resigned 21 June 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 Program 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 Supervisory Board of BVV Versicherungsverein des Bankgewerbes AG und BVV Versorgungskasse des Bankgewerbes e.V. (resigned May 2012);
- Member of the Management Board of Deutsche Bank AG (resigned 31 May 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);
- Deputy Chairman of the Board of Trustees of the Society of Promotion of Kölner Kammerorchester e.V. (resigned 31 May 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 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 Deutsche Akademie der Technikwissenschaften e.V. (resigned 31 May 2012);
- Member of the Supervisory Board of Deutsche Bank Privat- und Geschäftskunden AG (resigned 24 May 2012);
- Member of the Board of Directors of American Chamber of Commerce in Germany (resigned 11 May 2012);
- Member of the Supervisory Board of Deutsche Börse AG (resigned 16 May 2012);
- Member of the Editorial Board of the scientific journal „Wirtschaftsinformatik“ (until May 2012);
- Member of the Board of Trustees of Stiftung Lebendige Stadt (until May 2012);
- Member of the International Advisory Board of IESE Business School, University of Navarra (until March 2012).

Lakshmi N. MITTAL



66 years old

Director since 2007,
last re-elected in 2016

Independent



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 the Board of Trustees of Cleveland Clinic;
- Member of the 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 the 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 Presidential 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



52 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 an AMP 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. Since December 2005, she is a member of the Spanish Royal Academy of Economic and Financial Sciences.

**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;
- Member of the Advisory Board of Spencer Stuart Spain.

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

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

Claudia NEMAT



48 years old

Director since 2016

Independent



Curriculum Vitae

Born in 1968, Claudia Nemat has been a member of the Board of Management of DeutscheTelekom AG since October 2011 and is responsible for the Board area Europe and Technology.

Before joining Deutsche Telekom AG, Claudia Nemat spent 17 years working for McKinsey&Company where she was elected Partner in 2000, and Senior Partner („Director“) in 2006. Among other responsibilities during her time there, she was co-leader of the global Technology Sector and led the unit for Europe, the Middle East and Africa.

Her main areas of expertise include large-scale strategic and operational turnaround and transformation programmes, especially for global technology companies as well as in the software and telecommunications industries. She also led McKinsey’s initiatives on Europe based global technology leadership.

Ms. Nemat has worked in numerous European countries as well as North and South America.

She was member of the Supervisory Board of Lanxess AG from 2013 to 2016.

Since May 2016, Claudia Nemat has been a member of the Board of Directors of Airbus Group SE.

Claudia Nemat studied physics at University of Cologne, where she also taught at the department of Physics and Mathematics.



Current Mandates:

- Member of the Board of Directors of Airbus Group SE;
- Member of the Management Board of Deutsche Telekom AG;
- Member of the Board of OTE (related to Deutsche Telekom);
- Member of the Board of BuyIn (related to Deutsche Telekom);
- Member of the University Council of University of Cologne.



Former mandates for the last five years:

- Member of the Supervisory Board of LANXESS AG (until May 2016);
- Director of EE Limited (UK) (related to Deutsche Telekom) (until 2014).

Sir John PARKER



74 years old

Director since 2007,
last re-elected in 2016

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 of 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 of Anglo American plc (2009 – Present);
- Chairman of Pennon Group plc (August 2015 – Present);
- Director of White Ensign Association Ltd.;
- Visiting fellow of the University of Oxford.



Former mandates for the last five years:

- Deputy Chairman of D.P. World (Dubai) (resigned July 2015);
- President of the Royal Academy of Engineering (until September 2014);
- Chairman of National Grid PLC (resigned January 2012).

Carlos TAVARES



58 years old

Director since 2016

Independent

**Curriculum Vitae**

Carlos Tavares is a graduate of École Centrale Paris. He held a number of different positions with the Renault Group from 1981 to 2004 before joining Nissan. In 2009, he was appointed Executive Vice President, Chairman of the Management Committee Americas and President of Nissan North America. He was named Group Chief Operating Officer of Renault in 2011. Since 1 January 2014, he has joined the Managing Board of Peugeot SA. He was named Chairman of the Managing Board since 31 March 2014.

**Current Mandates:**

- Member of the Board of Directors of Airbus Group SE;
- Director of Banque PSA Finance;
- Director of Faurecia SA;
- Chairman of the Board of Directors of Peugeot Citroën Automobiles SA.

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

- Manager of Bed&Breakfast in Lisbon (until March 2015); Director of PCMA Holding B.V. (until October 2014);
- Member of the Managing Board of Nissan Alliance (until August 2013);
- Chief Operating Officer of Renault (until August 2013);
- Director of Renault Nissan B.V. (until August 2013);
- Director of AvtoVAZ (until August 2013);
- Director of Alpine – Caterham (until August 2013);
- Chairman of the Management Committee of Nissan Americas (until June 2011);
- Executive Vice President, Planning of Nissan Motor Company (until June 2011);

Jean-Claude TRICHET



74 years old

Director since 2012,
last re-elected in 2016

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;
- Honorary Governor of Banque de France;
- Honorary Chairman of the G30, Washington D.C. (non-profit organisation);
- 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:**

- Chairman and CEO of the G30, Washington D.C. (non-profit organisation) (until December 2016);
- 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, Ralph Crosby, Catherine Guillouard (from AGM 2016), Hans-Peter Keitel, Hermann-Josef Lamberti, Lakshmi N. Mittal, Michel Pébereau, Maria Amparo Moraleda Martinez, Claudia Nemat (from AGM 2016), Sir John Parker, Carlos Tavares (from AGM 2016) 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 2016

Board of Directors Meetings

The Board of Directors met six times during 2016 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 97%.

Throughout 2016, the Board of Directors reviewed and discussed the technical and commercial progress of significant programmes, such as the A400M, the Airbus A320neo, A330neo and A350 XWB programmes; the different helicopter programmes as well as the space business's next generation launcher Ariane 6 and OneWeb satellites constellation programme.

The off-site Board meeting in Mobile, Alabama, was dedicated to the review of the Division and product strategies and the related business developments as well as the overall strategy of the Company. The Board of Directors seized the opportunity to visit the US A320 final assembly line and to meet with local management and with the operative workforce as well as with local authorities. The second offsite Board meeting took place in the new operational headquarters – the Wings Campus – in Toulouse.

In 2016, the Board of Directors continued to support the digitalisation initiative, which was started last year to enhance the Company's ability to identify and capitalise on innovative and transformational technologies and business models. As an integral part of this initiative the Board of Directors approved the

reorganisation and refocussing of the CTO department on its fundamental tasks of guiding and coordinating overall activities, developing group wide roadmaps / demonstrators as well as technical expertise and blue-sky research.

The Board of Directors decided also on a further integration by merging its Group structure with its largest Division Airbus Commercial Aircraft. Lean structures and speedy decision-making are prerequisites for the success of digital transformation. The merger of Airbus Group and Airbus paves the way for an overhaul of the corporate set-up, simplifies the Company's governance, eliminates redundancies and supports further efficiencies, while at the same time driving further integration of the entire group. These latest efforts are the continuation of a number of integration and normalisation steps, which Airbus has taken in recent years.

Moreover, the Board of Directors engaged in Airbus' financial results and forecasts and reviewed thoroughly the Enterprise Risk Management reports and the internal audit plan and findings. It supported the corporate social responsibility initiatives and put emphasis on further strengthening the Airbus compliance programme, building on the 'Business Development Support Initiative' which was started in 2015. A comprehensive training programme was deployed throughout Airbus to raise awareness, to reduce risks and more generally to improve the culture of integrity of the Company.

Board Evaluation 2016

As a matter of principle, the Board of Directors has decided that a formal evaluation of the functioning of the Board of Directors 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 of Directors performs a self-evaluation and focuses on the implementation of the improvement action plan resulting from the third-party assessment. In the intervening second year, the General Counsel, being also the Secretary of the Board, issues a questionnaire and consults with Board Members to establish an internal evaluation which is then discussed with Board Members.

The year 2016 marked the end of this three-year cycle. In December 2016, the Board of Directors therefore carried out an internal evaluation based on a questionnaire issued by the General Counsel and circulated to each Board Member.

The questionnaire primarily covered governance, Board of Directors and Committees' effectiveness, Board of Directors and Committee composition, Board of Directors areas of expertise and working process, relationships between the Board of Directors, the Management, shareholders and stakeholders, as well as scope and composition of topics and the preparation for the future.

