

Report of the Board of Directors

(Issued as of 23 February 2016)

| | | |
|-----------|--|-----------|
| 1. | GENERAL OVERVIEW | 1 |
| 2. | SUMMARY 2015 | 2 |
| 3. | SHARE CAPITAL AND STOCK PRICE EVOLUTION | 4 |
| | 3.1 Shareholding and voting rights | 4 |
| | 3.2 Relationship with Principal Shareholders | 9 |
| | 3.3 Share price performance 2015 | 14 |
| | 3.4 Dividend policy | 15 |
| 4. | CORPORATE GOVERNANCE | 16 |
| | 4.1 Management and Control | 16 |
| | 4.2 Conflict of Interest | 23 |
| | 4.3 Dutch Corporate Governance Code | 23 |
| | 4.4 Remuneration Report | 25 |
| | 4.5 Ethics and Compliance Organisation | 40 |
| | 4.6 Enterprise Risk Management System | 42 |
| | 4.7 Risk Factors | 45 |
| 5. | FINANCIAL PERFORMANCES AND OTHER CORPORATE ACTIVITIES | 60 |
| | 5.1 Consolidated Financial Statements (“IFRS”) | 60 |
| | 5.2 Information on Airbus Group SE auditors | 65 |
| | 5.3 Human Resources | 65 |
| | 5.4 Environmental matters | 67 |
| | 5.5 Research and Technology, Quality and Systems Engineering | 69 |
| 6. | FINANCIAL TARGETS FOR 2016 | 71 |
| 7. | AIRBUS GROUP STRATEGY | 71 |
| | 7.1 Commercial leadership, defence and space optimisation and value creation | 71 |
| | 7.2 Key divisional priorities 2016 | 73 |

Dear Shareholders,

This is the Report of the Board of Directors (the “**Board Report**”) on the activities of Airbus Group SE (the “**Company**” and together with its subsidiaries the “**Group**”) during the 2015 financial year, prepared in accordance with Dutch regulations.

For further information regarding the Company’s business, finances, risk factors and corporate governance, please refer to the Company’s website: www.airbusgroup.com

1. General Overview

With consolidated revenues of € 64,450 million in 2015, the Group is Europe’s premier aerospace and defence company and one of the largest aerospace and defence companies in the world. In terms of market share, the Group is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2015, it generated approximately 82% of its total revenues in the civil sector and 18% in the defence sector. As of 31 December 2015, the Group’s active headcount was 136,574 employees.

Airbus Group organises its businesses into the following three operating Divisions: (i) Airbus, (ii) Airbus Defence and Space and (iii) Airbus Helicopters.

2. Summary 2015

When the Group started the year 2015 it set itself the following 'Group Priorities for 2015', which were shared with all employees:

Ramp up Production

- ▶ Focus on ramping up our new civil platforms: A350 XWB, A320neo, EC175, EC145 T2;
- ▶ Recover A400M industrial set-up and outstanding development milestones of military capabilities; deliver aircraft to full customer satisfaction.

Operational Excellence

- ▶ Deploy Quest throughout the entire Group;
- ▶ Further reduce times required to get a fix for in-service issues;
- ▶ Simplify and shorten development processes (Beluga XL, Ariane 6, X6), reduce R&D complexity;
- ▶ Continue to drive 'lean' and improve Competitiveness in all areas;
- ▶ Implement the Cyber Security Improvement Plan (CSIP).

Innovation

- ▶ Develop and implement a Digital Strategy at Group level;
- ▶ Connect existing innovation initiatives for synergies and improve traction with operations and customers;
- ▶ Install Innovation Centre and Corporate Venture fund in Silicon Valley;
- ▶ Pursue innovation-to-business projects in all Divisions while leveraging Group-wide roadmaps, expertise, technologies and resources.

Finance

- ▶ Continue margin enhancement and increase our profitability;
- ▶ Focus on cash generation and build up reserves for future investments;
- ▶ Build trustful relationship with shareholders and reconsider our capital allocation policy;
- ▶ Ensure that all employees are financially aware and understand the necessity to make best use of our resources.

Ethics and Compliance

- ▶ Reinforce anti-corruption programme, update Group policies;
- ▶ Apply the same Ethics and Compliance standards throughout the Group;
- ▶ Promote culture of 'Speaking Up', integrity and transparency, including suppliers and partners.

Corporate Citizenship and Responsibility

- ▶ Strengthen our position as a trusted partner with all stakeholders, in our home countries and globally, by focusing on how we perform our operations and their socio-economic impact;
- ▶ Leverage our employees' engagement and skills through the Airbus Corporate Foundation's activities.

Team Airbus

- ▶ Drive Group-wide, Divisional and team level actions to meaningfully improve employee engagement over the next two years, thereby increasing performance, competitiveness and accelerating transformation and innovation;
- ▶ Accelerate the development and mobility of current and future leaders through the new Leadership University's development of >12,000 people in 2015;

- ▶ Invest in smarter ways of working, collaborative tools and targeted restructuring that boost integration, connectivity and agility, hardwiring trust and cooperation in our ways of working and behaviours across organisational boundaries.

Global Outreach

- ▶ Ensure full deployment of the one-roof concept throughout the Group by year-end;
- ▶ Strive to further expand our worldwide footprint with local industrial presence (e.g. Airbus Final Assembly Line in Mobile, Alabama);
- ▶ Tap into talents and resources worldwide and hence strengthen our cultural and citizenship diversity.

2015 was a year of growth and progress for Airbus Group. The Group achieved a series of key milestones in major programmes, renewed and upgraded its product portfolio and took important decisions to adapt and streamline its business portfolio:

- ▶ the A320neo received joint Type Certification from European and US authorities;
- ▶ Airbus realized 14 A350 deliveries in the first full year of industrialisation;
- ▶ the E-Fan became the first all-electric, two-engine aircraft taking off by its own power to successfully cross the Channel;
- ▶ Lisa Pathfinder was successfully launched, paving the way for a new type of large space observatory to observe our universe as never before;
- ▶ first flight of the H160, the world's first fully composite civil helicopter is the cleanest and quietest in its field;
- ▶ test flights began for Perlan 2, which will push the frontiers of flight by becoming the first glider to reach the edge of space;
- ▶ Airbus Helicopters lay the foundation stone for a new factory in Brasov, Romania that will build the H215;
- ▶ Airbus Defence and Space was selected by OneWeb Ltd. to build 900 microsatellites which will help bring affordable global Internet access;
- ▶ A new corporate venture capital fund, Airbus Group Ventures, and A³, business innovation centre, were set up in Silicon Valley;
- ▶ Airbus' inaugural US manufacturing plant opened in Mobile, Alabama. By 2018, it will produce 40-50 single-aisle aircraft a year;
- ▶ A new algae cultivation facility was opened in Ottobrunn, Germany to research efficient processes for producing bio-kerosene and chemical products from algae;
- ▶ Airbus launched its Sustainable Aviation Engagement Programme to help airlines reduce their environmental footprint with tailored services and expertise;
- ▶ In its first year, the Airbus Foundation delivered 160 tonnes of aid and established a Memorandum of Understanding signed with The International Federation of Red Cross and Red Crescent Societies to offer additional products, technologies and services from the Group to help those in need; and
- ▶ Airbus Group N.V. realized another milestone in the transformation of its corporate governance in converting to a European Company (Societas Europaea) and became Airbus Group SE.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2015, the Company's issued share capital amounted to € 785,344,784 divided into 785,344,784 shares of a nominal value of € 1 each. The issued share capital of the Company as of such date represents 26.18% of the authorised share capital of € 3,000,000,000 comprising 3,000,000,000 shares. The holder of one issued share has one vote and is entitled to the profit in proportion to his participation in the issued share capital.

Modification of share capital or rights attached to shares

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

Holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of the Company or of a Group company. For the contractual position as to pre-emption rights, see "- 3.2. Relationship with Principal Shareholders".

The shareholders' meeting also has the power to limit or to exclude pre-emption rights in connection with new issues of shares, and may authorise the Board of Directors, for a period of no more than five years, to limit or to exclude pre-emption rights. All resolutions in this context must be approved by a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting.

However, the Articles of Association provide that a 75% voting majority is required for any shareholders' resolution to issue shares or to grant rights to subscribe for shares if the aggregate issue price is in excess of € 500,000,000 per share issuance, and no preferential subscription rights exist in respect thereof. The same voting majority requirement applies if the shareholders' meeting wishes to designate the Board of Directors to have the authority to resolve on such share issuance or granting of rights.

Pursuant to the shareholders' resolutions adopted at the AGM held on 27 May 2015, the powers to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors for the purpose of:

1. Employee share ownership plans, provided that such powers shall be limited to 0.1% of the Company's authorised share capital, and
2. Funding the Company and its Group companies, provided that such powers shall be limited to 0.3% of the Company's authorised share capital.

Such powers have been granted for a period expiring at the AGM to be held in 2016, and shall not extend to issuing shares or granting rights to subscribe for shares (i) if there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) for an aggregate issue price in excess of €500 million per share issuance.

At the AGM held on 27 May 2015, the Board of Directors was authorised for a period of 18 months from the date of such AGM to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or

otherwise, as long as, upon such repurchase, the Company would not hold more than 10% of the Company's issued share capital and at a price per share not less than the nominal value and not more than the higher of the price of the independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out. In addition, and without prejudice to this authorisation, the Board of Directors was also authorised to repurchase up to 10% of the Company's issued share capital for a period of 18 months as of the date of the AGM held on 27 May 2015, at a price not less than the nominal value and at most 85 euros per share.

The shareholders' meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association. The cancellation of shares requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at the meeting; the reduction of nominal value by means of an amendment to the Articles of Association requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting (unless the amendment to the Articles of Association also concerns an amendment which under the Articles of Association requires a 75% voting majority).

At the AGM held on 27 May 2015, the Board of Directors and the Chief Executive Officer were authorised, with powers of substitution, to implement a cancellation of shares held or repurchased by the Company, including the authorisation to establish the exact number of the relevant shares thus repurchased to be cancelled.

The Company launched on 30 October 2015 a €1 billion share buyback for completion by 30 June 2016. (see "Notes to the Consolidated Financial Statements (IFRS) - Note 32: Total Equity" for further information).

Securities granting access to the Company's capital

Except for stock options granted for the subscription of the Company's shares (see "Notes to the Consolidated Financial Statements (IFRS) – Note 30: Share-Based Payment") there are no securities that give access, immediately or over time, to the share capital of the Company.

The table below shows the total potential dilution that would occur if all the stock options issued as at 31 December 2015 were exercised:

| | Number of shares | Percentage of diluted capital | Number of voting rights | Percentage of diluted voting rights* |
|--|------------------|-------------------------------|-------------------------|--------------------------------------|
| Total number of the Company's shares issued as of 31 December 2015 | 785,344,784 | 99,966 | 785,344,784 | 99,966 |
| Total number of the Company's shares which may be issued following exercise of stock options | 264,500 | 0,034% | 264,500 | 0,034% |
| Total potential share capital of the Company | 785,609,284 | 100% | 785,609,284 | 100% |

(*) The potential dilutive effect on capital and voting rights of the exercise of these stock options may be limited as a result of the Company's share purchase programmes and in the case of subsequent cancellation of repurchased shares.

Changes in the issued share capital in 2015

In 2015, the Group's employees exercised 1,910,428 stock options granted to them through the stock option plans launched by the Company. As a result 1,910,428 new shares were issued in the course of 2015.

