Financial Statements

Airbus Group Finance B.V.

Leiden, The Netherlands

Year ended December 31, 2016

INDEX

REPORT OF THE BOARD OF MANAGING DIRECTORS

The board of Managing Directors herewith submits the Financial Statements of Airbus Group Finance B.V. ("**Company**") for the year ended on December 31, 2016.

ACTIVITIES

The Company's main activity is to finance companies by raising funds through, inter alia, borrowing by way of loan agreements, issuance of bonds, promissory notes and any other evidences of indebtedness, to invest and lend funds raised by the Company, to borrow and to participate in all types of financial transactions, including financial derivatives such as interest- and/or currency exchange contracts.

EMTN Programme:

The EMTN Programme is a contractual framework which allows Airbus Group SE to raise debt from the capital markets through dealers by successive issues of notes governed by the same terms. Each issue, however, may bear a different maturity (due one month to thirty years).

Activities of the Company have commenced in February 2003, when the first tranche of €1 billion, of a €3 billion EMTN Programme, was raised for Airbus Group SE. In September 2003, the Company has issued its second Eurobond transaction for €500 million under its EMTN Programme, maturing in September 2018. In August 2009, the Company had issued another, third, Eurobond transaction for €1 billion under this Programme, which has matured in August 2016. During the year 2014, a fourth Eurobond transaction, for €1 billion, maturing April 2024 and a fifth Eurobond transaction, for €500 million, maturing October 2029 were additionally issued by the Company. In May 2016, the Company has issued two Eurobond transactions for €600 million (maturing May 2026) and €900 million (maturing May 2031) under its EMTN Programme.

In October 2014, the Company increased the size of its EMTN Programme from €3 billion to €5 billion.

Commercial Paper Programme (Euro):

In addition to the EMTN Programme, the Company launched a Commercial Paper Programme in late February 2004. The Commercial Paper Programme currently has a size of €3 billion. At the end of the year 2016, no amounts were outstanding for the Commercial Paper Programme.

US-Bond:

On April 17, 2013, the Company has issued a bond in the US institutional market for an amount of US$1 billion, corresponding to €756 million, with a ten year maturity.

Commercial Paper Programme (US$):

The Company launched a US$ 2 billion Commercial Paper Programme in mid May 2015. On April 19, 2016 the Company updated and simultaneously increased its Programme from US$2 billion to US$3 billion. At the end of the year 2016, no amounts were outstanding for the US$-Commercial Paper Programme.

For details on the Company's policies and position with respect to financial instruments as well as a description of the main risks facing the Company and the measures taken to mitigate these risks, we refer to Note 16 of the Financial Statements.

RISK MANAGEMENT

The Company performs periodical risk analyses as further described in Note 16 Information about Financial Instruments. The Company considers its risk appetite to be low, as the loans are provided to the parent company Airbus Group SE and the issued bonds are covered by a guarantee from Airbus Group SE.

MANAGEMENT AND SUPERVISION

As of 1 January 2013 the Act on Management and Supervision (‘Wet Bestuur en Toezicht’) came into effect. With this Act, statutory provisions were introduced to ensure a balanced representation of men and women in management boards and supervisory boards of companies governed by this Act. Balanced representation of men and women is deemed to exist if at least 30% of the seats are filled by men and at least 30% are filled by women. The Company has currently no seats taken by women. The Company considers it to be desirable to fulfil the before mentioned ratio.

FUTURE OUTLOOK

The Board of Management expects no major changes in the nature and size of the business of the Company for the Year 2017.

RESULT FOR THE YEAR

The Company's result for the year ended on December 31, 2016 amounts to a profit of €1.110 thousand.

STATEMENT

The Board of Managing Directors hereby declares that, to the best of its knowledge:

- the Financial Statements for the year ended December 31, 2016 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company; and
- the report of the Board of Managing Directors gives a true and fair view of the position as per the reporting date, and of the development and performance during the 2016 financial year of the Company, and the principal risks facing the Company have been described herein.

BOARD OF MANAGING DIRECTORS

Mr. J.B. Pons, Director ______signed by J.B. Pons__________

Mr. C. Masson, Director ______signed by C. Masson _________

Mr. C.C. Kohl, Director _______signed by C.C. Kohl ________

Leiden, April 07, 2017

STATEMENT OF FINANCIAL POSITION

(Before appropriation of the result of the year)

In € thousand	*Note*	**31/12/2016**	**31/12/2015**
Assets			
Non-Current Assets			
Long-term Loans Receivable	*3*	4.413.963	2.904.188
Positive Fair Value Derivative Instruments	*4*	34.032	50.904
		4.447.995	**2.955.092**
Current Assets			
Short-term Loans Receivable	*5*	-	1.504.506
Positive Fair Value Derivative Instruments	*4*	-	18.792
Accrued Interest Receivable	*6*	44.088	50.278
Cash and Cash Equivalents	*7*	5.300	4.461
		49.388	**1.578.037**
Total Assets		**4.497.383**	**4.533.129**
Equity and Liabilities			
Equity attributable to equity holders of the Company			
Issued Capital	*8*	300	300
Other Reserves	*8*	(2)	(2)
Cash Flow Hedge Reserve	*9*	25.524	38.178
Retained Earnings		4.389	3.426
Result for the year		1.110	963
		31.321	**42.865**
Non-Current Liabilities			
Non-Current Interest Bearing Liabilities	*10*	4.413.963	2.904.188
Deferred Taxes Payable	*11*	8.508	12.726
		4.422.471	**2.916.914**
Current Liabilities			
Short-term Loans Payable	*12*	-	1.523.307
Accrued Interest Payable	*13*	43.591	50.043
		43.591	**1.573.350**
Total Equity and Liabilities		**4.497.383**	**4.533.129**