The Board of Directors was satisfied overall with the continuous progress made in 2015 and 2016 in the implementation of the improvement action plan recommended by the third-party expert, Spencer Stuart, following the formal evaluation conducted in December 2014.

In the 2016 evaluation, the Board Members confirmed satisfaction with the Company's governance structure, Board of Directors' effectiveness and decision-making process. The Board Members notably valued adequate balance of powers and constructive interaction between the Board of Directors and the Management, open debates within the Board of Directors and positive contribution of the Board Committees. The Board of Directors' effectiveness is helped by consistent progress in the preparation of Board meetings, as well as the quality and level of information provided to the Board Members prior to and in-between Board meetings. The induction programme for new Board Members and off-site Board meetings are also appreciated.

The Board Members also highlighted that the Board of Directors should dedicate additional time to risk management, strategy and other topics, such as benchmarking on competitors and products, digital transformation, corporate and social responsibility and employee engagement. This would help to evaluate the performance and competitiveness of the Company, increase anticipation in a challenging environment and prepare for the future.

The year 2016 marked a substantial improvement of gender diversity within the Board of Directors. In addition, the Board Members highlighted the necessity to continue with the process of the staggering board principle, decided at the 2016 AGM, in order to maintain the diversity of expertise and nationalities within the Board of Directors.

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 auditor his audit programme and the results of the audit of the accounts, and it supervises the adequacy of Airbus' internal controls, accounting policies and financial reporting and the implementation thereof by the CEO and senior management. It also oversees the operation of Airbus' Enterprise Risk Management 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 Accounting Record to Report are requested to attend meetings to present management proposals and to answer questions. Furthermore, the Head of Corporate Audit and the Airbus Ethics & 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 2016, it met five times with an average attendance rate of 95%, it discussed all of the above described items during the meetings and it fully performed all of the above described duties.

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.

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 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 the current year, the Long-Term Incentive Plan (“LTIP”), and the variable pay for the previous year.

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

The guiding principle governing management appointments within Airbus is that the best candidate should be appointed to the position (“best person for the job”), while at the same time seeking to achieve a balanced composition with respect to gender, experience, national origin, *etc.* The implementation of these principles should not, however, 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 2016, it met three times with an attendance rate of 100%, it discussed all of the above described items during the meetings and it fully performed all of the above described duties.

4.1.1.3 The Group Executive Committee

a) Nomination and Composition

The Executive Committee of Airbus (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 Airbus.

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

- the preference for the best candidate for the position;

- the maintenance, in respect of the number of Members of the Group Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of the four Member States of the EU 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 Chief Financial Officer (“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 Airbus’ 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 Airbus. 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 2016

The Group Executive Committee met four times during 2016. Amongst others the following matters are discussed at the Group Executive Committee meetings:

- appointment by the heads of the Airbus 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 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 Company and its Divisions and Business Units.

COMPOSITION OF THE GROUP EXECUTIVE COMMITTEE AT THE END OF 2016

Name	Start of term	Principal Occupation
Tom Enders	2012	Chief Executive Officer Airbus
Fernando Alonso	2015	Head of Military Aircraft Airbus Defence and Space
Thierry Baril	2012	Chief Human Resources Officer Airbus & Airbus Commercial Aircraft
Fabrice Brégier	2012	Chief Operating Officer Airbus and President Airbus Commercial Aircraft
Guillaume Faury	2013	Chief Executive Officer Airbus Helicopters
John Harrison	2015	Group General Counsel Airbus
Dirk Hoke*	2016	Chief Executive Officer Airbus Defence and Space
Marwan Lahoud**	2012	EVP International, Strategy and Public Affairs, Airbus
John Leahy	2012	Chief Operating Officer – Customers Airbus Commercial Aircraft
Allan McArtor	2014	Chief Executive Officer Airbus North America
Klaus Richter	2015	Chief Procurement Officer Airbus & Airbus Commercial Aircraft
Harald Wilhelm	2012	Chief Financial Officer Airbus
Tom Williams	2015	Chief Operating Officer Airbus Commercial Aircraft

Note: Status as of 1 January 2017. The professional address of all Members of the Group Executive Committee for any matter relating to Airbus is Mendelweg 30, 2333 CS Leiden, The Netherlands.

* On 1 April 2016 Dirk Hoke became Chief Executive Officer of Airbus Defence and Space and a member of the Airbus Group Executive Committee.

** Marwan Lahoud left Airbus on 28 February 2017 as announced in the Airbus press release of 7 February 2017.

Tom Enders – Chief Executive Officer Airbus

Dr. Thomas (“Tom”) Enders was appointed Chief Executive Officer (CEO) of Airbus Group SE, on 1 June 2012, after having been CEO of the Airbus Commercial Aircraft Division since 2007. Before that he served as Co-CEO of EADS between 2005 and 2007. He was Head of the Group’s Defence Division from 2000 to 2005. He has been a member of the Executive Committee of Airbus Group SE since its creation in 2000.

Prior to joining the aerospace industry in 1991, Enders worked, inter alia, as a Member of the “Planungsstab” of the German Minister 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.

Enders was President of the BDLI (German Aerospace Industry Association) from 2005 to 2012. From 2005 to 2009 he was Chairman of the Atlantik-Brücke e.V. In 2014, 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.

Tom Enders is a member of the BDI Board (German Industry Association) since 2009 and the Joint Advisory Council of Allianz SE since 2013. From 2011 to 2015, Tom Enders was a member of the Business Advisory Group of U.K. Prime Minister David Cameron.

Fernando Alonso – Head of Military Aircraft Airbus Defence and Space

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 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 (EPNER) 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.

Thierry Baril – Chief Human Resources Officer Airbus & Airbus Commercial Aircraft

Thierry Baril was appointed Chief Human Resources Officer of Airbus on June 1, 2012. In addition, Baril continues to serve as Airbus Commercial Aircraft Chief Human Resources Officer.

Thierry Baril joined Airbus Commercial Aircraft in 2007 as Executive Vice President, Human Resources, and Member of the Airbus Commercial Aircraft Executive Committee, with responsibility for defining and implementing a company-wide Human Resources strategy, enhancing integration and employee engagement. He oversaw the development of key skills and competences to support business growth and greater internal mobility. One of his main achievements was the transformation of the Company in the areas of leadership culture and diversity, having played a key role in the implementation of “Power8” and Airbus’ internationalisation strategy.

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.

Fabrice Brégier – Chief Operating Officer Airbus and President Airbus Commercial Aircraft

Fabrice Brégier was appointed President of Airbus Commercial Aircraft & Chief Operating Officer Airbus on 1 January 2017. He previously was the President and Chief Executive Officer of the Airbus Commercial Aircraft Division since June 2012. Mr. Brégier is a member of the 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 with the Ministry of Agriculture in 1989.

Having been Advisor to several French Ministers, Mr. Brégier joined Matra Défense in 1993 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, Mr. Brégier 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 and was appointed Head of EADS’ Eurocopter Division in June 2005.

Mr. Brégier was appointed Airbus Chief Operating Officer (COO) in October 2006. As a Member of the EADS Executive Committee, he was commissioned by Louis Gallois to improve the overall operational performance of the Group. 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 – CEO Airbus Helicopters

Guillaume Faury became Chief Executive Officer (CEO) of Airbus Helicopters – formerly Eurocopter – on January 1, 2014 and is a member of the 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. Guillaume 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.

Guillaume 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.

Dirk Hoke – CEO Airbus Defence and Space

Dirk Hoke is the designated Chief Executive Officer (CEO) of Airbus Defence and Space as of 1 April 2016. He started on 1 January as Deputy CEO. He is a member of the Group Executive Committee.

Dirk Hoke joined Airbus from Siemens, where he had been CEO of the Large Drives Business Unit since 2014. He has held various executive-level positions at Siemens since becoming CEO of the Cluster Western & Central Africa in 2008. His career spans 21 years and five continents.

In 1994, Dirk Hoke began his professional career as R&D Engineer for process and software analysis in the automotive industry at Renault in Paris. In 1996, he joined Siemens through an international trainee programme with assignments in Germany, Argentina and Austria. He then held various management posts in the Transportation Systems Division based in Germany. He relocated to Sacramento, USA, as Head of the Transportation Systems restructuring team in 2001.