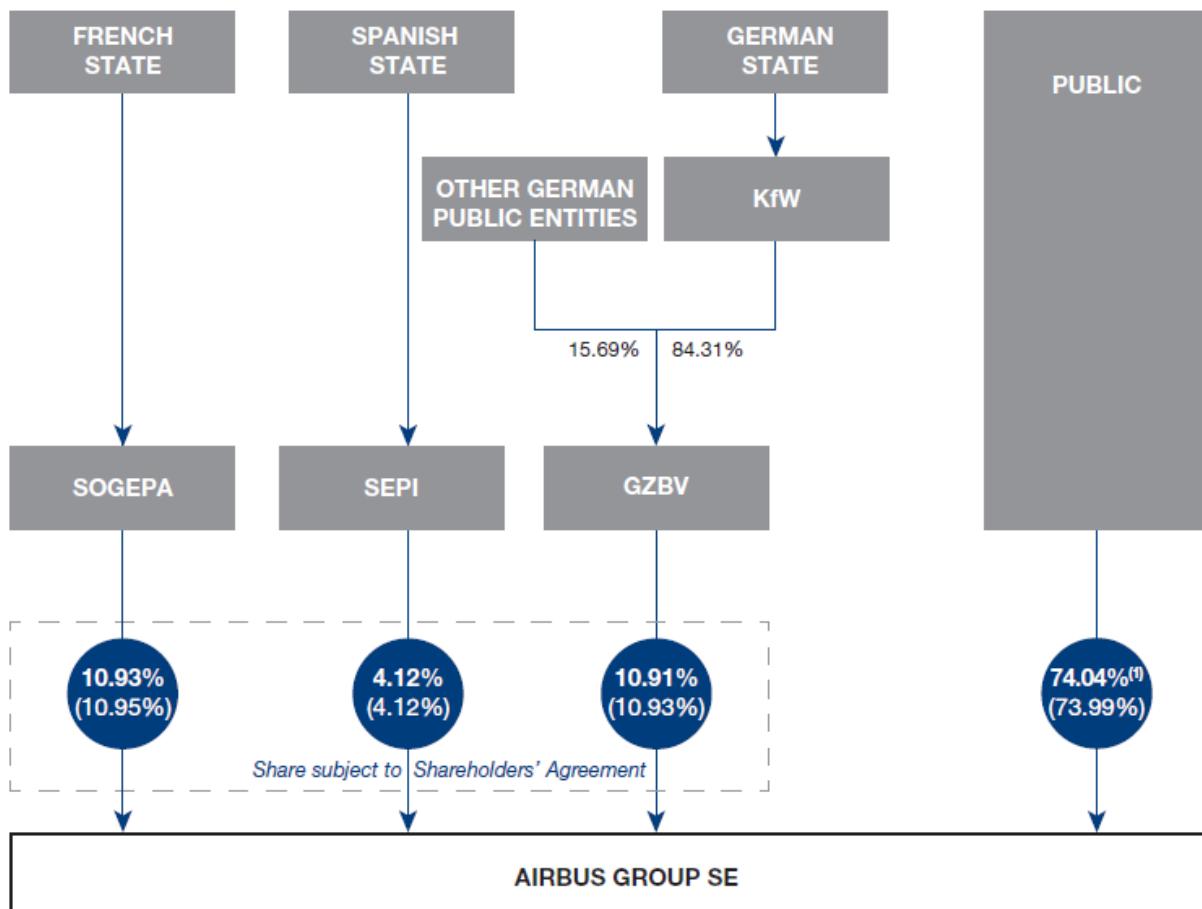
Repurchases and cancellations of shares in 2015

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

Shareholding structure at the end of 2015

As of 31 December 2015, the French State held 10.93% of the outstanding shares through Sogepa, the German State held 10.91% through GZBV, and the Spanish State held 4.12% through SEPI. The public (including the Group's employees) and the Company held, respectively, 73.85% and 0.19% of the Company's share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2015 (% of capital and of voting rights (in parentheses) before exercise of outstanding stock options granted for the subscription of the Company's shares).



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

Shareholders may have disclosure obligations under Dutch law. These apply to any person or entity that acquires, holds or disposes of an interest in the Company's voting rights and/or capital. Disclosure is required when the percentage of voting rights or capital interest reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% (whether because of an acquisition or disposal of shares or other instruments, or because of a change in the total voting rights or capital issued). Disclosures must be made to the AFM immediately.

In addition, the below listed entities have notified the AFM of their substantial interest in the Company as of 31 December 2015. For further details, please refer to the website of the AFM at: www.afm.nl

- ▶ BlackRock, Inc. (4.20% of the capital interest and 4.99% of the voting rights); and
- ▶ Capital Group International Inc. together with Capital Research and Management Company (5.02% of the voting rights).

Right to attend shareholders' meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, speak and vote according to the Articles of Association. However, under (and subject to the terms of) the Articles of Association these rights may be suspended under circumstances.

The persons who have the right to attend and vote at shareholders' meetings are those who are so on record in a register designated for that purpose by the Board of Directors on the twenty-eighth day prior to the day of the shareholders' meeting (the "**Registration Date**"), irrespective of who may be entitled to the shares at the time of that meeting.

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

Shareholders holding their Airbus Group shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the relevant convening notice. For this purpose, a shareholder will also be able to request that its shares be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on stock exchanges.

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

Pursuant to its Articles of Association, the Company may provide for electronic means of attendance, speaking and voting at the shareholders' meetings. The use of such electronic means will depend on the availability of the necessary technical means and market practice.

Mandatory Disposal Threshold Restricting Ownership to 15%

The Articles of Association prohibit any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others (the "**Mandatory Disposal Threshold**"). An interest ("**Interest**") includes not only shares and voting rights, but also other instruments that cause shares or voting rights to be deemed to be at someone's disposal pursuant to the Dutch Financial Supervision Act, and must be notified to the Dutch regulator, the AFM, if certain thresholds are reached or crossed. Any shareholder having an interest of more than the Mandatory Disposal Threshold must reduce its interest below the Mandatory Disposal Threshold, for instance by disposing of its Excess Shares, within two weeks. The same applies to concerts of shareholders and other persons who together hold an interest exceeding the Mandatory Disposal Threshold. Should such shareholder or concert not comply with not exceeding the 15% Mandatory Disposal Threshold by the end of such two-week period, their Excess Shares would be transferred to a Dutch law foundation ("*Stichting*"), which can, and eventually must, dispose of them.

The Dutch law foundation would issue depositary receipts to the relevant shareholder in return for the Excess Shares transferred to the foundation, which would entitle the relevant shareholder to the economic rights, but not the voting rights, attached to such Company shares. The foundation's Articles of Association and the terms of administration governing the relationship between the foundation and the depositary receipt holders provide, *inter alia*, that:

- ▶ The Board Members of the foundation must be independent from the Company, any grandfathered persons and their affiliates (see "— 3.1 Exemptions from Mandatory Disposal Threshold") and any holder of depositary receipts and their affiliates (there is an agreement under which the Company will, *inter alia*, cover the foundation's expenses and

indemnify the Board Members against liability);

- ▶ The Board Members are appointed (except for the initial Board Members who were appointed at incorporation) and dismissed by the Management Board of the foundation (the Company may however appoint one Board Member in a situation where there are no foundation Board Members);
- ▶ The foundation has no discretion as to the exercise of voting rights attached to any the Company shares held by it and will in a mechanical manner vote to reflect the outcome of the votes cast (or not cast) by the other shareholders, and the foundation will distribute any dividends or other distributions it receives from the Company to the holders of depositary receipts; and
- ▶ No transfer of a depositary receipt can be made without the prior written approval of the foundation's board.