INCOME STATEMENT

In € thousand	*Note*	**January 1 - December 31, 2016**	**January 1 - December 31, 2015**
Financial Result			
Income			
Interest	*14*	130.846	137.267
Expenses			
Interest	*15*	(129.741)	(136.321)
		1.105	946
Foreign Exchange Result		26	31
		1.131	**977**
General Administrative Expenses		(21)	(14)
Profit before Taxation for the Year attributable to Equity Holders of the Company		**1.110**	**963**
Taxation		-	-
Profit after Taxation for the Year attributable to Equity Holders of the Company		**1.110**	**963**

STATEMENT OF COMPREHENSIVE INCOME

In € thousand	**January 1 - December 31, 2016**	**January 1 - December 31, 2015**
Profit for the Year	**1.110**	**963**
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods		
Changes in Cash-Flow Hedges	(16.872)	(14.506)
Deferred Tax Income	4.218	3.626
	(12.654)	**(10.880)**
Total Comprehensive Income for the Year attributable to Equity Holders of the Company	**(11.544)**	**(9.917)**

STATEMENT OF CASH-FLOWS

In € thousand	*Note*	**January 1 - December 31, 2016**	**January 1 - December 31, 2015**
Profit for the Year		1.110	963
Add back interest income		(134.574)	(140.401)
Add back interest expense		133.460	139.398
Valuation adjustments		(26)	(31)
		(30)	(71)
Interest received		137.035	136.860
Interest paid		(136.192)	(135.918)
Cash flow from operating activities		**813**	**871**
Funding Long-term Loans Receivable		(1.476.519)	-
Repayment (Funding) Short-term Loans Receivable		1.504.443	(505.129)
Cash flow from investing activities		**27.924**	**(505.129)**
Issuance Non-Current Interest Bearing Liabilities		1.476.519	-
Repayment (Issuance) Short-term Loans Payable		(1.504.443)	505.129
Cash flow from financing activities		**(27.924)**	**505.129**
Effect of foreign exchange rate changes on cash and cash equivalents		26	31
Net Increase in Cash and Cash Equivalents		**839**	**902**
Cash and Cash Equivalents at beginning of Year		4.461	3.559
Cash and Cash Equivalents at end of Year	*7*	**5.300**	**4.461**

STATEMENT OF CHANGES IN EQUITY

In € thousand	Issued Capital	Other Reserves	Cash Flow Hedge Reserve	Retained Earnings	Total
Balance at December 31, 2014	**300**	**(2)**	**49.058**	**3.425**	**52.781**
Movement effective portion of Interest Rate SWAPS Airbus Group SE (Total other comprehensive income for the year)			(10.879)		(10.879)
Profit for the Year				963	963
Total comprehensive income for the Year			**(10.879)**	**963**	**(9.916)**
Balance at December 31, 2015	**300**	**(2)**	**38.178**	**4.389**	**42.865**
Movement effective portion of Interest Rate SWAPS Airbus Group SE (Total other comprehensive income for the year)			(12.654)		(12.654)
Profit for the Year				1.110	1.110
Total comprehensive income for the Year			**(12.654)**	**1.110**	**(11.544)**
Balance at December 31, 2016	**300**	**(2)**	**25.524**	**5.499**	**31.321**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL

Airbus Group Finance B.V. ("**Company**"), incorporated on December 2, 2002, legally seated (*statutaire zetel*) in Amsterdam (current registered office at Mendelweg 30, 2333 CS, Leiden, The Netherlands) and registered at the Chamber of Commerce in The Hague under number 34182495. The company is 100% owned by **Airbus Group SE**.

The Company's main activity is to finance companies by raising funds through, inter alia, borrowing by way of loan agreements, issuance of bonds, promissory notes and other evidences of indebtedness, to invest and lend funds raised by the Company, to borrow and to participate in all types of financial transactions, including financial derivatives such as interest- and/or currency exchange contracts.

The Company's Financial Statements were authorized for issue by the Board of Managing Directors on April 07, 2017.

2. ACCOUNTING PRINCIPLES

Basis of preparation
The Company’s Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union (“EU”) and in compliance with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable. The Company’s Financial Statements have been prepared under the assumption of going concern. Furthermore, the Company’s Financial Statements have been prepared on a historical cost basis, except for certain items for which other measurement models are used in accordance with the applicable Standards’ requirements as well as prepared and reported in Euros (“EUR”). The measurement models used when the historical cost model does not apply (mainly in the area of fair value measurement of derivative financial instruments) are further described below.

The Company operates in one reportable segment, operations are mainly taking place in Europe. This segment information cannot be specified in more detail.

New, revised or amended IFRS Standards
The accounting policies applied by the Company for preparing its 2016 year-end Financial Statements are the same as applied for the previous year. Amendments and improvements to standards effective on 1 January 2016 have no impact on the Financial Statements.

