



PENSION NEWS

Airbus Group UK Pension Scheme

Summary Report
for the year ended
5th April 2015 for members
of Schedules 1, 2 and 3
December 2015



Chairman's Update

Welcome to the 2015 Pensions News which includes a summary of the Trustee Report and Accounts as at 5th April 2015.

I'm pleased to report the Scheme's investments performed well over the year, increasing by 16%. The Trustee has also made some changes to the investments over the year, further details can be found within.

I would also like to take this opportunity to remind members of the importance of keeping your Expression of Wish form up to date. The Trustee is responsible for deciding who any death benefits should be payable to, and will also take your wishes into consideration. You can check or update your Expression of Wish by logging onto the ePA website <https://epa.towerswatson.com/doc/AST/login.htm>

As always, your feedback on Pension News is extremely welcome so let us know if you have any comments about this edition.

Bill Newman



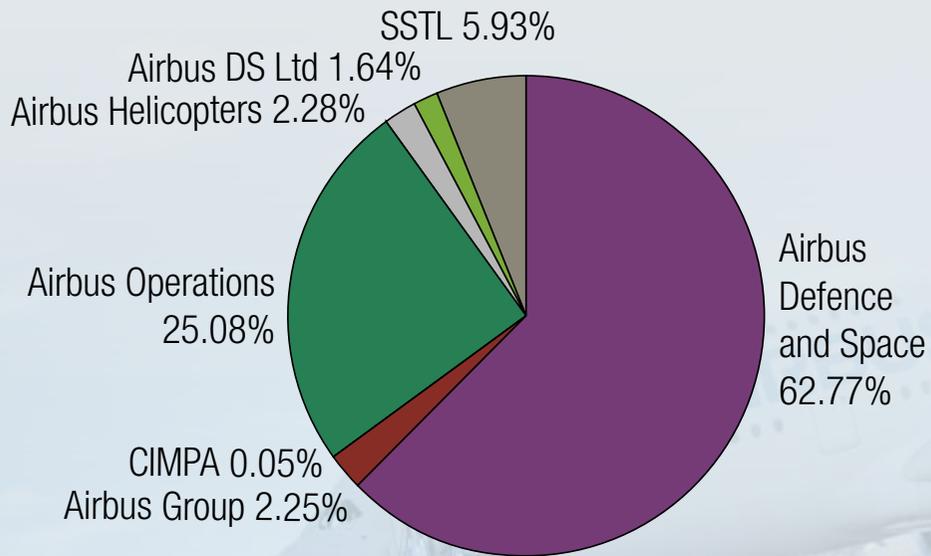
Bill Newman, Chairman of Trustees

Trustee Report

Scheme membership

Existing employees who were not members of the Scheme were given a final chance to join Schedule 1 this year.

Scheme Membership – contributions by employer



Scheme Membership – membership by type

Active Members	
Schedule 1	4494
Schedule 2	574
Schedule 3	312
Total	5380

Deferred Pensioners	1360
Pensioners & Dependents	508
Total Membership	7248

Key Changes this Year	
New Joiners to Schedule 1	230
Members becoming deferred	299
New Pensioners	64

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Scheme Finances

The Scheme's auditor Ernst and Young LLP, has given an unqualified audit opinion on the financial statements for year ending 5 April 2015, confirming that the financial statements give a true and fair view of the Scheme's financial transactions during the year and the net assets at the year end.

The auditor has also given an unqualified statement on the contributions, confirming that the contributions payable to the Scheme for the year ended 5 April 2015 have been paid in accordance with the Schedule of Contributions. You can request a copy of the full Annual Report and Accounts from the Pensions Manager.

Income and Expenditure

▶	Net assets of the Scheme at 6 April 2014	£509.1 m
+	Total Income	£47.4 m
-	Total Outgoings	£11.1 m
+	Change in market value of investments	£82.1 m
=	Net assets of the Scheme at 5 April 2015	£627.5 m

Value of the Scheme (£m)



Defined Benefit Investments

Strategy

The Trustee Board continued to keep its investment strategy under review to meet its long term objective to seek extra return but with little added risk, particularly through greater diversification of asset classes.

The Trustee Board commissioned a report from its advisers to review how closely the investments match the long term Scheme liabilities. Arising from this study, the Trustee Board decided to sell the corporate bond holding and some of the government bonds and buy some specialist bonds and inflation-linked bonds with M&G Investments (an investment arm of Prudential).