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

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

Exemptions from Mandatory Disposal Threshold

The restrictions pursuant to the Mandatory Disposal Threshold under the Articles of Association do not apply to a person who has made a public offer with at least an 80% acceptance (including any Company shares already held by such person). These restrictions also have certain grandfathering exemptions for the benefit of shareholders and concerts holding interests exceeding the Mandatory Disposal Threshold on the date that the current Articles of Association entered into force (the "**Exemption Date**").

Different grandfathering regimes apply to such shareholders and concerts depending on the interests and the nature thereof held by each such shareholder or concert on the Exemption Date.

The Company has confirmed that (i) the specific exemption in article 16.1.b of the Articles of Association applies to Sogepa, as it held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date and (ii) the specific exemption in article 16.1.c applies to the concert among Sogepa, GZBV and SEPI, as they held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date.

Mandatory public offer under Dutch law

In accordance with Dutch law, shareholders are required to make a public offer for all issued and outstanding shares in the Company's share capital if they – individually or acting in concert (as such terms are defined under Dutch law summarized below), directly or indirectly – have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions that are provided under Dutch law, the requirement to make a public offer does not apply to persons, who at the time the takeover provisions under Dutch law came into force, already held – individually or acting in concert – 30% or more of the voting rights in the Company. In the case of such a concert, a new member of the concert can be exempted if it satisfies certain conditions.

Amendments to the Articles of Association

According to the Articles of Association, resolutions to amend the Articles of Association require a two-thirds majority of the votes validly cast at a general meeting of shareholders, unless, it concerns amendments to a limited number of provisions thereof, in which case a 75% voting majority will be required. The proposal containing the literal text of a proposed amendment must be available for inspection by shareholders at the Company's headquarters, from the day the meeting is convened until after the end of the meeting.

3.2 Relationship with Principal Shareholders

On 5 December 2012, the Company, its then-core shareholders – Daimler AG (“**Daimler**”), Daimler Aerospace AG (“**DASA**”), Société de Gestion de l’Aéronautique, de la Défense et de l’Espace (“**Sogeade**”), Lagardère SCA (“**Lagardère**”), Société de Gestion de Participations Aéronautiques (“**Sogepa**”) and Sociedad Estatal de Participaciones Industriales (“**SEPI**”) – and Kreditanstalt für Wiederaufbau (“**KfW**”), a public law institution serving domestic and international policy objectives of the Government of the Federal Republic of Germany, reached an agreement (the “**Multiparty Agreement**”) on far-reaching changes to the Company’s shareholding structure and governance. The Multiparty Agreement was aimed at further normalising and simplifying the governance of the Company while securing a shareholding structure that allowed France, Germany and Spain to protect their legitimate strategic interests. This represented a major step forward in the evolution of the governance of the Company.

The Multiparty Agreement provided for significant changes to the Company’s shareholding structure. In addition, a series of related transactions (collectively referred to as the “**Consummation**”) occurred shortly after the Extraordinary General Meeting of the shareholders held on 27 March 2013. This resulted in several changes in the governance of the Company, including changes in the composition of the Board of Directors and its internal rules, as well as amendments to the Articles of Association of the Company. The participation agreement among the Company’s former core shareholders, as at 31 December 2012 including KfW, was terminated and replaced in part by a more limited shareholders’ agreement (the “**Shareholders’ Agreement**”) among only Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG (“**GZBV**”), a subsidiary of KfW, Sogepa and SEPI.

The Shareholders’ Agreement does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. Finally, the Multiparty Agreement provided for the entry into state security agreements with each of the French State and German State, which will be described in more detail below, and certain further undertakings of the Company with respect to selected matters that affect the interests of the Current Consortium Members.

3.2.1 CORPORATE GOVERNANCE ARRANGEMENTS

After the Consummation, the corporate governance arrangements of the Company were substantially changed. These changes are intended to further normalise and simplify the Company’s corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Certain changes to the Company’s corporate governance arrangements were provided for in the Articles of Association, including (i) disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds and (ii) ownership restrictions prohibiting any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others. In addition, there were changes in the composition of the Board of Directors and its internal rules.

3.2.2 SHAREHOLDER ARRANGEMENTS

Grandfathering Agreement

The French State, Sogeca, the German State, KfW and GZBV (all parties together the “**Parties**” and each, individually, as a “**Party**”) entered into an agreement with respect to certain grandfathering rights under the Articles of Association. Below is a summary of such agreement.

Individual Grandfathering Rights

A Party that is individually grandfathered pursuant to Article 16.1. b of the Articles of Association (such Party holding “**Individual Grandfathering Rights**”) shall remain individually grandfathered in accordance with the Articles of Association if the concert with respect to the Company (the “**Concert**”) is subsequently terminated (for instance by terminating the Shareholders’ Agreement) or if it exits the Concert.

Loss of Individual Grandfathering Rights

A Party holding Individual Grandfathering Rights as well as any of its affiliates who are grandfathered pursuant to Article 16.1. b in conjunction with Article 16.3 of the Articles of Association (such affiliates holding “**Derived Grandfathering Rights**”, and the Individual Grandfathering Rights and the Derived Grandfathering Rights, together, the “**Grandfathering Rights**”) shall all no longer be entitled to exercise their Grandfathering Rights in the event:

- ▶ The Concert is terminated as a result of it or any of its affiliates having actually or constructively terminated such Concert; or
- ▶ It or its relevant affiliate(s) exit(s) the Concert,

and such termination or exit is not for good cause and is not based on material and on-going violations of the Concert arrangements, including, without limitation, of the Shareholders’ Agreement, by the other principal Member of the Concert.

In the event that in the future the voting rights in the Company of the other principal Member of the Concert together with those of its affiliates would for an uninterrupted period of three months represent less than 3% of the outstanding aggregate voting rights of the Company, the Grandfathering Rights of the Party including its affiliates which were no longer entitled to use their Grandfathering Rights shall from then on revive and Sogeca and GZBV shall jointly notify the Company to that effect.

Notification to the Company

The Company will not be required to take any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-concert Grandfathering Agreement unless and until it receives (i) a joint written instruction from Sogeca and GZBV with respect to the taking of any of the actions provided for in Article 15 of the Articles of Association pursuant to the postconcert Grandfathering Agreement, or (ii) a copy of a binding advice rendered by three independent, impartial and neutral Expert Adjudicators in order to settle any dispute between the Parties arising out of or in connection with the post-concert Grandfathering Agreement.