New, Revised or Amended IFRS Standards and Interpretations Issued but not yet Applied
A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2016 and have not been applied in preparing these Consolidated Financial Statements and early adoption is not planned:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

Standards and amendments	IASB effective date for annual reporting periods beginning on or after	Endorsement status
IFRS 9 “Financial instruments”	1 January 2018	Endorsed
IFRS 15 “Revenue from contracts with customers”	1 January 2018	Endorsed
Clarifications to IFRS 15 “Revenue from contracts with customers”	1 January 2018	Not yet endorsed
Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”	-	Not yet endorsed
Amendment to IAS 7 “Disclosure initiative”	1 January 2017	Not yet endorsed
Amendments to IFRS 2 “Classification and measurement of share-based payment transactions”	1 January 2018	Not yet endorsed
IFRIC 22 “Foreign currency transactions and advance consideration”	1 January 2018	Not yet endorsed
IFRS 16 “Leases”	1 January 2019	Not yet endorsed

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

IFRS 15 “Revenue from contracts with customers”
On May 2014, the IASB issued IFRS 15 which establishes a single comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 will replace the current revenue recognition standards IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations when it becomes effective. The Company does not expect to be impacted.

IFRS 16 “Leases”
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to underlying asset and a lease liability representing its obligation to make lease payments. The Company does not expect to be impacted.

Judgements and estimation uncertainty
The preparation of the Financial Statements in conformity with the Company’s accounting policies requires the use of judgement and estimates. Actual results could differ from those estimates. Changes in such estimates and assumptions may affect amounts reported in future periods. The key area requiring application of judgement and estimation is the determination of the fair value of derivatives (interest rate swaps). Since those instruments are not traded in an active market, the Company uses valuation techniques to determine their fair values.

The Company uses its judgment to select the appropriate valuation technique, like option pricing model or discounted cash flow model, and to make assumptions that are mainly based on market conditions existing at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

Foreign Currency Translation

Transactions in foreign currencies are translated into Euro at the foreign exchange rate prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into Euro at the exchange rate in effect at that date. These foreign exchange gains and losses arising from translation are recognised in the Income Statement on a net basis, except when deferred in equity as qualifying Cash Flow Hedges

Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. The Company derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or the financial asset has been transferred and the transfer qualifies for de-recognition under IAS 39.

Long-term and short-term loans receivable and accrued interest receivable are classified as loans and receivables, which are initially recognized on the settlement date at cost, being the fair value of the consideration given and including acquisition charges. Subsequently they are carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated and recognized in the Income Statement taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the Income Statement when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash in bank and cash in the Intercompany Accounts with Airbus Group SE (cash pooling), which is available on a daily basis.

Financial Liabilities

Non-current interest bearing liabilities, short-term loans payable and accrued interest payable are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method with any difference between proceeds (net of transaction costs) and redemption amount being recognized in the Income Statement over the period to maturity. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Income Statement.

Derivative Financial Instruments

The Company uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognized and are subsequently measured at fair value in the Statement of Financial Position with changes in fair values recognized either directly in Other Comprehensive Income or in the Income Statement.

Deferred Taxes

Deferred tax assets and liabilities reflect lower or higher future tax consequences that result in certain assets and liabilities from temporary valuation differences between the Financial Statement carrying amounts and their respective tax bases as well as from net operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates by the reporting date of 25% to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the new rates are enacted or substantively enacted.

As deferred tax assets anticipate potential future tax benefits, they are recorded in the Financial Statements of the Company only when the likelihood that the tax benefits will be realized is probable. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Current Taxes

The Company is part of the fiscal unity headed by Airbus Group SE and consequently the Company's taxable results are included in the tax position of Airbus Group SE. No income tax has been allocated to the Company as the fiscal unity is in a tax loss position.

Interest income

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Hedge Accounting

For the purposes of hedge accounting, hedges are classified as either Fair Value Hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability; or Cash Flow Hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging instrument and changes in the fair value of the hedged asset or liability attributable to the hedged risk are simultaneously recognized in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

In relation to Cash Flow Hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly as Other Comprehensive Income within a separate component of the Shareholders' Equity ("Cash Flow Hedge Reserve"), net of applicable deferred taxes and the ineffective portion is recognized in the Income Statement. When the cash flows that the derivative is hedging materialize, resulting in income or expense, then the associated gain or loss on the hedging derivative recognized as Other Comprehensive Income is simultaneously transferred to the corresponding income or expense line item.

The fair value of interest rate swap contracts is determined by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the swap. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Cash flow statement
The Company presents its Cash Flow Statement using the indirect method.

3. LONG-TERM LOANS RECEIVABLE

In € thousand	**31/12/2016**	**31/12/2015**
Long-term Loans to Airbus Group SE	**4.413.963**	**2.904.188**

On September 11, 2003, the Company entered into a loan agreement with effect of September 25, 2003, with Airbus Group SE, to make a loan available for the principal amount of €500 million reduced by a discount of €5,06 million. This loan originally bore interest at a rate of 5,54% per annum, payable yearly in arrears each September 25. On February 2, 2006, the Company has changed the interest terms of the loan agreement with effect of December 27, 2005. The amended loan shall bear interest at the rate of EURIBOR three (3) months with a spread of 1,85% per annum from December 27, 2005 onwards. Interest shall be payable quarterly in arrears each March 25, June 25, September 25 and December 25 commencing March 25, 2006 until and including September 25, 2018.
This loan to Airbus Group SE is repayable on September 25, 2018. The fair market value approximates to the fair market value of the "5,500% Eurobond €500 million" Liability (note 10) reduced by the positive carrying amount of the interest rate swap being valued at fair market value (note 4).