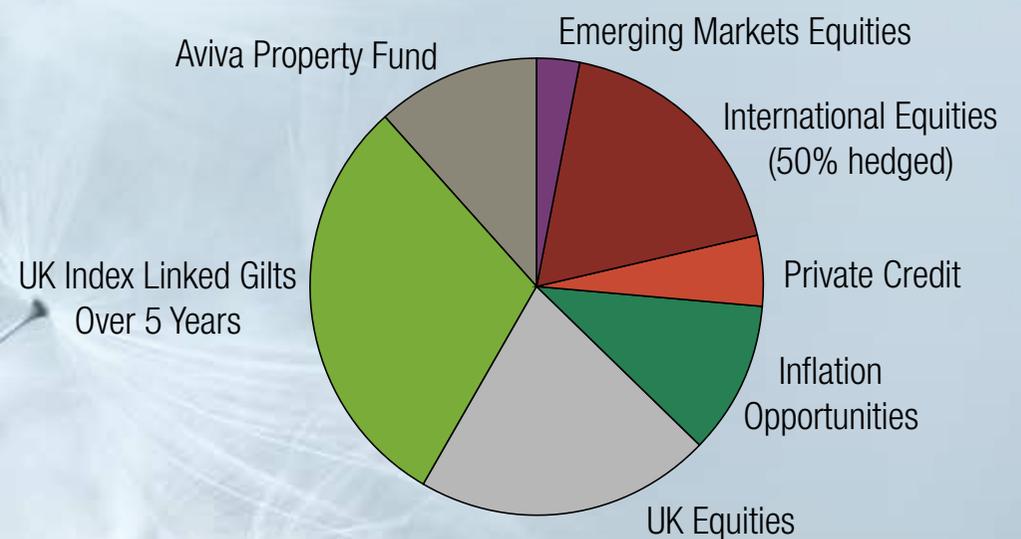
During the year under review, developed market equities performed strongly reflecting the continued global recovery. UK bonds returns outperformed expectations and UK property continued to deliver strong returns.

Comprehensive details of the Trustee Board's investment strategy are set out in the Statement of Investment Principles (SIP) a copy of which can be obtained from the Pensions Manager.

Defined Benefit Investment Performance



Asset Allocation



Defined Contribution Investments

The Trustee Board provides a range of funds in which you can invest Additional Voluntary Contributions (AVCs) or Retirement Account contributions. It is important that you keep your defined contribution (DC) investments under review. Whilst there may be a gain (or fall) in your investments over a short period, e.g. one year, it is the long term value of your investments into retirement that matters. You should be aware of the type of investment funds your contributions are invested in and remember that you can switch your investments between funds.

Performance of individual funds

The return on each of the Legal & General funds during the year is shown in the table below.

Percentage Returns	1 year (%)	3 years (% p.a.)
Legal & General (PMC) Global Equity Fixed Weights 50:50 Index Fund 3	14.69	13.34
Legal & General (PMC) AAA-AA-A Corporate Bond Over 15 Year Index Fund 3	21.88	11.24
Legal & General (PMC) Over 5 Year Index Linked Gilts Index Fund 3	23.23	9.24
Legal & General (PMC) Over 15 Year Gilts Index Fund 3	27.27	9.88
Legal & General (PMC) Diversified Fund 3*	13.24	N/A
Legal & General Cash Fund 3	0.48	0.62
Legal & General Property Fund 3	14.48	8.86
Legal & General (PMC) UK Equity Index Fund 3	7.01	11.39
Legal & General (PMC) World (EX-UK) Equity Index Fund 3	21.75	15.22
Legal & General (PMC) World Emerging Markets Equity Index Fund 3	17.49	3.13
Legal & General HSBC Life Amanah Fund 3	14.48	8.86

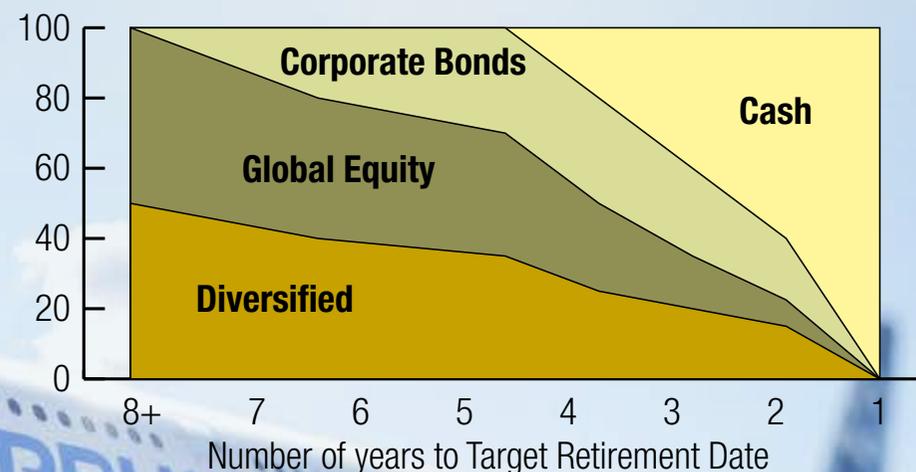
*This fund has not been in existence long enough to have 3 year performance figures. The 3 year figures relate to the L&G funds although member's investments were invested with Standard Life prior to May 2014.