The Company will not incur any liability to any of the Parties by taking such actions following receipt of any such joint instruction or binding advice, and the Company will not be required to interpret the post-concert Grandfathering Agreement or any such joint instruction or binding advice. Notwithstanding the description under “Various provisions – Jurisdiction” below, the courts of the Netherlands will have exclusive jurisdiction to resolve any dispute, controversy or claim affecting the rights or obligations of the Company under the post-concert Grandfathering Agreement.

Various provisions

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

Governing law. Laws of the Netherlands.

Jurisdiction. Binding advice for any dispute, controversy or claim arising out of or in connection with the post-concert Grandfathering Agreement in accordance with the procedure set forth in the post-concert Grandfathering Agreement; provided, however, that to the extent application to the courts is permitted to resolve any such dispute controversy or claim, the courts of the Netherlands shall have exclusive jurisdiction.

Governance of the Company

Below is a further description of the Shareholders' Agreement, based solely on a written summary of the main provisions of the Shareholders' Agreement that has been provided to the Company by Sogeca, GZBV and SEPI (all parties together the "**Shareholders**").

Appointment of the Directors: The Shareholders shall vote in favour of any draft resolution relating to the appointment of Directors submitted to the shareholders' meeting of the Company in accordance with the terms and conditions of the German State Security Agreement and the French State Security Agreement (as described below). If, for whatever reason, any person to be appointed as a Director pursuant to the German State Security Agreement or the French State Security Agreement is not nominated, the Shareholders shall exercise their best endeavours so that such person is appointed as a Director. Sogeca and GZBV shall support the appointment of one Spanish national that SEPI may present to them as Member of the Board of Directors of the Company, provided such person qualifies as an independent Director pursuant to the conditions set forth in the rules governing the internal affairs of the Board of Directors (the "**Board Rules**"), and shall vote as Shareholders in any shareholders' meeting in favour of such appointment and against the appointment of any other person for such position. If, for whatever reason, the French State Security Agreement and/or the German State Security Agreement has/have been terminated, KfW or Sogeca, as the case might be, shall propose two persons, and the Shareholders shall exercise their best endeavours so that these persons are appointed as Directors.

Modification of the Articles of Association: Sogeca and GZBV shall consult each other on any draft resolution intending to modify the Board Rules and/or the Articles of Association. Unless Sogeca and GZBV agree to vote in favour together on such draft resolution, the Shareholders shall vote against such draft resolution. If Sogeca and GZBV reach a mutual agreement on such draft resolution, the Shareholders shall vote in favour of such draft resolution.

Reserved Matters: With respect to the matters requiring the approval of a Qualified Majority at the Board level ("Reserved Matters"), all the Directors shall be free to express their own views. If the implementation of a Reserved Matter would require a decision of the shareholders' meeting of the Company, Sogeca and GZBV shall consult each other with a view to reaching a common position. Should Sogeca and GZBV fail to reach a common position, Sogeca and GZBV shall remain free to exercise on a discretionary basis their votes.

Prior consultation: Sogeca and GZBV shall consult each other on any draft resolution submitted to the shareholders' meeting other than related to Reserved Matters and the Board Rules.

Balance of interests

The Shareholders agree to pursue their common objective to seek a balance between themselves and their respective interests in the Company as follows:

- ▶ To hold as closely as reasonably possible to 12% of the voting rights for Sogepa, together with any voting rights attributable to Sogepa and/or to the French State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other Parties;
- ▶ To hold as closely as reasonably possible to 12% of the voting rights for GZBV, together with any voting rights attributable to GZBV and/or to the German State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other Parties; and
- ▶ To hold as closely as reasonably possible to 4% of the voting rights for SEPI, together with any voting rights attributable to SEPI and/or to the Spanish State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other Parties.

Mandatory Takeover Threshold

The total aggregate voting rights of the Shareholders shall always represent less than 30% of the voting rights of the Company, or less than any other threshold the crossing of which would trigger for any Shareholder a mandatory takeover obligation (the “**MTO Threshold**”). In the event that the total aggregate voting rights of the Shareholders exceed the MTO Threshold, the Shareholders shall take all appropriate actions as soon as reasonably practicable, but in any event within 30 days, to fall below the MTO Threshold.

Transfer of Securities

Permitted transfer. Transfer of securities by any Shareholder to one of its affiliates.

Pre-emption right. Pro rata pre-emption rights of the Shareholders in the event any Shareholder intends to transfer any of its securities to a third party directly or on the market.

Call option right. Call-option right for the benefit of the Shareholders in the event that the share capital or the voting rights of any Shareholders cease to be majority owned directly or indirectly by the French State, the German State or the Spanish State as applicable.

Tag-along right. Tag-along right for the benefit of SEPI in the event that Sogepa, the French State or any of their affiliates and any French public entity and GZBV, the German State or any of their affiliates and any public entity propose together to transfer all of their entire voting rights interests.

Various provisions

Termination. The Shareholders’ Agreement may cease to apply in respect of one or more Shareholders and/or their affiliates, subject to the occurrence of certain changes in its or their shareholding interest in the Company or in its or their shareholders.

Governing law. Laws of the Netherlands.

Jurisdiction. Arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce, with the seat of arbitration in The Hague (the Netherlands).

3.2.3 UNDERTAKINGS WITH RESPECT TO CERTAIN INTERESTS OF CERTAIN STAKEHOLDERS

The Company has made certain undertakings and entered into certain agreements in connection with certain interests of its former core shareholders and the German State.

State Security Agreements and Related Undertakings

The Company and the French State have entered into an amendment to the current convention between the French State and the Company relating to the ballistic missiles business of the Company (as so amended, the “**French State Security Agreement**”). Under the French State Security Agreement, certain sensitive French military assets will be held by a Company subsidiary (the “**French Defence Holding Company**”). At the Consummation, the Company contributed certain sensitive French military assets to the French Defence Holding Company. The French State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the Board of Directors of the French Defence Holding Company (the “**French Defence Outside Directors**”), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board. Two of the French Defence Outside Directors are required to also be Members of the Board. French Defence Outside Directors may neither (i) be employees, managers or corporate officers of a company belonging to the Group (although they may be Members of the Board) nor (ii) have material on-going professional relationships with the Group.