On April 17, 2013, the Company entered into a loan agreement with effect of April 17, 2013, with Airbus Group SE, to make a loan available for the principal amount of US$1 billion, reduced by a discount of US$ 7,02 million. The loan shall bear interest at a rate of 2,72% per annum, payable semi-annually in arrears on each April 17 and October 17.
This loan to Airbus Group SE is repayable on April 17, 2023. The fair market value approximates to the fair market value of the "2,700% US institutional market bond US$1 billion" Liability (note 10).

On April 2, 2014, the Company entered into a loan agreement with effect of April 2, 2014, with Airbus Group SE, to make a loan available for the principal amount of €1 billion, reduced by a discount of €4,92 million. The loan shall bear interest at a rate of 2,395% per annum, payable yearly in arrears on each April 2.
This loan to Airbus Group SE is repayable on April 2, 2024. The fair market value approximates to the fair market value of the "2,375% Eurobond €1 billion" Liability (note 10).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

On October 29, 2014, the Company entered into a loan agreement with effect of October 29, 2014, with Airbus Group SE, to make a loan available for the principal amount of €500 million, reduced by a discount of €6,245 million. The loan shall bear interest at a rate of 2,145% per annum, payable annually in arrears on each October 29.
This loan to Airbus Group SE is repayable on October 29, 2029. The fair market value approximates to the fair market value of the "2,125% Eurobond €500 million" Liability (note 10).

On May 13, 2016, the Company entered into two new loan agreements with Airbus Group SE with effect of May 13, 2016.

The first one loan, repayable on May 13, 2026, with a principal amount of €600 million, is reduced by a discount of €6,282 million and shall bear interest at a rate of 0,905% per annum. The fair market value approximates to the fair market value of the "0,875% Eurobond €600 million" Liability (note 10).
The second loan, repayable on May 13, 2031, with a principal amount of €900 million is reduced by a discount of €17,199 million and shall bear interest at a rate of 1,405 % per annum.
The fair market value approximates to the fair market value of the "1,375% Eurobond €900 million" Liability (note 10).
The interest for both loans is payable yearly in arrears on each May 13.

4. POSITIVE FAIR-VALUE DERIVATIVE INSTRUMENTS

In € thousand	**31/12/2016**	**31/12/2015**
Interest Rate SWAP Airbus Group SE, €500 million, 5,5% (maturing 25/09/2018)	34.032	50.904
Interest Rate SWAP Airbus Group SE, €1 billion, 4,625% (matured 12/08/2016)	-	18.792
	34.032	**69.696**

These amounts represent the fair market value, less accrued interest, at December 31, 2016 of:

- the Interest Rate Swap for which the Company has entered into with Airbus Group SE with effect of December 27, 2005. The notional amount of the swap is €500 million, which expires on September 25th, 2018. The Interest Rate Swap is designated as a Cash Flow Hedge and its purpose is to swap the variable interest in connection with the €500 million loan to Airbus Group SE (see note 3), into a fixed interest rate of 5,50% per annum.

- the Interest Rate Swap for which the Company had entered into with Airbus Group SE with effect of September 18, 2009. The notional amount of the swap was €1 billion, which expired on August 12, 2016. The Interest Rate Swap is designated as a fair value hedge and its purpose is to swap the fixed interest of 4,625% per annum in connection with the €1 billion Eurobond (see note 10), into a variable interest rate of EURIBOR three (3) months with a spread of 1,565% per annum from September 18, 2009 onwards. Changes in the fair value of the Interest Rate Swap of €18,8 million negative (2015: €27,7 million negative) have been recognized in the Income Statement.

The fair value of the Interest Rate Swaps was determined by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the swap.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

The effective portion of the movement of the fair value of the €500 million interest rate swap, for a negative amount of €12,7 million (2015: negative €10,9 million) was completely recognized in Other Comprehensive Income, net of deferred taxes.

5. SHORT-TERM LOANS RECEIVABLE

In € thousand	31/12/2016	31/12/2015
Short-term EMTN-Loan to Airbus Group SE	-	999.377
Short-term US$-Loans to Airbus Group SE	-	505.129
	-	**1.504.506**

On August 7, 2009, the Company entered into a loan agreement with effect of August 12, 2009, with Airbus Group SE, to make a loan available for the principal amount of €1 billion, reduced by a discount of €7,01 million. This loan originally bore interest at a rate of 4,645% per annum, payable yearly in arrears each August 12. On September 29, 2009, the Company has changed the interest terms of the loan agreement with effect of September 18, 2009. For an interim period commencing September 18, 2009 up to November 12, 2009 the interest rate was amended to 2,169% per annum. From November 12, 2009 onwards the loan bore interest at the rate of EURIBOR three (3) months with a spread of 1,585% per annum. Interest was payable quarterly in arrears each February 12, May 12, August 12 and November 12 commencing November 12, 2009 until and including August 12, 2016.