Airbus Group Mixed Lifestyle Profile

The Lifestyle Profile is the default option for any member who doesn't choose where to invest their Retirement Account/AVCs. It automatically moves your investments from growth funds into more stable funds as you get closer to your chosen retirement date. Your retirement date is automatically set to 65 unless you choose otherwise and your account will be invested to this target. So, if you plan on retiring earlier or later than this, it's important that you let us know – otherwise your account might not be invested as planned as you approach retirement. The Total Management Charge for the Mixed Lifestyle Profile is 0.365% per year and reduces as you approach retirement.

The graph below shows where your investments will be allocated as you approach retirement. The Mixed Lifestyle Profile for members more than 8 years away from their target retirement date returned 13.96% over the year.

Airbus Group Mixed Lifestyle Profile



Defined Contribution Investments (continued)

Self-select funds

If you feel that the Lifestyle Profile isn't the right choice for you, you can also choose to invest in any of the range of investment funds we have made available through Legal & General.

The list of funds is shown to the right (and the Annual Management Charge for each). You can read more about the funds and find factsheets on our website www.airbusgroup.com/pensions

Fund	Total Management Charge (per year)
L&G Global Equity Fixed Weights (50:50) Index Fund	0.28%
L&G UK Equity Index Fund	0.28%
L&G World (ex UK) Equity Index Fund	0.30%
L&G World Emerging Markets Equity Index Fund	0.63%
L&G AAA-AA-A Corporate Bond Over 15 Year Index	0.30%
L&G Over 15 Year Gilts Index Fund	0.26%
L&G Over 5 Year Index Linked Gilts Fund	0.26%
L&G Pension Cash Fund	0.28%
L&G Diversified Fund	0.45%
L&G Property Fund	0.89%
L&G Pension HSBC Life Amanah Fund	0.73%

You will have received a membership certificate from Legal & General which allows you to register for the 'Manage your Account' website. www.landg.com/manageyouraccount. Once you have registered, you can use the site to view and make changes to your investments at any time.

Charges

In April 2015, the Government introduced an upper limit of 0.75% per year on the charges for the default fund choice in defined contribution pension schemes.

This charge cap will apply to the default lifestyle arrangement (where you invest your DC savings if you do not select your own funds). You will be pleased to note that the charge for our Scheme's Lifestyle Profile is well below this charge cap.



Summary Funding Statement as at 5 April 2015

This summary funding statement provides information about the financial security of the Scheme, as at 5 April 2015.

How is the financial security of the Scheme measured?

It is important to remember that the Scheme's aim is to honour the employer's promise to pay certain defined benefits on retirement or earlier death. An indication of these benefits is provided in either the benefit statement that members receive each year or notified to them when they leave the Scheme or retire.

The cost of these benefits is met through contributions paid by members and the employer spread over working lives. These contributions are held in a Trust Fund held separately from the Employer. The Trust Fund is looked after by the Trustees, who are responsible for deciding on the investment policy, after consulting with the Principal Employer. Every three years a full valuation of the Scheme is carried out by the Scheme's Actuary. An objective of this valuation is to compare the value of the assets held by the Scheme with the estimated value of the liabilities, i.e. the expected cost of meeting all the benefits promised up to the date of the valuation. This process may show a surplus or a shortfall.

It is normal practice to adjust future contributions to deal with any surplus or deficit. In rare circumstances a surplus can be paid back to the employers, but this has never been done by this Scheme.

What is the funding position?

The most recent formal valuation of the Scheme took place as at 5 April 2013. The results (together with those of the previous valuation) can be summarised as follows:

	2010 Valuation	2013 Valuation
Assets	£266.0m	£454.2m
Amount needed to provide scheme benefits	£290.8m	£456.1m
Shortfall	£24.8m	£1.9m
Funding level	91.5%	99.6%

Recovery Plan

The Trustee Board and the Principal Employer have agreed a Recovery Plan that contributions will be paid to the Scheme by the employers, in addition to the cost of benefit accrual and expenses, with the objective of clearing the funding shortfall. The rates of Recovery Plan employer contributions are 6.5% of contributory earnings for Schedule 2 members and 5.9% of contribution earnings for Schedule 3 members.