Dirk Hoke continued his professional career at Siemens as General Manager for the Transrapid Propulsion and Power Supply Subdivision from 2002 to 2005 including the Shanghai “Maglev” project. He was then promoted to President of Siemens Transportation Systems China and made Siemens the largest foreign railway supplier in the country.

In 2008, Dirk Hoke moved to Morocco to lead Siemens' Africa activities. He returned to Germany in 2011 to become the Division CEO of Industrial Solutions with the special task to build up the services business for the Industry Sector. Afterwards, he was called upon to restructure the Large Drives Business Unit.

Dirk Hoke holds a degree in mechanical engineering from the Technical University of Brunswick, Germany. In 2010, Dirk Hoke became a member of the Young Global Leader Class of the World Economic Forum and in 2013, member of the Baden Baden Entrepreneur Talks.

Born on 2 April 1969, Dirk Hoke is married with two children.

John Harrison – Group General Counsel Airbus

John Harrison has been General Counsel since June 2015. 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 EVP International, Strategy and Public Affairs (departed 28 February 2017)

Marwan Lahoud is Executive Vice President International, Strategy and Public Affairs of Airbus. Prior to re-joining the Group, he had run MBDA as Chief Executive Officer since 2003.

Lahoud began his career at the French Defence procurement agency DGA (Direction Générale de l'Armement) 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 where he was responsible for negotiating agreements with Groupe Lagardère for the Aerospatiale-Matra Hautes Technologies merger. He also served as Secretary General of the Aerospatiale-Matra Hautes Technologies committee.

In June 1999, he 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 GIFAS (Groupement des Industries Françaises Aéronautiques et Spatiales), Chairman of the Institut des Hautes Études Scientifiques (IHÉS), a member of the Supervisory Board and Chairman of the Audit Committee of BPCE (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 – Chief Operating Officer-Customers Airbus Commercial Aircraft

John Leahy was appointed Chief Operating Officer – Customers of Airbus in July 2005 and assumes the same role for Airbus Commercial Aircraft effective from 1 January 2017. He continues his responsibilities as Chief Commercial Officer of the Airbus Commercial Aircraft Division, 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.

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 21st 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 U.S. airlines are now Airbus customers.

John Leahy has 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 – CEO Airbus North America

Allan McArtor is Chairman of Airbus Americas, Inc. In this leadership role, McArtor enhances relationships with Airbus' customers, suppliers and government representatives. He is instrumental in providing strategy and vision for Airbus companies throughout the United States, Canada and Latin America. McArtor has increased the Company's commercial aviation market share throughout the region and established the A320 Aircraft Assembly Line in Mobile, Alabama.

Throughout his career, 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 based at Dallas Love Field, Texas.

President Ronald Reagan appointed McArtor to serve as the Administrator of the FAA 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.

McArtor was a combat fighter pilot in Vietnam from 1968 to 1969, an Associate Professor of Engineering Mechanics at the Air Force Academy, and a pilot with the U.S. Air Force's Thunderbirds Aerial Demonstration Team.

He is a 1964 graduate of the U.S. 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.

Klaus Richter – Chief Procurement Officer Airbus & Airbus Commercial Aircraft

Klaus Richter became Chief Procurement Officer for Airbus Group SE on 1 January 2015. In this function, he is a member of the 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 AEROTEC Group.

He is in charge of procurement across the entire Airbus Commercial Aircraft 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. He coordinates strategic procurement topics, as well as the development and application of procurement processes and tools across the Group. Richter is also responsible for the Airbus Regional Sourcing Offices in the U.S., India and China.

In January 2017, Klaus Richter also assumed the role of the President of the German Aerospace Industries Association (BDLI).

Richter joined Airbus 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.

Born in Munich on 29 September 1964, Klaus Richter is married with two children.

Harald Wilhelm – Chief Financial Officer Airbus

Harald Wilhelm has been Chief Financial Officer of Airbus and Airbus Commercial Aircraft since 1 June 2012 and is a member of the Group Executive Committee.

He has held the role of Airbus Commercial Aircraft CFO since 1 February 2008. Previously, he was Airbus Commercial Aircraft 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 Commercial Aircraft Financial Control, a role he held from 2003 to 2006. Wilhelm joined Airbus Commercial Aircraft in 2000 as Senior Vice President, Accounting, Tax and Financial Services.

Before joining Airbus, Wilhelm had been Vice President M&A (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, Wilhelm has a degree in Business Studies from Ludwig Maximilians University in Munich.

Tom Williams – Chief Operating Officer Airbus Commercial Aircraft

Tom Williams was appointed Chief Operating Officer (COO) of Airbus Commercial Aircraft in January 2015. He is responsible for the overall operations including Engineering, Procurement and Supply Chain Management. Tom is a member of the Executive Management Team of Airbus and the Airbus Commercial Aircraft Executive Committee.

Previously Tom was Airbus Commercial Aircraft Executive Vice President Programmes, a position he held from July 2005. His role covered all Airbus aircraft families and as such, 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 since February 2004.

After completing an apprenticeship with Rolls-Royce Aero Engines in 1972, Tom 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.

Tom joined British Aerospace (now merged with Marconi Electronic Systems to form BAE Systems) in 1997 as Site Director and General Manager at the Prestwick site of the company's Aerostructures division. Two years later he was appointed 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 became Managing Director and General Manager of Airbus UK, a position he held until he became Airbus' Executive Vice President Procurement in 2004.

Tom was born in 1952 in Glasgow. During his apprenticeship he gained an HNC in Production Engineering and in 1988 an MBA from Glasgow University. Married with one daughter, Tom is a keen football supporter and occasional golfer.

Tom received a Commander of the Order of the British Empire (CBE) in January 2011 and was awarded the rank of Knight in the Légion d'Honneur by the Republic of France in December 2015.

Last year, Tom received the Mensforth Manufacturing Medal from the Institute of Engineering and Technology (IET) for his achievements as a world-class production engineer, and was awarded the Honorary Degree of Doctor of Business

Administration by the University of the West of England in recognition of his contribution to operations, manufacturing and business.

4.1.2 Dutch Corporate Governance Code, “Comply or Explain”

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 “comply or explain” principle, provide the explanations below.

On 8 December 2016, the Dutch corporate governance committee published the final version of a revision of the Dutch Code (the “New Code”). The New Code will apply to financial years starting on or after 1 January 2017. The New Code is restructured around a number of themes, as opposed to the current Dutch Code which is based on a functional division of roles and responsibilities within a company.

Airbus welcomes the updates to the Dutch Code and supports the emphasis of the New Code on topics such as long-term value creation and the importance of culture. Airbus already complies with a vast majority of the provisions of the New Code and will use the year 2017, to the extent required, to assess the need for a further alignment of its organisational structure and disclosures, with a view to its compliance with the New Code.

For the full text of the Dutch Code as well as the New Code, please refer to www.commissiecorporategovernance.nl.

For the financial year 2016 and in respect of compliance with the Dutch Code, 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, among other things, deal with the situation when vacancies occur.
- The Board of Directors is headed by the Chairman of the Board of Directors and no Vice-Chairman is appointed. In case of dismissal or resignation of the Chairman, the Board of Directors shall immediately designate a new Chairman. In Airbus' view there is no need for the appointment of a Vice-Chairman to deal with such situations or other circumstances.

2. Termination indemnity

- Provision II.2.8 of the Dutch Code recommends that the maximum remuneration in the event of dismissal of an Executive Board Member 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 sole Executive Board Member, the CEO, equal to one and a half times the annual total target salary in the event that the Board of Directors has concluded that the CEO 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 CEO.

3. Securities in the Company 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 may be 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 2017 in continuation of previous legislation in force stipulating the same percentages.

- With the election of Amparo Moraleda at the AGM held on 27 May 2015 and the election of Catherine Guillouard and Claudia Nemat at the AGM held on 28 April 2016, the female representation on the Company's Board of Directors increased to 25%. 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 are delivered over volatile market cycles, amplifying risk and opportunity. Airbus' long-term development and production lifecycle make Enterprise Risk Management ("ERM") a crucial mechanism for both mitigating the risks faced by the Company and identifying future opportunities.

Applied across the Company and its main subsidiaries, ERM 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 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.