This loan to Airbus Group SE was repaid on August 12, 2016.

The funds received short term in 2015 through the Euro and US$-Commercial Paper Programmes, having a maturity period of up to six months, were lent through to Airbus Group SE mirroring the conditions applicable to the money raised (see note 12). At year end 2016 no US$-Commercial Paper Programmes were drawn down.

6. ACCRUED INTEREST RECEIVABLE

In € thousand	31/12/2016	31/12/2015
Interest Rate SWAPS Airbus Group SE	7.280	23.147
Loans to Airbus Group SE	36.808	27.131
	44.088	**50.278**

7. CASH AND CASH EQUIVALENTS

In € thousand	31/12/2016	31/12/2015
Intercompany Accounts Airbus Group SE	**5.300**	**4.461**

8. EQUITY

The Company has an authorised share capital of 1,500,000 shares of € 1 each. As of December 31, 2016, the issued and paid-up share capital of the Company consists of 300,000 ordinary shares with a par value of € 1 each. During the financial year 2016 no additional shares were paid-up. The Other Reserves include capital tax paid in relation to a capital increase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

The Company complies with the capital requirements under applicable law and its articles of association. The main activity of the Company is to refinance Airbus Group entities. The Company manages its capital with the interest rate spread applied on the loans provided to Airbus Group SE. The interest rates are based on market conditions.

Appropriation of the Net Result

According to the Company's articles of association, the Annual Meeting of Shareholders determines the appropriation of the Company's net result for the year.

The board of Managing Directors proposes that the net profit for the year ended December 31, 2016, amounting to €1.110 thousand be transferred to the Retained Earnings.

Subsequent Events

There are no subsequent events to be reported.

9. CASH FLOW HEDGE RESERVE

This amount represents the change in fair value in the reporting year of the Interest Rate Swaps (see note 4), for the effective part of the Cash Flow Hedge, net of deferred taxes. According to Dutch law this reserve is considered to be a legal reserve.

10. NON-CURRENT INTEREST BEARING LIABILITIES

In € thousand	**31/12/2016**	**31/12/2015**
- 5,500% Eurobond Airbus Group Finance B.V., 25/09/2018 fair value €549.100 thousand (prior year: €571.710 thousand)	499.416	499.078
- 2,700% US$-bond Airbus Group Finance B.V., 17/04/2023 fair value €937.463 thousand (prior year: €897.750 thousand)	945.801	914.926
- 2,375% Eurobond Airbus Group Finance B.V., 02/04/2024 fair value €1.123.840 thousand (prior year: €1.084.530 thousand)	996.434	995.940
- 2,125% Eurobond Airbus Group Finance B.V., 29/10/2029 fair value €547.845 thousand (prior year: €516.545 thousand)	494.661	494.244
- 0,875% Eurobond Airbus Group Finance B.V., 13/05/2026 fair value €598.752 thousand	594.119	-
- 1,375% Eurobond Airbus Group Finance B.V., 13/05/2031 fair value €903.024 thousand	883.532	-
	4.413.963	**2.904.188**

The Company has issued a Eurobond benchmark transaction under the EMTN Programme of €500 million with value date September 25, 2003. The bond has an original maturity of fifteen years and carries a yearly coupon of 5,500%. The bond matures on September 25, 2018.

The Company has issued an inaugural bond transaction in the US institutional market of US$1 billion with value date April 17, 2013. The bond has an original maturity of ten years and carries a yearly coupon of 2,700%. The bond matures on April 17, 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

The Company has issued a Eurobond benchmark transaction under the EMTN Programme of €1 billion with value date April 2, 2014. The bond has an original maturity of ten years and carries a yearly coupon of 2,375%. The bond matures on April 2, 2024.

The Company has issued a Eurobond benchmark transaction under the EMTN Programme of €500 million with value date October 29, 2014. The bond has an original maturity of fifteen years and carries a yearly coupon of 2,125%. The bond matures on October 29, 2029.

The Company has issued a Eurobond benchmark transaction under the EMTN Programme of €600 million with value date May 13, 2016. The bond has an original maturity of ten years and carries a yearly coupon of 0,875%. The bond matures on May 13, 2026.

Also, the Company has issued a Eurobond benchmark transaction under the EMTN Programme of €900 million with value date May 13, 2016. The bond has an original maturity of fifteen years and carries a yearly coupon of 1,375%. The bond matures on May 13, 2031.

The issued bonds are covered by a guarantee from Airbus Group SE, the parent company. The disclosed fair values of the bonds were determined using market quotations at reporting date.

11. DEFERRED TAXES PAYABLE

The deferred tax liability relates to the temporary difference between the valuation of the derivative financial instruments for financial statements purposes and their respective tax basis. Deferred taxes are recognized as income tax benefit or expense except for changes in fair value of derivative instruments designated as cash flow hedges which are recorded net of tax in the cash flow hedge reserve. In 2016, a positive amount of €4,2 million has been recognized in Other Comprehensive Income (2015: positive €3,6 million).