The Company and the German State have entered into an agreement relating to the protection of essential interests to the German State’s security (the “**German State Security Agreement**”). Under the German State Security Agreement, certain sensitive German military assets are held by a Company subsidiary (the “**German Defence Holding Company**”). The German State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the supervisory board of the German Defence Holding Company (the “**German Defence Outside Directors**”), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board. Two of the German Defence Outside Directors are required to also be Members of the Board. The qualifications to serve as a German Defence Outside Director are comparable to those to serve as a French Defence Outside Director, with the additional requirement that a German Defence Outside Director may not be a civil servant. The Company has agreed to negotiate with the Spanish State in order to reach a special security agreement relating to the protection of the essential security interests of the Spanish State.

Dassault Aviation

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

- ▶ Grants the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and
- ▶ Commits to consult with the French State prior to making any decision at any shareholders’ meeting of Dassault Aviation.

As disclosed in a press release dated 28 November 2014 the Company in an off-market block trade sold to Dassault Aviation approximately 8% of Dassault Aviation’s share capital.

As was disclosed in a press release dated 25 March 2015, the Company sold 1.61 million shares in Dassault Aviation through a book-built offering to institutional investors. Following the exercise of the over-allotment option, the total number of Dassault Aviation shares sold by the Company in the placement reached nearly 1.73 million shares, representing 18.75% of the share capital of Dassault Aviation.

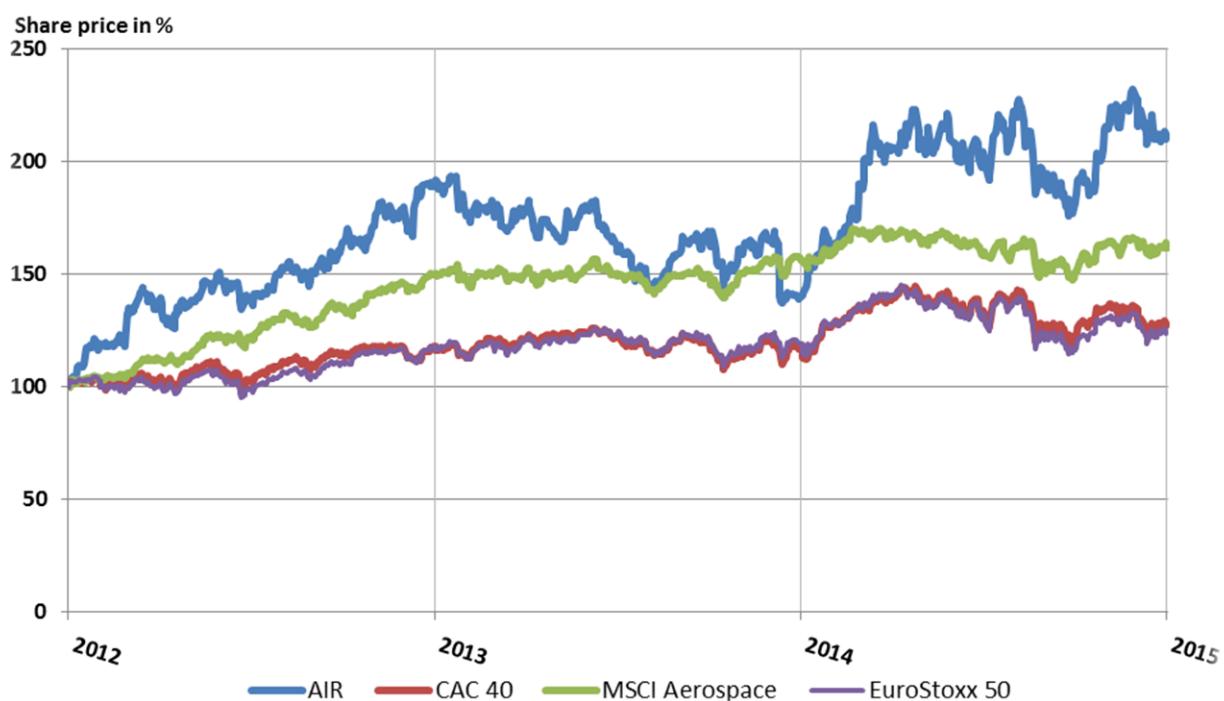
Stock Exchange Listings

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

Specific Rights of the French State

Pursuant to an agreement entered into between the Company and the French State (the “**Ballistic Missiles Agreement**”), the Company has granted to the French State (a) a veto right and subsequently a call option on the ballistic missiles activity exercisable under certain circumstances, including if (i) a third party acquires, directly or indirectly, either alone or in concert, more than 15% or any multiple thereof of the share capital or voting rights of the Company or (ii) the sale of the ballistic missiles assets or of the shares of such companies carrying out such activity is considered and (b) a right to oppose the transfer of any such assets or shares. The Company, the French State and MBDA are parties to a similar convention regarding the assets comprising the French nuclear airborne systems under which the French State has similar rights.

3.3 Share price performance 2015



After seeing a period of consolidation in 2014, Airbus Group shares made a strong return into positive territory in 2015. Despite macroeconomic instability and volatile stock markets, the share advanced 50% during the course of the year, supported by the Group’s solid operational and financial performance and a euro-dollar tailwind.

Starting from its low of €41.35 at the close of 31 December 2014, the Airbus Group share price breached for the first time ever the €60 mark at closing on 11 March and reached in August and November two new all-time highs of €67.18 and €68.44, respectively, each time following the disclosure of Airbus Group results.

In the first months of the year the Airbus Group share progressed, supported by favourable EUR/USD rates, following the launch of additional quantitative easing measures by the European Central Bank towards the end of January 2015, and Airbus Group’s announcement in February of a production rate increase within the single-aisle programme to 50 aircraft per month by 2017.

Positive news flow on aircraft orders and progress on the A350 XWB ramp-up helped to maintain the share price at a relatively stable high level compared to the main market indices.

The positive trend continued until the middle of the year, when a period of turbulence set in, with growing concerns over the Greek debt crisis, geopolitical turmoil, particularly in the Middle East, and the fall in commodity prices to historical lows. In addition, market uncertainties in emerging countries and declining growth rates in China brought overall markets down, and during the two months of August and September the Airbus Group share price fell 18%, weighed down by the Group's backlog exposure to emerging markets.

Early in October, the US Federal Reserve delayed an expected interest rate increase, giving equity markets a boost. For Airbus Group investors, the Nine-Month results release on 30 October provided further grounds for optimism, with news of a further single aisle production rate increase and confirmation of a €1 billion share buyback. This information, as well as the certification of the A320neo both in USA and Europe, helped to push the share price higher, leading to the all-time high at the end of November.