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, Airbus 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 Company's 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 and principles for the ERM system as endorsed by the Board of Directors are set forth in the Company's ERM Policy and communicated throughout Airbus. The Company's ERM Policy is supplemented by directives, manuals, guidelines, handbooks, *etc.* External standards that contribute to the Company's ERM system include the standards as defined by the International Organisation for Standardisation ("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, derived from ISO 31000 – 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 ERM 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-, mid- 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 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 Airbus 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 strategy and business risk and opportunities as well as design and effectiveness of the ERM system;
- the CEO, with the top management, is responsible for an effective ERM system. He is supported by the CFO, who supervises the Head of Risk and Opportunity Management, and the ERM system design and process implementation;
- the Head of Risk and Opportunity Management has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation in the Company focusing on the operational dimension, early warning and anticipation culture development while actively seeking to reduce overall risk criticality. The risk management organisation is structured as a cross-divisional Centre of Competence (“CoC”) and pushes for a proactive risk management culture;
- the management on executive levels has the responsibility for the operation and monitoring of the ERM system in their respective areas of responsibility and for the implementation of appropriate response activities to reduce risk and seize 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 (e.g., risk reviews), participation to key controls (e.g. major Programme Maturity Gate Reviews).

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

Organisation	Explanations
Board of Directors / Audit Committee	Regular monitoring The Board of Directors and the Audit Committee review, monitor and supervise the ERM system.
Top Management	ERM as part of the regular divisional business reviews Results of the operational risk and opportunity management process, self-assessments and confirmation procedures are presented by the Divisions or Business Units to top management.
Management	ERM confirmation letter procedure Entities and department heads that participate in the annual ERM compliance procedures have to sign ERM confirmation letters.
ERM CoC	ERM effectiveness measurement Assess ERM effectiveness by consideration of ERM reports, ERM confirmations, <i>in situ</i> sessions (risk reviews, etc.), participation to key controls (e.g. major Programme Maturity Gate Reviews).
Corporate Audit	Audits on ERM Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.
E&C	Alert System Detect deficiencies regarding conformity to applicable laws and regulations as well as to ethical business principles.

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 2016 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 Company'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 2016.

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 Airbus, as well as the responsibilities of the CFO, who is charged with developing, implementing and monitoring these procedures. Among the CFO'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 Head of Accounting. The Head of Accounting is responsible for the operation of the Company'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 Head of Accounting, and, where significant changes are involved, the CFO 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 Company. 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 Airbus' operations. The Divisional CFOs frequently meet with the Head of Accounting 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. Airbus 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 Airbus 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 Airbus' 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 Airbus. 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 Company 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 Company 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 Company 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 Company’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 CFO and the Chief Strategy and Marketing Officer serving as Chairmen, and a possible escalation to the CEO 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 Company 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 Company, 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 Company’s strategic, financial or operational objectives, (ii) reviews the reliability and integrity of Airbus 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, Airbus 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 Airbus strategy and vision, is defined by the head of Corporate Sourcing and Airbus' 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 Airbus' 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

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 Ethics and Compliance Programme ("**the Airbus E&C Programme**") seeks to ensure that Airbus' business practices conform to applicable laws and regulations as well as to ethical business principles and thus establish a culture of integrity.

There are two foundation documents in the Airbus E&C Programme: the "Standards of Business Conduct" and "Our Integrity Principles", which summarise Airbus' six key E&C commitments. These foundation documents are in turn complemented by dedicated policies to address specific compliance risk areas

As announced last year, Airbus has determined to enhance certain of its policies, procedures and practices, including Ethics and Compliance. This started by combining the various group-wide compliance policies dealing with Business Ethics/Anti-Corruption into a single framework in 2016. First, we implemented an updated policy for the vetting of consultants engaged in sales support, to add a second layer of internal review and strengthen payment approval procedures. Second, we issued a new Anti-Corruption Policy that summarises the prohibition against bribery and corruption for employees and other stakeholders, while providing an overview of the main elements of our anti-corruption compliance programme designed to mitigate this risk. Third, we updated our policies relating to Gift & Hospitality and

Sponsorship & Donations. Finally, we adopted a new policy related to Anti-Money Laundering. In each case, we will seek to support implementation of these policies by developing new standardised processes and IT tools, to ensure that evaluation of compliance risk is more fully integrated into business decisions by management.

The work to enhance our E&C programme will continue in 2017, not only in the area of Business Ethics/Anti-Corruption but across the Ethics and Compliance spectrum more generally in order to capitalise on our values.

In 2016, the E&C organisation was renewed and strengthened. New Division E&C Officers were appointed across the Group, and some former positions were merged into one single position (Airbus Head of Ethics & Compliance, Business & Programme), to enhance management of Business Ethics/Anti-Corruption risk in particular. More generally, the E&C community was reviewed entirely and made more efficient throughout Airbus.

These changes build on those of 2015, pursuant to which the E&C organisation was integrated with the Legal department under the ultimate responsibility of the Airbus General Counsel. The Airbus General Counsel reports to the CEO and is a Group Executive Committee Member and reports to the Board. In order to maintain the necessary independence, the Airbus Ethics and Compliance Officer ("**ECO**") reports to the Airbus General Counsel and has access to the Audit Committee of the Board of Directors.

This integration at group level is replicated at Division level. As a result, the Divisions' Ethics and Compliance Officers' report to their respective Division General Counsel who themselves report to the Airbus General Counsel. The Divisions' Ethics & Compliance Officers also have a dotted line to the Airbus ECO.

The E&C organisation is made of four pillars:

- the Airbus Head of Ethics & Compliance, Business & Programme has overall responsibility for the Company-wide development, deployment and monitoring of the E&C programme, including all anti-corruption policies, procedures and controls, and also has responsibility for the validation and monitoring of the relationship with the business partners and other business development initiatives;
- the Export Compliance Officer has overall responsibility for the development, deployment and monitoring of the export control compliance programme and ensures that the activities of the Company 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 Airbus General Counsel, each Division has a Divisional Ethics and Compliance 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 2016 we maintained five E&C Country Managers in the following zones: Brazil-Latin America, India, China-Asia Pacific, Middle East-Africa and Russia. The E&C Country Managers report to the Airbus Ethics & Compliance organisation.

Like previous years, E&C was a top priority for the Company in 2016 and the E&C Organisation had a set of objectives to fulfill. Similarly, each of our Group Executive Committee Members had E&C objectives to meet and cascade down within their respective areas.

Employees, customers, suppliers, and third-party intermediaries are encouraged to freely share their E&C concerns with the Management or with E&C Resources. While we have a non-retaliation principle, we recognise that a confidential channel for reporting may be useful and we have an alert system called OpenLine. Subject to local legal restrictions, OpenLine is available to employees of controlled entities in France, Germany, Spain, the UK, Australia, Brazil, Canada, China, India, Mexico and Saudi Arabia. A separate system is also available for the US. The 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 Airbus 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 Airbus Activities — 1.1.7 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 Airbus. 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.

No amendment to the Remuneration Policy (as adopted at the AGM held on 28 April 2016) will be proposed for adoption by the shareholders at the AGM to be held in 2017. The application of the Remuneration Policy in 2016 will be included as a separate agenda item for discussion at the AGM to be held in 2017.

To see how the Remuneration Policy was applied in 2016 in respect of the CEO (the only Executive Member of the Board of Directors)⁽¹⁾, see "– 4.2.1.3 – Implementation of the Remuneration Policy in 2016: 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 2016 in respect of the non-Executive Members of the Board of Directors, see "– 4.2.1.4 – Implementation of the Remuneration Policy in 2016: Non-Executive Directors".

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 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' main markets (France, Germany, UK and US); and
- Companies operating in the same industries as Airbus worldwide.

(1) The cumulated remuneration of all Group Executive Committee Members is presented in the "Notes to the IFRS Consolidated Financial Statements – Note 31: Remuneration".