12. SHORT-TERM LOANS PAYABLE

In € thousand	**31/12/2016**	**31/12/2015**
- 4,625% Eurobond Airbus Group Finance B.V., 12/08/2016 fair value €0 thousand (prior year: €1.027.620 thousand)	-	1.018.178
- Short-term Loans from US$-Commercial Paper Programme	-	505.129
	-	**1.523.307**

The Company had issued a Eurobond benchmark transaction under the EMTN Programme of €1 billion with value date August 12, 2009. The bond had an original maturity of seven years and carried a yearly coupon of 4,625%. The bond matured on August 12, 2016. Changes in the fair value of the liability attributable to the hedged interest rate risk in the amount of €18,8 million negative (2015: €27,7 million negative) are recognized in the Income Statement (see note 4).

The funds received short term in 2015 through the US$-Commercial Paper Programme, having a maturity period of up to six months, were lent through to Airbus Group SE mirroring the conditions applicable to the money raised (see note 5). No short term loans from US$-Commercial Paper Programme were lent to Airbus Group SE at year end 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

13. ACCRUED INTEREST PAYABLE

In € thousand	31/12/2016	31/12/2015
5,500% Eurobond Airbus Group Finance B.V., 25/09/2018	7.383	7.363
4,625% Eurobond Airbus Group Finance B.V., 12/08/2016	-	17.944
2,700% U.S.-bond Airbus Group Finance B.V., 17/04/2023	5.265	5.098
2,375% Eurobond Airbus Group Finance B.V., 02/04/2024	17.829	17.780
2,125% Eurobond Airbus Group Finance B.V., 29/10/2029	1.863	1.858
0,875% Eurobond Airbus Group Finance B.V., 13/05/2026	3.351	-
1,375% Eurobond Airbus Group Finance B.V., 13/05/2031	7.900	-
	43.591	**50.043**

14. INTEREST INCOME

In € thousand	2016	2015
Long-term Loans to Airbus Group SE	87.704	85.248
Interest Rate SWAPS Airbus Group SE	39.286	48.566
Amortization of Loan Disagio	3.729	3.134
Short-term Loans to Airbus Group SE	120	319
Intercompany Accounts Airbus Group SE	7	-
	130.846	**137.267**

15. INTEREST EXPENSES

In € thousand	2016	2015
5,500% Eurobond Airbus Group Finance B.V., 25/09/2018	(27.520)	(27.480)
4,625% Eurobond Airbus Group Finance B.V., 12/08/2016	(28.306)	(46.201)
2,700% U.S.-bond Airbus Group Finance B.V., 17/04/2023	(24.387)	(24.922)
2,375% Eurobond Airbus Group Finance B.V., 02/04/2024	(23.799)	(23.701)
2,125% Eurobond Airbus Group Finance B.V., 29/10/2029	(10.630)	(10.620)
0,875% Eurobond Airbus Group Finance B.V., 29/10/2029	(3.351)	-
1,375% Eurobond Airbus Group Finance B.V., 29/10/2029	(7.900)	-
Short-term Loans from Commercial Paper Programme	(128)	(320)
Amortization of Bond Issue Costs	(3.720)	(3.077)
	(129.741)	**(136.321)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS

a) Financial Risk Management

The Company's principal financial instruments, other than derivatives, generally comprise long-term Eurobond liabilities and short-term loans from Commercial Paper Programme. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company generally has various financial assets such as short- and long-term loans receivables and cash, which arise directly from its operations. Airbus Group Finance B.V. also enters into derivative transactions which consist of interest rate swaps only. The purpose is to manage the interest rate risks arising from the Company's operations. It is, and has been throughout the year under review, the Company's policy that no trading in derivatives shall be undertaken.

Interest Rate Risk - Airbus Group Finance B.V. uses an asset and liability management approach with the objective to limit its interest rate risk. The Company undertakes to match the risk profile of its liabilities with a corresponding asset structure. Therefore the Company uses Interest Rate Derivatives for hedging purposes to fully hedge the interest risk on the variable interest-bearing long-term loans to Airbus Group SE and to swap the variable interest into fixed interest, as well as to fully hedge the interest risk on one of the fixed interest-bearing bonds.

Sensitivities of Market Risks - As all of the Company's external financial debt has been lent to Airbus Group SE at nearly identical conditions, the interest rate risk of the total portfolio of financial instruments is nearly balanced.

Liquidity Risk - The Company's policy is to maintain sufficient liquid assets at any time to meet its present and future commitments as they fall due. The liquid assets typically consist of cash and cash equivalents. In addition, the Company maintains a set of other funding sources. Depending on its cash needs and market conditions, the Company may issue bonds, notes and commercial papers.

In € million	Carrying amount	Contractual cash flows	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years
Dec 31, 2016								
Non derivative financial assets	4.458	5.220	86	586	79	79	79	4.311
Total	**4.458**	**5.220**	**86**	**586**	**79**	**79**	**79**	**4.311**
Non derivative financial liabilities	(4.457)	(5.250)	(105)	(605)	(78)	(78)	(78)	(4.306)
Total	**(4.457)**	**(5.250)**	**(105)**	**(605)**	**(78)**	**(78)**	**(78)**	**(4.306)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

In € million	Carrying amount	Contractual cash flows	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years
Dec 31, 2015								
Non derivative financial assets	4.459	5.034	1.590	69	569	60	60	2.686
Total	**4.459**	**5.034**	**1.590**	**69**	**569**	**60**	**60**	**2.686**
Non derivative financial liabilities	(4.477)	(5.110)	(1.638)	(86)	(586)	(59)	(59)	(2.682)
Total	**(4.477)**	**(5.110)**	**(1.638)**	**(86)**	**(586)**	**(59)**	**(59)**	**(2.682)**

The above table analyses the Company's financial liabilities by relevant maturity groups based on the period they are remaining on the Company's Statement of Financial Position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, comprising all outflows of a liability such as repayments and eventual interest payments. Non-derivative financial liabilities comprise financing liabilities at amortized cost.

