Chairman’s Update

Welcome to the latest edition of Pension 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 you that the Pensions Website has a dedicated section for members in receipt of a pension that contains lots of useful information. It can be found at www.airbusgroup.com/pensions.

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

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

- Airbus Defence and Space 62.77%
- Airbus Operations 25.08%
- Airbus Helicopters 2.28%
- Airbus DS Ltd 1.64%
- CIMPA 0.05%
- Airbus Group 2.25%
- SSTL 5.93%

Scheme Membership – membership by type

<table>
<thead>
<tr>
<th>Active Members</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule 1</td>
<td>4494</td>
</tr>
<tr>
<td>Schedule 2</td>
<td>574</td>
</tr>
<tr>
<td>Schedule 3</td>
<td>312</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5380</strong></td>
</tr>
</tbody>
</table>

| 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
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets of the Scheme at 6 April 2014</td>
<td>£509.1 m</td>
</tr>
<tr>
<td>Total Income</td>
<td>£47.4 m</td>
</tr>
<tr>
<td>Total Outgoings</td>
<td>£11.1 m</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>£82.1 m</td>
</tr>
<tr>
<td>Net assets of the Scheme at 5 April 2015</td>
<td>£627.5 m</td>
</tr>
</tbody>
</table>

Value of the Scheme (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>£184.2</td>
</tr>
<tr>
<td>2009</td>
<td>£187.3</td>
</tr>
<tr>
<td>2010</td>
<td>£266.0</td>
</tr>
<tr>
<td>2011</td>
<td>£313.8</td>
</tr>
<tr>
<td>2012</td>
<td>£374.9</td>
</tr>
<tr>
<td>2013</td>
<td>£454.2</td>
</tr>
<tr>
<td>2014</td>
<td>£509.1</td>
</tr>
<tr>
<td>2015</td>
<td>£627.5</td>
</tr>
</tbody>
</table>
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 bond 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

- Aviva Property Fund
- Emerging Markets Equities
- International Equities (50% hedged)
- Private Credit
- Inflation Opportunities
- UK Equities Index
- UK Index Linked Gilts Over 5 Years

1 year return (%): 16%
3 year return (% p.a.): 10.5%
5 year return (% p.a.): 9.6%
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.

Their roles 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

PCC Vacancies

The current pensioner representative on the PCC, Ian Westall will reach the end of his current term in March 2016, so there will be a vacancy for a pensioner representative. In addition, as the number of pensioners in the Scheme has reached 500 there is now a vacancy for a second pensioner member on the PCC. Ian has confirmed that he will be standing for re-election.

If you are interested in applying you will need to complete and return a nomination form by Friday 15 April 2016.

What makes a good PCC representative?

Anybody who is trustworthy, responsible, fair and open-minded can become a good Representative. The qualities that make a good Representative; good judgement, a desire to be fair, a willingness to learn and not being afraid to ask questions and ask for guidance when you need it. You won’t be expected to be a pensions expert – as mentioned before, you will have support from the Pensions Team and the other PCC Representatives.

Candidates for election as PCC Representatives must be in receipt of a pension from the Airbus Group UK Pension Scheme and be willing to travel to at least 4 meetings at various sites across the UK (most meetings are held in Stevenage) for which reasonable expenses will be paid.

What’s involved?

There are usually four PCC meetings per year. Dates for meetings are planned in advance and you will receive an agenda and any other relevant papers will be sent to you in good time before the meeting. The position is for a fixed term of three years only.

How to become a Representative

If you are interested in putting yourself forward for the vacancy, a nomination form can be obtained by sending an email to ukpensions@airbus.com or by calling 01438 773071 and requesting a form.

Completed nomination forms must be returned by 15 April 2016 to: Pensions Team, Airbus Defence and Space, Gunnels Wood Road, Stevenage, SG1 2AS, or by email to ukpensions@airbus.com

Voting

If there are more than two candidates for the roles, a ballot will be held. A Postal Vote will be arranged at a later date if required.
### PCC Members as at 1 March 2016

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

Some of the current PCC members, from left to right:

Steve Parker
Denise Chappell
Guy Newham
Bill Mullin
Ken Johnson
Matt Johnson
Craig Musker
David Hobbs
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:

<table>
<thead>
<tr>
<th></th>
<th>2010 Valuation</th>
<th>2013 Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>£266.0m</td>
<td>£454.2m</td>
</tr>
<tr>
<td>Amount needed to provide scheme benefits</td>
<td>£290.8m</td>
<td>£456.1m</td>
</tr>
<tr>
<td>Shortfall</td>
<td>£24.8m</td>
<td>£1.9m</td>
</tr>
<tr>
<td>Funding level</td>
<td>91.5%</td>
<td>99.6%</td>
</tr>
</tbody>
</table>

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.

Moving house?

It is very important that you keep the administration team informed of any changes to your address. This allows us to keep in contact with you and ensures continuity of your pension payments.

Email communications

If you would prefer to receive Pension News via email, please let us know by emailing ukpensions@airbus.com

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 complicated transitional provisions.

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

A new name for the administrator

On 4 January 2016, Towers Watson merged with Willis to form Willis Towers Watson.

This change will have no effect on how your pension is paid or looked after.

The email address for the administration team has been updated and is now airbuspensions@willistowerswatson.com
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

If you have any queries about your pension payments you should contact
Willis Towers Watson:

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

If you wish to contact the Trustee Board, or if you have queries about the
management of the Scheme or you require details of the dispute resolution
procedure, please contact Oliver Porter, Pensions Manager at:

Airbus Group Pension Scheme Trustees Limited
Gunnels Wood Road, Stevenage, SG1 2AS
Tel: 01438 773071
E-mail: oliver.porter@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 Willis Towers Watson, who have provided further
details: http://www.towerswatson.com/personal-data
## Trustee and Advisers

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

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