The elements of the Total Direct Compensation are described below:

Remuneration Element	Main Drivers	Performance Measures	Target and Maximum
Base Salary	Reflects market value of position.	Not applicable	1/3 of Total Direct Compensation (when performance achievement is 100% of target).
VR	Rewards annual performance based on achievement of company performance measures and individual objectives.	Collective (50% of VR): divided between EBIT ⁽¹⁾ (45%); Free Cash Flow ⁽²⁾ (45%) and RoCE (10%). Individual (50% of VR): Achievement of annual individual objectives, divided between Outcomes and Behaviour.	The VR is targeted at 100% of Base Salary for the CEO and, depending on the performance assessment, ranges from 0% to 200% of target. The VR is capped at 200% of Base Salary.
LTIP	Rewards long-term commitment and company performance, and engagement on financial targets subject to cumulative performance over a three-year period.	Vesting ranges from 0% to 150% of initial grant, subject to performance over a three-year period. In principle, no vesting if cumulative negative EBIT. If cumulative EBIT is positive, vesting from 50% to 150% of grant based on EPS (75%) and Free Cash Flow (25%).	The original allocation to the CEO is capped at 100% of Base Salary at the time of grant. Since 2012, the following caps apply to Performance Units only: overall pay-out is capped at a maximum of 250% of the original value at the date of grant. The value that could result from share price increases is capped at 200% of the reference share price at the date of grant.

(1) Airbus will no longer measure and communicate its performance on the basis of "EBIT" but on the basis of "EBIT" (reported), as the difference between the two KPIs, the so called "pre-goodwill and exceptionals", is immaterial. Airbus continues to use the term EBIT (Earnings before interest and taxes). It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.

(2) Airbus defines the alternative performance measure Free Cash Flow 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. It is a key indicator which allows the Company to measure the amount of cash flow generated from operations after cash used in investing activities.

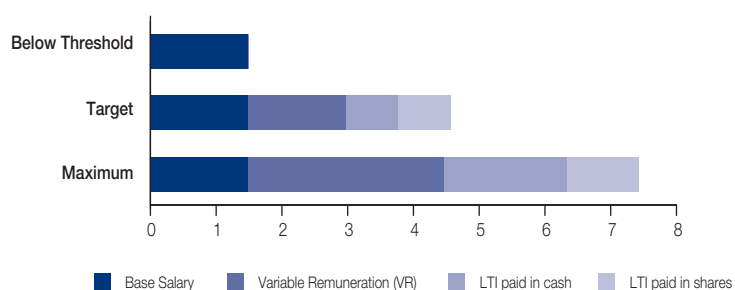
Policy from 2016 (approved by 2016 AGM)

The RNGC regularly benchmarks the CEO's Total Direct Compensation (Base Salary, Annual Variable Remuneration and LTIP) against an extensive peer group. The relevant peer group was composed with the assistance of an independent consultant Willis Towers Watson, and comprised 31 companies having comparable economic indicators such as revenues, number of employees and market capitalisation. Financial institutions were excluded from the peer group (for further

details, see "— 4.2.1.3 Implementation of the Remuneration Policy in 2016: CEO").

Following the change approved at the AGM in 2016, and as illustrated in the table below, the structure of the CEO's Total Direct Compensation will remain unchanged in 2017. Indeed, the on-target levels of VR and LTIP will each amount to 100% of the CEO's base salary.

SCENARIOS CEO TOTAL DIRECT COMPENSATION



Indications are in million euros.

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

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

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

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

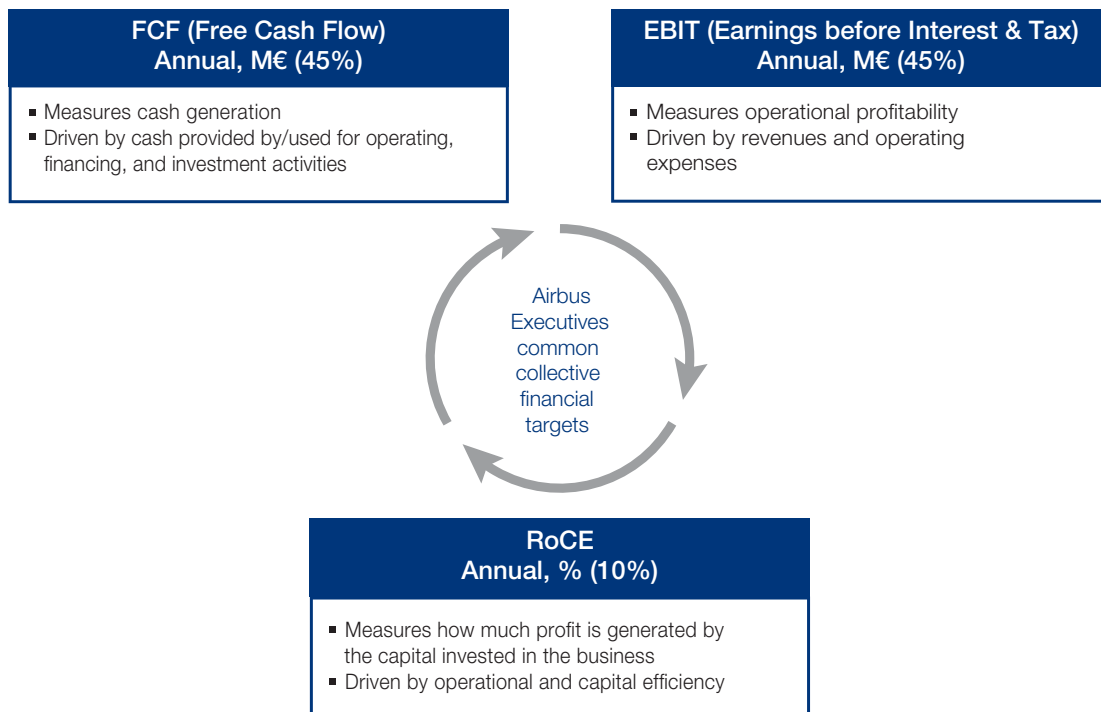
The variable remuneration is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of the variable remuneration for the CEO is targeted at 100% of Base Salary; it is capped at a maximum level of 200% of Base Salary. The entire variable 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 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 markets (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

There are two types of Long-Term Incentive Plans: until 2015, LTIP was made of Performance Units only. In 2016, following the approval of amendments by shareholders at 2016 AGM, the LTIP is now made of a mix of Performance Units and Performance Shares.

The value of the CEO's LTIP allocation is capped as a percentage of Base Salary at the date of grant and subject to performance conditions.

The performance conditions are assessed over a three-year period based on relevant financial criteria with stringent targets set, as demonstrated by past Company practices.

Both Performance Units and Performance Shares that vest can vary between 0% and 150% of the Units and Shares 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 / Share award will not vest if the Company reports negative cumulated EBIT results;
- 50-150% of the allocation: This element of the Performance Unit/Shares vest based on the two following performance criteria: average **Earnings Per Share** (75%) and cumulative **Free Cash Flow** (25%). Before the 2013 plan, it used to vest according to one performance criteria only: average **Earnings Per Share**.

Earnings per Share Average over 3 years
<ul style="list-style-type: none">▪ Measures profitability▪ Driven by net income and number of shares

Free cash Flow Cumulated over 3 years, M€
<ul style="list-style-type: none">▪ Measures cash generation▪ Driven by cash provided by/used for operating, financing, and investment activities

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 the Company's strategy. Nonetheless, for the sake of transparency and to ensure compliance with best market practices, retrospective information demonstrating the stringency of the targets set by the Board of Directors is provided for the previous long-term incentive plans.

The vesting of Performance Units and Shares is subject to the following maximum cap:

- the maximum level of vesting is 150% of the number of Units/ Shares granted.

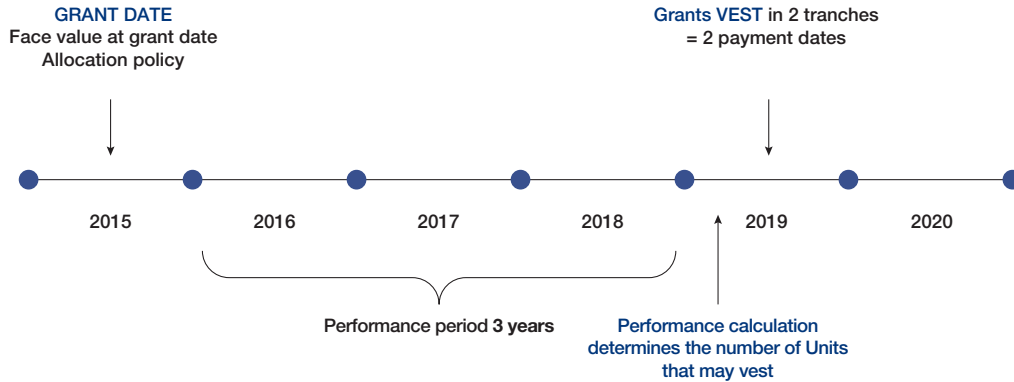
The vesting of Performance Units is subject to the following maximum caps:

- the value that could result from share price increases is capped at 200% of the reference share price at the date of grant;
- the overall pay-out is capped at 250% of the value at the date of grant.