Up to date information

The latest annual report by the Scheme Actuary showed that on 5 April 2015 the funding level of the Scheme was estimated to be 98%. The position has decreased from the 102% reported in the last summary funding statement, which was included in the 2014 Pension News. Although the investments held by the Scheme increased in value, and further contributions were paid by the employers, the value of the liabilities increased to a greater extent; this was mainly as a result of lower investment returns being expected in the future.

The role of the Trustee

The Trustee's main objective is to have enough money in the Scheme to be able to pay the pensions and other benefits due to members as they fall due. In addition to taking actuarial advice on the funding of the Scheme and agreeing contributions with the employers, the Trustee is responsible for the Scheme's investment policy.

The Trustee Board has appointed an investment advisor to give professional advice to manage the assets in line with their investment policy. Details about the Trustee's investment policy are shown in a Statement of Investment Principles.

The importance of the employers' support

The funding of the Scheme does rely on the continuing support of the employers. If an employer goes out of business any shortfall in its share of a pension scheme would become a debt on that employer. The employer would be required to pay a debt to the pension scheme that represents the cost of securing the employer's share of the benefits promised with insurance policies.

The cost of buying insurance policies is very expensive, especially for younger members. For example, if the Airbus Group UK Pension Scheme had wound up and insurance policies were purchased on 5 April 2013 it has been estimated that the Scheme's assets would have met 54% of the cost. Under normal circumstances it is unlikely that a pension scheme would be forced to wind up immediately and so the trustee could continue to keep the scheme open and pay the benefits as they become due, although further benefits would not accrue.

The worst that could happen would be that the employer became insolvent whilst a scheme had a shortfall and there were not sufficient

proceeds from the insolvency to meet the cost of buy-out policies. The Government has set up the Pension Protection Fund to cover such eventualities, subject to certain limits and conditions. Details can be found at: www.pensionprotectionfund.org.uk

The Pensions Regulator

In certain circumstances the Pensions Regulator can direct how the Scheme's technical provisions must be calculated, set the period for eliminating any funding shortfall, specify the level of company contributions to be paid (rather than leaving these issues to be determined by the Trustee) and has the power to modify the Scheme's future accrual of benefits. No such circumstances have arisen.

How can I get more information?

A member's pension is an important benefit. More information may be obtained about the Scheme and how it is managed by contacting the Pensions Manager. A copy of the Trustee Report and a copy of the Statement of Investment Principles can also be obtained.



Developments

Pension increases

On 1 April 2015, pensions in payment were increased by 2.3% on benefits accrued before and after 5 April 2006. An increase of 1.2% was applied to Guaranteed Minimum Pension (GMP) earned after 6 April 1988. Pensions purchased from AVCs were increased by 2.3%.

New trustee

Following Peter Cheney's retirement, Steve Chafer has been elected as a member-nominated trustee director of the Scheme. Steve is a Business Development Manager within the Oil, Gas and Mining Division of the Geo-Intelligence programme line within Airbus Defence and Space and has been with the company since 1997.

Recent developments in pensions

From April 2015, the government introduced radical changes to the way people can take their Defined Contribution (DC) pensions at retirement. The purpose is to offer individuals a much greater choice over how their retirement benefits can be taken. These changes will not directly affect the Defined Benefit (DB) sections of the Scheme as the pension benefits are automatically paid out of the Scheme and tax-free cash payments continue to be available. Members of DB schemes can transfer from a DB scheme to a registered DC scheme to take advantage of these new freedoms after taking independent financial advice if their Retirement Fund is worth £30,000 or more.

Same Sex Marriage

New legislation introduced in 2013 gave same sex couples the right to marry from 29 March 2014. The Scheme Rules have been amended so that surviving same sex spouses are entitled to the same benefits as opposite sex spouses and civil partners, within the Scheme.

Single tier State Pension

From April 2016 the government is replacing the current two-tier State pension (Basic State Pension plus the additional State Pension also known as S2P or SERPS) with one single-tier State Pension.

Those whose State Pension Age falls before 6 April 2016 will be unaffected. Whilst the new State Pension will be simpler, there will be transitional provisions.

For more information please refer to the government's website at www.gov.uk/new-state-pension

Contracting-out changes – members of Schedule 3

At the same time as introducing the new State Pension, the government is also ending contracting-out of the additional State Pension.

If you are a member of Schedule 3 you are currently contracted-out. This means that, for the present, you and your employer pay National Insurance at a lower rate, but don't build up an additional State Pension as a result.

From April 2016 your National Insurance contributions will increase to the standard rate.