During the last month of the year, the stock declined, despite several target price increases by analysts, following new historical lows in the price of oil and a slightly stronger euro against the dollar. In addition, investor concerns around the product cycle, wide-body secondary market pricing and potential A320neo delays gained influence on the share price. On 31 December 2015 the Airbus Group share price closed at € 62.00.

Thanks to the strong year on year performance the Airbus Group share price outperformed the MSCI Aerospace benchmark and wider markets. In the same period, the CAC 40 rose 8.5%, while the DAX and the MDAX moved up 9.6% and 22.7% respectively. The EuroStoxx50 climbed 3.9%.

3.4 Dividend policy

In December 2013, the Group formalised a dividend policy demonstrating a strong commitment to shareholders' returns. This policy targets sustainable growth in the dividend within a payout ratio of 30%-40%.

Therefore, based on earnings per share (EPS) of € 3.43, the Board of Directors will propose to the Annual General Meeting the payment to shareholders of a dividend of € 1.30 per share on 4 May 2016 (FY 2014: € 1.20).

The record date should be 3 May 2016. This proposed dividend represents a pay-out ratio of 38% and a year-on-year dividend per share increase of 8%.

4. Corporate Governance

4.1 Management and Control

4.1.1 COMPOSITION, POWERS AND RULES

Under the Articles of Association, the Board of Directors consists of at most twelve (12) Directors, who each retire at the close of the annual general meeting held three years following their appointment. Under the Board Rules, at least a majority of the Members of the Board of Directors (*i.e.*, 7/12) must be European Union nationals (including the Chairman of the Board of Directors) and a majority of such majority (*i.e.*, 4/7) must be both European Union nationals and residents. No Director may be an active civil servant. The Board of Directors has one (1) Executive Director and eleven (11) non-Executive Directors. While the Board of Directors appoints the Chief Executive Officer of the Company (the “**CEO**”), the CEO is required to be an Executive Director and must be an EU national and resident; therefore it is anticipated that the Board of Directors will appoint as CEO the person appointed by the shareholders as an Executive Director. At least nine (9) of the non-Executive Directors must be “Independent Directors” (including the Chairman of the Board of Directors).

Under the Board Rules, an “Independent Director” is a non-Executive Director who is independent within the meaning of the Dutch Code and meets additional independence standards. Specifically, where the Dutch Code would determine independence, in part, by reference to a Director’s relationships with shareholders who own at least 10% of the Company, the Board Rules determine such Director’s independence, in relevant part, by reference to such Director’s relationships with shareholders who own at least 5% of the Company. Under the Dutch Code and the Board Rules, all non-Executive Directors (including the Chairman) other than Mr Ralph D. Crosby, qualify as an “Independent Director”. This number is consistent with the requirement set forth in the Board Rules.

The Remuneration, Nomination and Governance Committee of the Board of Directors is charged with recommending to the Board of Directors the names of candidates to succeed active Board Members after consultation with the Chairman of the Board of Directors and the CEO.

The Board of Directors, deciding by simple majority vote, proposes individuals to the shareholders’ meeting of the Company for appointment as Directors by the shareholders ‘meeting. No shareholder or group of shareholders, or any other entity, has the right to propose, nominate or appoint any Directors other than the rights available to all shareholders under general Dutch corporate law.

In addition to the membership and composition rules described above, the Remuneration, Nomination and Governance Committee, in recommending candidates for the Board of Directors, and the Board of Directors, in its resolutions proposed to the shareholders’ meeting regarding proposals to appoint or replace a resigning or incapacitated Director, are both required to apply the following principles:

- ▶ The preference for the best candidate for the position, and
- ▶ The maintenance, in respect of the number of Members of the Board of Directors, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of the Company (in particular among the nationals of the four (4) Member States of the European Union where these main industrial centres are located).

The Board of Directors is required to take into account, in the resolutions proposed in respect of the nomination of Directors presented to the shareholders' meeting, the undertakings of the Company to the French State pursuant to the amendment to the French State Security Agreement and to the German State pursuant to the German State Security Agreement, in each case as described more fully above. In practice, this means that (A) two (2) of the Directors submitted to the shareholders for appointment should also be French Defence Outside Directors (as defined above) of the French Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the French State and (B) two (2) of the Directors submitted to the shareholders for appointment should also be German Defence Outside Directors (as defined above) of the German Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the German State.

The Remuneration, Nomination and Governance Committee endeavours to avoid a complete replacement of outgoing Directors by new candidates and draws up an appointment and reappointment schedule for the Directors after consultation with the Chairman and the CEO. In drawing up such schedule, the Remuneration, Nomination and Governance Committee considers the continuity of company-specific knowledge and experience within the Board while it takes into account that a Director may at the time of his appointment or re-appointment not be older than 75 years and ensuring that at least one third of Directors positions are either renewed or replaced every year, provided that exceptions to these rules may be agreed by the Board if specific circumstances provide an appropriate justification for such exceptions.

Voting and rules

Most Board of Directors' decisions can be made by a simple majority of the votes of the Directors (a "**Simple Majority**"), but certain decisions must be made by a 2/3 majority (i.e., eight (8) favourable votes) of the Directors regardless of whether present or represented in respect of the decision (a "**Qualified Majority**"). In addition, amendments to certain provisions of the Board Rules require the unanimous approval of the Board of Directors, with no more than one Director not present or represented (including provisions relating to nationality and residence requirements with respect to Members of the Board of Directors and the Executive Committee). However, no individual Director or class of Directors has a veto right with respect to any Board of Directors' decisions.

Powers of the members of the Board of Directors

The Board Rules specify that in addition to the Board of Directors' responsibilities under applicable law and the Articles of Association, the Board of Directors is responsible for certain enumerated categories of decisions. Under the Articles of Association, the Board of Directors is responsible for the management of the Company. Under the Board Rules, the Board of Directors delegates the execution of the strategy as approved by the Board of Directors and the day-to-day management of the Company to the CEO, who, supported by the Executive Committee, makes decisions with respect to the management of the Company. However, the CEO may not enter into transactions that form part of the key responsibilities of the Board of Directors unless these transactions have been approved by the Board of Directors.