Performance Units plan characteristics
(until and including 2015 plan)

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

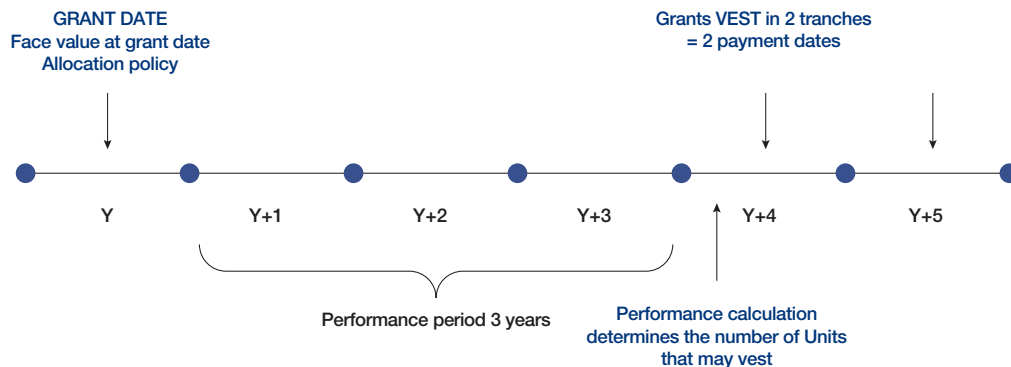
four tranches, the payment of which takes place approximately 6, 12, 18 and 24 months following the end of the performance period. Depending on continuous employment, grants attributed from 2014 would vest in two tranches, the payment of which would take place approximately 6 and 18 months following the end of the performance period.



At the date of grant, the CEO must decide what portion of the allocation (subject to the performance calculation) would be released as cash payments and what portion would be converted into shares. At least 25% (and up to 75%) of the award must be deferred into shares, and would only be released on the last vesting date. For the conversion into shares, one Unit corresponds to one Airbus share.

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

LTIP-SCHEME FROM 2014 TO 2015



Performance Units & Performance Shares characteristics (since 2016)

For the CEO and since the 2016 plan, the Company's current LTIP is comprised of a mix of Performance Units and Performance Shares.

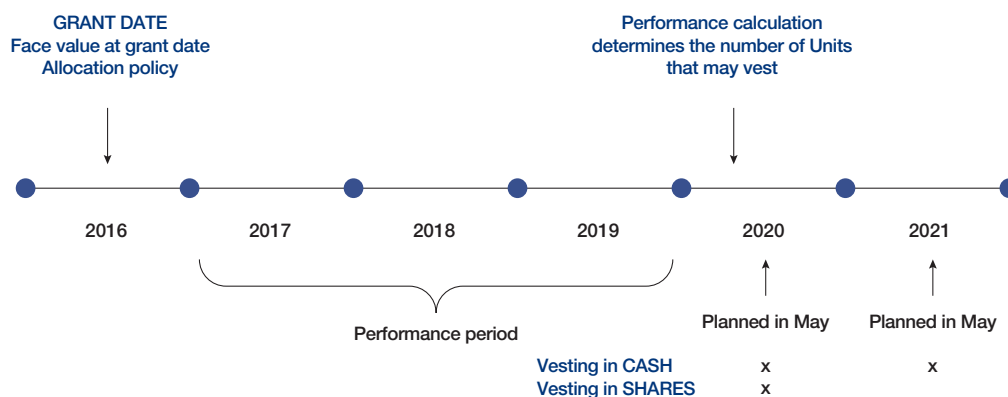
Previously, the LTIP was only comprised of Performance Units. The proposed change was designed to increase the alignment with shareholders' interests and to ensure that both the Company's and the beneficiaries' benefit from new tax and social regimes (offered by the Macron Act in France in favour of French tax resident employees).

For each payment in cash, one Unit is equal to the value of one Airbus share at the time of vesting. The Airbus share value is the average of the opening share price, on the Paris Stock

Exchange, during the 20 trading days preceding and including the respective vesting dates.

For the CEO, the value of the Performance Unit and Share allocation is capped, at the time of grant, at 100% of Base Salary. At the end of the three-year period, the grant is subject to a performance calculation to determine whether and to what extent it should vest. Depending on continued employment, Performance Units attributed in 2016 will vest in two tranches, the payment of which takes place approximately six and 18 months following the end of the performance period. Performance Shares would vest in one tranche, approximately six months following the end of the performance period.

LTIP-SCHEME SINCE 2016



f) Share Ownership Guideline

The Board of Directors has established a share ownership guideline pursuant to which the CEO is expected to acquire Airbus shares with a value equal to 200% of 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 employed 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 VR 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 on 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 notes of the relevant financial statements.

k) Loans

The Company 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 fee for the attendance to 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, and since 2016, the fees were reviewed to recognise the increase in Board Members' responsibilities, their greater time commitment and Airbus' continuous need to attract and retain highly competent Members. To incentivise

Board attendance, the attendance fees have doubled. Members of the Board are entitled to the following fees:

Fixed fee for membership of the Board (€ / year):

- Chairman of the Board: €210,000
- Member of the Board: €80,000

Fixed fee for membership of a Committee (€ / year):

- Chairman of a Committee: €30,000
- Member of a Committee: €20,000

Attendance fees (€ / Board meeting):

- Chairman: €15,000
- Member: €10,000

Attendance fees shall decrease by 50% in case of an attendance by phone.

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).

For personal reasons, Denis Ranque decided in 2016 to waive the portion of his remuneration as Chairman of the Board of Directors which exceeds €240,000 (his total target remuneration for 2015) until further notice. The Board recommended that the remuneration exceeding €240,000 would be converted into an annual contribution to Airbus' Foundation as long as Denis Ranque waives this part of his remuneration which would correspond to €60,000 based on six meetings per year.

4.2.1.3 Implementation of the Remuneration Policy in 2016: CEO

a) Benchmarking

Based on a review the RINGC performed in 2014 with the assistance of an independent consultant, Willis Towers Watson, it was concluded that the CEO's Total Direct Compensation was slightly below the median level of the peer group. It was thus proposed to increase the remuneration of the CEO as described below. This increase took into consideration the track record of the CEO and was in line with the salary policy applied to employees across Airbus over that period.

b) Base Salary

For 2016, the Base Salary was set by the Board of Directors at €1,500,000. The CEO's Base Salary level was reviewed in 2015 and approved by shareholders at 2016 AGM, shortly after his appointment. Any future 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 VR is targeted at 100% of the Base Salary and capped at 200% of the Base Salary. It is subject to the fulfilment of Collective and Individual performance targets.

For 2016, the VR amounted to an aggregate €1,912,500 composed of €975,000 for the Common Collective Component (130%), and €937,500 for the Individual part (125%).

The **Common Collective Component** results from a composite **130% achievement** of EBIT, Free Cash Flow and RoCE objectives.

This achievement mainly reflects a significant **Free Cash Flow** reported over-performance against the budgeted target. 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 was globally positive despite an unplanned A400M provision. Finally, **RoCE** was slightly below the target.

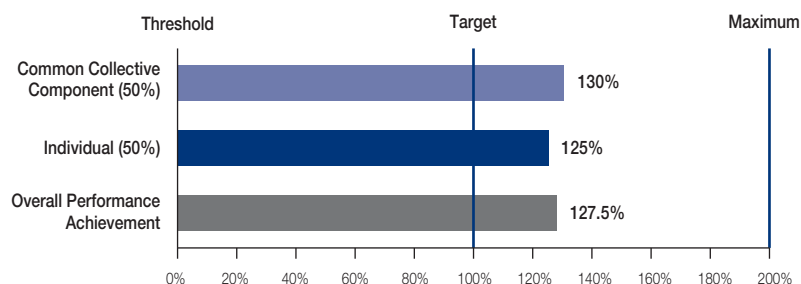
Normalisation adjustments of EBIT and RoCE were made to exclude currency exchange differences or those arising from phasing mismatches.

The **Individual part** results from a good achievement level of 125% 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 Airbus priorities agreed at the start of the year. For each of these outcomes, leadership, personal performance and contributions were examined.