Members of Schedules 1 or 2 are unaffected by this change as they already pay the standard rate of National Insurance Contributions.



Scheme contacts

Scheme website:

www.airbusgroup.com/pensions

Scheme email address:

ukpensions@airbus.com

The on-line administration site, ePA, can be found at:

<https://epa.towerswatson.com/doc/AST/login.htm>

The Legal & General Manage your Account site can be found at:

www.landg.com/manageyouraccount

If you have left employment you should contact Towers Watson to raise any queries about your pension at:

Airbus Group UK Pension Scheme
Towers Watson Limited, PO Box 545, Redhill, RH1 1YX
Tel: 01707 607618
E-mail: airbuspensions@towerswatson.com

If you have queries about the management of the Scheme or you require details of the dispute resolution procedure, please contact Clive Bugeja, Scheme Secretary at:

Airbus Group Pension Scheme Trustees Limited
Gunnels Wood Road, Stevenage, SG1 2AS
Tel: 01438 773319
E-mail: clive.bugeja@airbus.com

Looking after your data

Some personal data for Scheme members (such as date of birth and salary) is required for the running of the Scheme, including paying out the right benefits. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on those who exercise control over the data (known as "data controllers" under the Data Protection Act). Data controllers would include the Trustees of the Scheme, and, in certain circumstances, professional advisers to the Scheme. These may include the Scheme Actuary and Towers Watson, who have provided further details:

<http://www.towerswatson.com/personal-data>

The image shows a close-up of a white sign with the Airbus Group logo. The logo consists of the word "AIRBUS" in a large, bold, blue sans-serif font, with the word "GROUP" in a smaller, blue sans-serif font directly below it. The sign is mounted on a metal railing, and the background is a blurred view of an airport tarmac with aircraft and buildings.

Independent financial advice

The Airbus Group Pensions Team, the Trustee Directors, the PCC members and the Towers Watson administration team are not authorised to give you financial or investment advice. To obtain financial advice, members are advised to contact an Independent Financial Adviser (IFA). You can find a list of IFAs in your postal area by contacting IFA Promotion on 0117 971 1177 or visiting www.unbiased.co.uk

Pensions Consultative Committee

The PCC is a committee elected by Scheme members to represent them, consult on matters regarding the Scheme, and select Member Nominated Trustees (MNTs). There are three Member Nominated Trustees (MNTs) elected from the PCC membership to serve on the Trustee Board.

The roles of the PCC members are to:

- Consult with Airbus Defence and Space Limited (the Company) on matters relating to the Scheme and its members.
- Assist in the communication of information to members.
- Represent the views of all Scheme members

Name	Constituency	Status
Inaki Azpiazu-Pelaez	Filton	PCC Member
Steve Chafer	Leicester, Newcastle, Farnborough	Trustee
Denise Chappell	Stevenage	PCC Member
Mick Sheahan	Stevenage	PCC Member
David Hobbs	Oxford	PCC Member
Ken Johnson	Guildford	PCC Member
Bill Mullin	Broughton	PCC Member
Matthew Johnson	Broughton	PCC Member
Craig Musker	Newport	PCC Member
Guy Newham	Portsmouth	PCC Member
Steve Parker	Portsmouth	Trustee
Mario Schiavo	Filton	PCC Member
Phil Wadey	Corsham, Hawthorn, Oakhanger	Chairman of the PCC
Ian Westall	Pensioners	Trustee

Trustee and Advisers

Trustee	Airbus Group Pension Scheme Trustees Limited
Trustee Board of Directors	Bill Newman (Chairman) – Independent Steve Chafer – Member Nominated Director Keith Davies – Airbus Operations Marcus Wilhelm – Airbus Group Nigel Ede – Airbus Defence and Space Steve Parker – Member Nominated Director Ian Westall – Member Nominated Director
Head of Pensions & Secretary to the Trustee	Clive Bugeja – Airbus Group Limited
Principal Employer	Airbus Defence and Space Limited
Pensions Manager	Oliver Porter – Airbus Group Limited
Scheme Actuary	Adam Boyes – Towers Watson Limited
Administrator	Towers Watson Limited
Auditors	Ernst & Young LLP
Banker	HSBC Bank
Investment Consultant	Lane Clark & Peacock LLP
Investment Managers	State Street Global Advisors Limited Aviva Investors Pensions Limited M&G Investment Management Limited
AVC/Retirement Account Provider	Legal & General Assurance Society Limited
Solicitors and Legal Adviser	Sacker & Partners LLP

If you have difficulty reading this document you can obtain an audio copy by contacting the Pensions Manager.