Foreign Currency Risk - The Company has entered into US$ transactions during 2013 with the issuance of a bond transaction of US$1 billion and during 2015 with the issuance of the Commercial Paper Programme of US$550 million. The Company has at the same time entered into a loan agreement for the principal bond amount of US$1 billion with Airbus Group SE. The funds received from the US$-Commercial Paper Programme were fully on lent to Airbus Group SE. The company has incurred foreign exchange gains in the year 2016 amounting to €29 million (2015: €100 million), which were fully compensated by foreign exchange losses for the same amount. Therefore, the net effect from foreign exchange difference is nil.

Credit Risk - The Company has only one debtor, which is Airbus Group SE. The maximum credit risk equals the book value of the respective items on the Statement of Financial Position at reporting date, as shown in the table below. The long-term corporate credit rating of Airbus Group SE is A+ (S&P).

In € million	**31/12/2016**	**31/12/2015**
Receivables, neither past due nor impaired	4.458	4.459
Cash and Cash Equivalents	5	4
Derivative financial assets	34	70
	4.497	**4.533**

b) Carrying amounts and fair values of financial instruments

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party in a current transaction, other than in a forced or liquidation sale. Fair values of financial instruments have been determined with reference to available market information at the reporting date and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Company could realize in a current market environment. The following tables present the carrying amounts and fair values of financial instruments according to IAS 39 measurement categories as of December 31, 2016 and 2015 respectively:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

In € million	Fair Value for Hedge Relations		Loans and Receivables and Financial Liabilities at amortised cost		Financial Instruments Total	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
Dec 31, 2016						
Financial Assets						
Non-current assets	-	-	4.414	4.626	4.414	4.626
Derivative financial assets	34	34	-	-	34	34
Current assets	-	-	49	49	49	49
	34	**34**	**4.463**	**4.675**	**4.497**	**4.709**
Financial Liabilities						
Non-current/current liabilities	-	-	(4.457)	(4.704)	(4.457)	(4.704)
	-	**-**	**(4.457)**	**(4.704)**	**(4.457)**	**(4.704)**
Dec 31, 2015						
Financial Assets						
Non-current assets	-	-	2.904	3.020	2.904	3.020
Derivative financial assets	70	70	-	-	70	70
Current assets	-	-	1.559	1.569	1.559	1.569
	70	**70**	**4.463**	**4.589**	**4.533**	**4.659**
Financial Liabilities						
Non-current and current financial liabilities	-	-	(4.477)	(4.653)	(4.477)	(4.653)
	-	**-**	**(4.477)**	**(4.653)**	**(4.477)**	**(4.653)**

Fair value hierarchy - The fair value hierarchy consists of the following levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

The following table provides the fair value hierarchy of the Company's assets and liabilities as of December 31, 2016 and December 31, 2015:

	31 December 2016			31 December 2015		
In € million	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets measured at fair value						
Non-derivative financial assets	0	4.675	4.675	0	4.589	4.589
Derivative financial instruments	0	34	34	0	70	70
Total	**0**	**4.709**	**4.709**	**0**	**4.659**	**4.659**
Financial liabilities measured at fair value						
Non-derivative financial liabilities	(4.660)	0	(4.660)	(4.148)	(505)	(4.653)
Total	**(4.660)**	**0**	**(4.660)**	**(4.148)**	**(505)**	**(4.653)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

The Company determines Level 2 fair values for derivative financial instruments for hedge relations using recognised valuation techniques such as option pricing models and discounted Cash Flow models. The valuation is based on market data such as currency rates, interest rates and credit spreads as well as price and rate volatilities obtained from recognised vendors of market data.

Financial Assets and Liabilities - Generally, fair values are determined by observable market quotations or valuation techniques supported by observable market quotations. By applying a valuation technique, such as present value of future Cash Flows, fair values are based on estimates. However, methods and assumptions followed to disclose data presented herein are inherently judgmental and involve various limitations like estimates as of December 31, 2016 and 2015, which are not necessarily indicative of the amounts that the

Company would record upon further disposal/termination of the financial instruments. With respect to the fair value of financial liabilities, the own non-performance risk was assessed to be insignificant as at December 31, 2016 and 2015. For current financial assets, management assessed that the carrying amounts approximate the fair value due to the short-term maturity of these assets.