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

- solid financial figures achieving the envisaged targets to a large extent despite set-backs on the A400M programme;
- excellent operational performance with a record number of aircraft deliveries mastering the strong ramp-up of the A350 XWB and A320 programmes while starting the transition from the CEO to the new neo version;
- continuous lead on the civil and parapublic helicopter market against a challenging market backdrop while maintaining the position on the military market;
- timely achievement of foreseen milestones in key development programmes Airbus A350-1000, Airbus Helicopters H160 and Ariane 6;
- good execution of planned divestments, realising the desired alignment of business portfolio and generating a strong contribution to the cash generation;
- rapid implementation of the digital roadmap including the appointment of a Chief Digital Officer and the new set-up of the Chief Technical Officer department and processes;
- further Group integration through the “Gemini” project calling for a merger of Airbus and Airbus Group for a leaner and more efficient management of the Company;
- strong focus on enhancement of group wide Compliance standards and processes as well as coordinated Corporate Social Responsibility activities;
- reinforced efforts on gender and international diversity as well as implementation of new HR transformation and management development programmes.

PERFORMANCE AGAINST TARGET 2016



d) Long-Term Incentive Plan**Granting 2016**

As stipulated in the Company's Remuneration Policy the CEO is eligible for a Performance Unit and Performance Shares award under the Company's LTIP 2016. The value of the Performance Unit and Share award is capped at 100% of Base Salary at the date of grant. During 2016, the CEO was granted in total of both 28,480 Performance Units and Performance Shares.

The table below gives an overview of the Performance Units and Performance Shares granted to the CEO in 2016 pursuant to the LTIP*:

Unit plan: number of Performance Units		
	Granted in 2016	Vesting dates
Thomas Enders	14,240	Vesting schedule is made up of 2 tranches over 2 years: (i) 50% expected in May 2020; (ii) 50% expected in May 2021.

* 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.

Share plan: number of Performance Shares		
	Granted in 2016	Vesting dates
Thomas Enders	14,240	Vesting schedule is made up of 1 tranche: (i) 100% expected in May 2020.

Vesting Values in 2016

In 2016, the CEO received both cash payments and vested shares in connection with the vesting of 2011 and 2012 LTIP awards:

- **Cash:** the total cash payment to the CEO amounted to €2,279,709 in 2016 versus €3,148,629 in 2015;
- **Shares:** in connection with the 2011 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore the CEO received 16,448 versus 18,496 vested shares in 2016 on the fourth vesting date for the 2011 LTIP (31 October 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 5,596 Performance Units versus 8,224 for the LTIP 2011 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 2017).

LTIP OVERVIEW: GRANTING AND VESTING

Date of grants	Grant Type	Number	Share price at grant date	Value at grant date	(Un) conditional	Performance achievement	Units with performance achievement	Dates of vesting	Share value at vesting dates
2011	Units	51,400	€21.41	€1,100,474	Conditional	128%	65,792	4 vestings in 2015-2016	1 st vesting – 6 May 2015: €62.17 2 nd vesting – 4 November 2015: €57.97 3 rd vesting – 3 May 2016: €56.57 4 th vesting – 31 October 2016: €53.77
2012	Units	50,300	€27.83	€1,399,849	Conditional	89%	44,768	4 vestings in 2016-2017	1 st vesting – 3 May 2016: €55.66* 2 nd vesting – 31 October 2016: €53.77
2013	Units	30,300	€46.17	€1,398,951	Conditional	75%	22,725	4 vestings in 2017-2018	Not yet known
2014	Units	29,500	€47.45	€1,399,775	Conditional	Not yet known	Not yet known	2 vestings in 2018-2019	Not yet known
2015	Units	24,862	€56.31	€1,399,979	Conditional	Not yet known	Not yet known	2 vestings in 2019-2020	Not yet known
2016	Units	14,240	€52.67	€750,021	Conditional	Not yet known	Not yet known	2 vestings in 2020-2021	Not yet known
2016	Shares	14,240	€52.67	€750,021	Conditional	Not yet known	Not yet known	1 vesting in 2020	Not yet known

Calculations may involve rounding to the nearest unit.

* For the first vesting 2012 the cap applicable to the share price was applied.

Performance Conditions of 2012 LTIP

The performance conditions were determined as follows:

- if Airbus 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 2013, 2014 and 2015 fiscal years, with the three year average EPS target for an allocation of 100% equal to €2.75.

Review of Achievement of Performance Conditions

The Board of Directors on 23 February 2016 noted the achievement of the performance conditions of the 2012 plan, i.e. for the 2013, 2014 and 2015 fiscal years: the three year average EPS was €2.63, after normalisation to align it with policies in force when setting the target (notably IAS 11).

Furthermore the Board of Directors on 21 February 2017 noted the achievement of the performance conditions of the 2013 plan, i.e. for the 2014, 2015 and 2016 fiscal years. The three year average EPS ("**Ave EPS**") was €2.28 after normalisation to align it with policies in force when setting the target (notably IAS 11). The three year cumulative FCF ("**Cum FCF**") before M&A was €3,440 million.

Date of grants	KPI	Number of units	Target for a 100% allocation	Achieved	Performance achievement in percentage	Compounded performance achievement in percentage	Resulting vesting in number	For comparison, average EPS for the last 3 reported years at the date of grant
2011	Ave EPS	51,400	€1.55	€2.10	128%	N/A	65,792	€0.56 ⁽¹⁾
2012	Ave EPS	50,300	€2.75	€2.63	89%	N/A	44,768	€0.34 ⁽²⁾
	Ave EPS		€3.64	€2.28	50%			€1.15 ⁽³⁾
2013	Cum FCF before M&A	30,300	€2,650m	€3,440m	150%	75%	22,725	

(1) Average EPS of 2010, 2009 and 2008.

(2) Average EPS of 2011, 2010 and 2009.

(3) Average EPS of 2012, 2011 and 2010.

e) Share Ownership

The CEO owned 80,969 Company shares on 31 December 2016, which represents more than 200% base salary. He herewith respects Airbus' share ownership policy.

f) Employee Share Ownership Plan (ESOP)

In March 2016, the Company has offered to all eligible employees 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. Information about the plan can be found on the Company's website.

Under the umbrella of the ESOP 2016, a dedicated UK tax advantageous Share Incentive Plan ("SIP"), was also deployed in March 2016.

Although the CEO was eligible to the plan, he did not participate to the ESOP 2016 plan favouring the development of a shareholding among other employees of the Company.

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 2016 amounted to €71,755.

h) Retirement

As of 31 December 2016, the present value of the CEO's pension defined benefit obligation including deferred compensation amounted to €21,251,788 versus €17,118,048 a year ago. While the plan benefits remain identical, the present value of the pension obligation was calculated applying a 1.7% discount rate in 2016 compared to a 2.3% discount rate in 2015, which mainly explains the change in value. For the fiscal year 2016, the current service and interest costs related to the CEO's pension promise represented an expense of €1,075,888. This obligation has been accrued in the Consolidated Financial Statements.

The defined benefit obligation for the CEO's Company pension results from the Company's pension policy as described above and takes into account (1) the seniority of the CEO in the Company and on its Group Executive Committee and (2) the significantly lower public pension promise deriving from the German social security pension system, compared to a pension resulting from membership in the French pension system.

i) Clawback

The Board has not applied any clawback in 2016.

4.2.1.4 Implementation of the Remuneration Policy in 2016: Non-Executive Directors

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 per the new remuneration policy approved by shareholders at 2016 AGM, the RNGC recommended and the Board of Directors increased, 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 Airbus' developments. The CEO is the only Member of the Board of Directors who is not entitled to any Board Membership fee.

Summary table of the 2016 and 2015 fees of all non-Executive Members of the Board (current and former):

NON-EXECUTIVE DIRECTORS' REMUNERATION FY2016

	Directors' remuneration related to 2016			Directors' remuneration related to 2015		
	Fixum ⁽¹⁾ (in €)	Attendance Fees ⁽²⁾ (in €)	Total (in €)	Fixum (in €)	Attendance Fees (in €)	Total (in €)
Non-Executive Board Members						
Denis Ranque	180,000	60,000	240,000	180,000	70,000	250,000
Manfred Bischoff	26,154	20,000	46,154	80,000	25,000	105,000
Ralph D. Crosby Jr.	80,000	50,000	130,000	80,000	35,000	115,000
Catherine Guillaouard ⁽³⁾	67,582	40,000	107,582	N/A	N/A	N/A
Hans-Peter Keitel	100,000	60,000	160,000	100,000	35,000	135,000
Hermann-Josef Lamberti	110,000	55,000	165,000	110,000	30,000	140,000
Anne Lauvergeon	32,692	10,000	42,692	100,000	30,000	130,000
Lakshmi N. Mittal	100,000	50,000	150,000	100,000	35,000	135,000
María Amparo Moraleda Martínez	100,000	55,000	155,000	50,000	20,000	70,000
Claudia Nemat ⁽³⁾	67,582	30,000	97,582	N/A	N/A	N/A
Sir John Parker	110,000	60,000	170,000	110,000	30,000	140,000
Michel Pébereau	32,692	20,000	52,692	100,000	25,000	125,000
Carlos Tavares ⁽⁴⁾	54,066	20,000	74,066	N/A	N/A	N/A
Jean-Claude Trichet	100,000	60,000	160,000	100,000	35,000	135,000
Former Non-Executive Board Members						
Josep Piqué i Camps	N/A	N/A	N/A	41,668	0	41,668
Total	1,160,768	590,000	1,750,768	1,151,668	370,000	1,521,668

(1) The Fixum related to 2015 was paid 50% in July 2015 and 50% in January 2016; the Fixum related to 2016 was paid 50% in December 2015 and 50% in July 2016.

(2) The Attendance Fees are paid at the end of each semester.

(3) Member of the Company Board of Directors and Audit Committee as of 28 April 2016.

(4) Member of the Company Board of Directors as of 28 April 2016.

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

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 2014, 2015 and 2016, 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 2016 and “— Notes to the IFRS Consolidated Financial Statements — Note 8: Related Party Transactions” for the year ended 31 December 2015, 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

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 Airbus (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

Enabling employees to participate in the results of the Company is a key element in the Airbus 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 at the 2016 AGM. 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 ⁽¹⁾ / €44.20 ⁽²⁾	€1	2,113,245	29 July 2013
2014	⁽³⁾			
2015	€49.70 ⁽¹⁾ / €51.63 ⁽²⁾ / €65.59 ⁽⁴⁾	€1 €1	1,436,901 102,113	21 April 2015 November 2015
2016	€54.31 ⁽¹⁾ / €55.41 ⁽²⁾ / €55.53 ⁽⁵⁾	€1	1,366,893 107,823	14 April 2016 18 November 2016

(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.

(5) Under the umbrella of the ESOP 2016, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.

In 2016, the Board of Directors approved a new ESOP. Eligible employees were able to purchase a fixed number of previously unissued shares at fair market value (4, 6, 10, 19, 38 or 76 shares). Airbus matched each fixed number of shares with a number of the Company free shares based on a determined ratio (4, 5, 7, 11, 16 and 25 free shares, respectively). During a custody period of at least one year or, provided the purchase took place in the context of a mutual fund (regular savings plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who directly purchased the Company shares have, in addition, the ability to vote at the annual shareholder meetings. The subscription price was equal to the closing price at the Paris stock exchange on 23 February 2016 and amounted to €55.41. Investing through the mutual fund led to a price which corresponds to the average

price at the Paris stock exchange during the 20 trading days immediately preceding 23 February 2016, resulting in a price of €54.31. The Company issued and sold 485,048 ordinary shares with a nominal value of €1.00 each. Compensation expense (excluding social security contributions) of €27 million was recognised in connection with ESOP.

The Company intends to implement an ESOP in 2018, subject to approval by the Board of Directors, open to all qualifying employees (including the CEO). With future ESOP, the Company intends to offer shares to eligible employees through the issuance of shares or free distribution of shares or 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.

4.3.3 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 2006. In 2011, 2012, 2013, 2014 and 2015, the Board of Directors approved the granting of LTIP 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.

In 2016, the Board of Directors approved an LTIP Performance Units and Performance Share Plan.

The principal characteristics of these options as well as Performance and Restricted Units as of 31 December 2016 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:

Eighth tranche	
Date of shareholders' meeting	4 May 2006
Date of Board of Directors meeting (grant date)	18 December 2006
Stock Option Plan	
Number of options granted	1,747,500
Number of options outstanding	0
Total number of eligible beneficiaries	221
Vesting conditions	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules – see "— General description of the Company and its share capital – 3.1.11 Disclosure of holdings")
Expiry date	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	1,501,000

Thirteenth tranche		
Date of Board of Directors meeting (grant date)	9 November 2011	
Performance and Restricted Unit plan		
	Performance Units	Restricted Units
Number of units granted ⁽¹⁾	2,606,900	882,591
Number of units outstanding	0	0
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	The Performance and Restricted Units will vest if the participant is still employed by an Airbus 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: <ul style="list-style-type: none"> ▪ 25% expected in May 2015; ▪ 25% expected in November 2015; ▪ 25% expected in May 2016; ▪ 25% expected in November 2016. 	
Number of vested units	3,108,160	823,828

(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) 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".

Fourteenth tranche

Date of Board of Directors meeting (grant date)	13 December 2012	
Performance and Restricted Unit plan		
	Performance Units	Restricted Units
Number of units granted ⁽¹⁾	2,123,892	621,980
Number of units outstanding	880,095	283,320
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 an Airbus 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"> ▪ 25% expected in May 2016; ▪ 25% expected in November 2016; ▪ 25% expected in May 2017; ▪ 25% expected in November 2017. 	
Number of vested units	855,388	289,135

(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) 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".

Fifteenth tranche

Date of Board of Directors meeting (grant date)	13 November 2013	
Performance and Restricted Unit plan		
	Performance Units	Restricted Units
Number of units granted ⁽¹⁾	1,245,052	359,060
Number of units outstanding	1,159,814	346,100
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 an Airbus 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"> ▪ 25% expected in May 2017; ▪ 25% expected in November 2017; ▪ 25% expected in May 2018; ▪ 25% expected in November 2018. 	
Number of vested units	3,860	-

(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) 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".

Sixteenth tranche		
Date of Board of Directors meeting (grant date)	13 November 2014	
Performance and Restricted Unit plan		
	Performance Units	Restricted Units
Number of units granted ⁽¹⁾	1,114,962	291,420
Number of units outstanding	1,068,502	287,442
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 an Airbus 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"> ▪ 50% expected in June 2018; ▪ 50% expected in June 2019. 	
Number of vested units	2,500	0

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT of Airbus) 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".

Seventeenth tranche		
Date of Board of Directors meeting (grant date)	29 October 2015	
Performance and Restricted Unit plan		
	Performance Units	Restricted Units
Number of units granted ⁽¹⁾	926,398	240,972
Number of units outstanding	916,246	239,674
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 an Airbus 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"> ▪ 50% expected in June 2019; ▪ 50% expected in June 2020. 	
Number of vested units	2,116	-

(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) 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".

Eighteenth tranche		
Date of Board of Directors meeting (grant date)	25 October 2016	
Performance units and performance shares plan		
	Performance Units	Performance Shares
Number of units/shares granted ⁽¹⁾	615,792	621,198
Number of units/shares outstanding	615,792	621,198
Units/shares granted to:		
▪ Mr. Thomas Enders*	14,240	14,240
▪ the 10 employees having being granted the highest number of units/shares during the year 2016 (eighteenth tranche)	79,504	85,200
Total number of eligible beneficiaries		1,671
Vesting dates	<p>The Performance Units and Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years:</p> <ul style="list-style-type: none"> ▪ Performance Units: <ul style="list-style-type: none"> ▪ 50% expected in May 2020; ▪ 50% expected in May 2021. ▪ Performance Shares: 100% expected in May 2020 	
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) 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".

SHAREHOLDING IN THE COMPANY OF THE MEMBERS OF THE BOARD OF DIRECTORS

Member of the Board of Directors	Shareholding
▪ Mr. Thomas Enders	80,969 ordinary shares
▪ Mr. Denis Ranque	2,000 ordinary shares
▪ Mr. Manfred Bischoff	1,292 ordinary shares
▪ Ms. Catherine Guilloard	125 ordinary shares

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

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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, 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 16 April 2015;
- the Registration Document filed in English with, and approved by, the AFM on 5 April 2016; and
- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of Airbus Group SE for the years ended 31 December 2014, 2015 and 2016, 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.

5.4 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 Company's financial or trading position since 31 December 2016.