Interest Rate Contracts - The fair value of these instruments is the estimated amount that the Company would receive or pay to settle the related agreements as of December 31, 2016 and 2015 based on present value calculations. The used swap model incorporates various inputs including interest rate curves. As at December 31, 2016 and 2015, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

c) Notional amounts of derivative financial instruments

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

The notional amounts of interest rate contracts are as follows, specified by year of expected maturity:

Year ended December 31, 2016	**Remaining period**						
in € million	**2017**	**2018**	**2019**	**2020**	**2021**	**2022+**	**Total**
Interest Rate Contracts	-	500	-	-	-	-	**500**

Year ended December 31, 2015	**Remaining period**						
in € million	**2016**	**2017**	**2018**	**2019**	**2020**	**2021+**	**Total**
Interest Rate Contracts	1,000	-	500	-	-	-	**1,500**

d) Derivative financial instruments and hedge accounting disclosure

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of December 31, 2016 and 2015:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)

Interest rate in %	December 31, 2016 €	December 31, 2016 US$	December 31, 2015 €	December 31, 2015 US$
6 months	(0.26)	1.31	(0.08)	0.94
1 year	(0.11)	1.62	0.14	1.12
5 years	(0.06)	1.97	0.21	1.72
10 years	0.54	2.35	0.89	2.18

Hedging activities - At December 31, 2016, the Company has interest swap agreements in place with notional amounts totaling €500 million (as at December 31, 2015: €1.500 million). The swaps are partly used to swap variable interest in connection with €500 million loan to Airbus Group SE (see note 3), into a fixed interest similar to the interest rate on the EMTN-Bonds (see note 10), and partly used to swap fixed interest in connection with issue of the third EMTN-Bond amounting to €1.000 million (see note 12) into a variable interest rate. This third EMTN Bond was repaid in August 2016 and consequently the interest rate swap matured. The hedges were assessed highly effective.

17. NUMBER OF EMPLOYEES AND EMPLOYMENT COSTS

The Company employed no personnel in the year ended on December 31, 2016 (2015: 0).

18. DIRECTORS

The Company had no director who received remuneration.

19. COMMITMENTS AND CONTINGENT LIABILITIES

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

20. RELATED PARTIES

Airbus Group SE is a related party, as it holds 100% of the shares of Airbus Group Finance B.V. The transactions and outstanding balances relating to Airbus Group SE are detailed in the notes. We refer to the comments to long-term and short-term loan receivables, positive fair value derivative instruments, accrued interest receivables, cash and cash equivalents, equity, accrued interest payables and interest income.

21. AUDIT FEES

Fees related to professional services rendered by the Company’s accountant, Ernst & Young accountants LLP, for the fiscal year 2016 were €70 thousand. These fees relate to audit services only.

Building a better working world

Independent auditor's report

To: the shareholders of Airbus Group Finance B.V.

Report on the audit of the Annual Financial Statements 2016 included in the annual report

Our opinion
We have audited the financial statements 2016 Airbus Group Finance B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Airbus Group Finance B.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- The statement of financial position as at 31 December 2016
- The following statements for 2016: the income statement, the statement of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

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

We are independent of Airbus Group Finance B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	€ 27 million
Benchmark applied	0.6 % of total assets
Explanation	We have applied total assets as a benchmark since the main objective of the company is financing Airbus Group SE affiliates by raising funds, including the issue of bonds, loans notes or other securities.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements in excess of € 1.35 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

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

Risk	Our audit approach
Valuation of loans receivable	
Description Airbus Group Finance B.V. is a financing entity entering into financing agreements with Airbus Group SE. Airbus Group Finance B.V. has no substantial assets other than loans and payments of interest by Airbus Group SE to meet its financial obligations. We consider the valuation of the loans receivable a key audit matter due to the size of the loans in relation to the financial statements as a whole. Reference is made to disclosure on Note 16 'Information about financial instruments' of the financial statements.	**Our audit approach** We evaluated the financial position and liquidity of Airbus Group SE to assess whether they are able to meet their contractual obligations. To determine this we have, amongst others, inspected the 2016 financial statements of Airbus Group SE and considered recent developments in the financial position and cash flows of Airbus Group SE and whether any conditions exist that my lead to their inability to meet their contractual obligations. Furthermore we inspected the recent ratings issued by credit agencies for Airbus Group SE. Finally we evaluated whether appropriate disclosures relating to financial instruments were made in the financial statements.
Derivative financial instruments	
Description Airbus Group Finance B.V. manages its exposure to fair value and interest rate risks by means of derivative financial instruments. The company applies fair value and cash flow hedge accounting to its derivatives to match results on the derivatives and related hedge positions. We consider the valuation of the derivative financial instruments and hedge accounting as a key audit matter due to the detailed formal and technical requirements that are applicable and due to the fact that the inappropriate application of these requirements can lead to a material effect on the income statement. Reference is made to disclosure on Note 16 'Information about financial instruments' of the financial statements.	**Our audit approach** For the audit of financial instruments we used specialists who tested the controls around the central treasury system, independently calculated the valuation of the treasury portfolio and tested the application of the hedge accounting rules and the resulting accounting treatment. We also obtained counterparty confirmation of the outstanding financial instruments to verify the existence and ownership. Finally we evaluated whether appropriate disclosures relating to financial instruments were made in the financial statements.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Report of the Board of Directors;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Board of Directors as auditor of Airbus Group Finance B.V. on 15 November 2016, as of the audit for the year 2016.

Description of responsibilities for the financial statements

Responsibilities of the Board of Directors for the financial statements

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

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

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 7 April 2017

Ernst & Young Accountants LLP

Signed by A.A. van Eimeren