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

- ▶ Approving any change in the nature and scope of the business of the Company and the Group;
- ▶ Debating and approving the overall strategy and the strategic plan of the Group;

- ▶ Approving the operational business plan of the Group (the “Business Plan”) and the yearly budget (the “Yearly Budget”) of the Group, including the plans for Investment, R&D, Employment, Finance and, as far as applicable, major programmes;
- ▶ Nominating, suspending or revoking the Chairman of the Board of Directors and the CEO (Qualified Majority);
- ▶ Approving of all of the Members of the Executive Committee as proposed by the CEO and their service contracts and other contractual matters in relation to the Executive Committee and deciding upon the appointment and removal of the Secretary to the Board on the basis of the recommendation of the Remuneration, Nomination and Governance Committee;
- ▶ Approving the relocation of the headquarters of the principal companies of the Group and of the operational headquarters of the Company (Qualified Majority);
- ▶ Approving decisions in connection with the location of new industrial sites material to the Group as a whole or the change of the location of existing activities that are material to the Group;
- ▶ Approving decisions to invest and initiate programmes financed by the Group, acquisition, divestment or sale decisions, in each case for an amount in excess of € 300 million;
- ▶ Approving decisions to invest and initiate programmes financed by the Group, acquisition, divestment or sale decisions, in each case for an amount in excess of €800 million (Qualified Majority);
- ▶ Approving decisions to enter into and terminate strategic alliances at the level of the Company or at the level of one of its principal subsidiaries (Qualified Majority);
- ▶ Approving matters of shareholder policy, major actions or major announcements to the capital markets; and
- ▶ Approving decisions in respect of other measures and business of fundamental significance for the Group or which involves an abnormal level of risk.

The Board of Directors must have a certain number of Directors present or represented at a meeting to take action. This quorum requirement depends on the action to be taken. For the Board of Directors to make a decision on a Simple Majority matter, a majority of the Directors must be present or represented. For the Board of Directors to make a decision on a Qualified Majority matter, at least ten (10) of the Directors must be present or represented. If the Board of Directors cannot act on a Qualified Majority Matter because this quorum is not satisfied, the quorum would decrease to eight (8) of the Directors at a new duly called meeting.

In addition, the Board Rules detail the rights and duties of the Members of the Board of Directors and set out the core principles with which each Member of the Board of Directors shall comply with and shall be bound by, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of their duties and avoiding any and all conflicts of interest.

Airbus Group Board Of Directors

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

Status as of the date of this Board Report.

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

 Chairman  Member

Global Industrial Business / Engineering & Technology / Manufacturing & Production / Aerospace Industry / Finance & Audit /
 Geopolitical Economics / Defence Industry / Information & Data Management / Asia

More details regarding the curriculum vitae and other mandates of all members of the Board of Directors can be found at the Company's website www.airbusgroup.com.

Within the Company, each member of the Board of Directors must have the required mix of experience, qualifications, skills and industrial knowledge necessary to assist the Company in formulating and achieving its overall strategy, together with the specific expertise required to fulfil the duties assigned to him or her as member of one of the Board of Directors' committees. The Board of Directors also believes that a diverse composition among its members with respect to gender, experience, national origin, etc. is valuable for the quality and efficiency of its work.

4.1.2 OPERATION OF THE BOARD OF DIRECTORS IN 2015

Board of Directors meetings

The Board of Directors met 9 times during 2015, and was regularly informed of developments through business reports from the Chief Executive Officer, including progress on the strategic and operational plans. The average attendance rate at these meetings was at 91%.

Throughout 2015, the Board of Directors received reports on the technical and commercial progress of significant programmes, such as A400M, A350XWB, A320neo, A380, and the X6. During two off-site Board meetings, one in Seville at the A400M final assembly line, and the other in Toulouse, the Board seized the opportunity to meet with local management and with the operative workforce.

In 2015, the Board initiated the Group's digital transformation and streamlined its defence business. It reviewed the Airbus product policy and cost competitiveness as well as the evolution of Airbus Helicopters. Directors supported Management's initiative to establish a corporate venture capital fund, dubbed Airbus Group Ventures, as well as a business innovation centre in Silicon Valley to enhance the Company's ability to identify and capitalize on innovative and transformational technologies and business models. Furthermore, the Board welcomed the selection of Airbus Defence and Space by OneWeb Ltd. as its industrial partner for the design and manufacturing of its fleet of initially more than 900 small satellites.

Moreover, the Board of Directors focused on the Group's financial results and forecasts, asset management, compliance in key business processes and in major programmes, as well as efficiency, innovation and corporate social responsibility initiatives. It reviewed Enterprise Risk Management results, the internal audit plan, and reoriented the Group's compliance programme by implementing a reinforced anti-corruption policy called 'Business Development Support Initiative'.

Directors also reviewed the Board succession process and envisioned a Board staggering plan proposed for approval at this year's AGM in which four out of twelve Directors are either renewed or replaced every year at each AGM after 2016 to avoid large bloc replacements of Directors at one single AGM, with the corresponding loss of experience and integration challenges.

Board evaluation 2015

In December 2014 the Board of Directors mandated Spencer Stuart to perform a comprehensive evaluation of the Board and its Committees through individual interviews of all Directors. The interviews covered Directors' expectations, governance fit, Board effectiveness, Board composition, Committees as viewed from the Board and as viewed by their members, Board areas of expertise and working processes, chairmanship, interaction with executive management, shareholders, and stakeholders.

The subsequent discussion of the report by the whole Board in February last year was action-oriented and resulted in a 'Board Improvement Action Plan' for the year 2015. In the meeting on February 23, 2016 the Board reviewed the

implementation progress of this action plan and Directors unanimously agreed that the following improvement measures have been launched or are already successfully realized:

- ▶ Semi-annual deep-dive in risk management;
- ▶ Rotation opportunities of Audit Committee membership;
- ▶ Identification of new Board candidates based on Board skills matrix;
- ▶ Introduction of further female candidates to reach 25% (i.e. 3) women on Board in 2016;
- ▶ Refreshed induction program for new Board of Directors members;
- ▶ Non-executive sessions scheduled at the end of each Board meeting;
- ▶ Identification of individual potential top-executive successors;
- ▶ Inclusion of Governance into the Remuneration and Nomination Committee;
- ▶ Intensification of exchange with Heads of Business Units and their direct reports;
- ▶ Integration of Board members' input when agendas of Board meetings are drafted;
- ▶ Increase of information circulated to Directors particularly in-between meetings (e.g. analyst reports);
- ▶ Integration of outside expertise to Board meetings as required.

The Board of Directors decided that a formal evaluation of the functioning of the Board and its Committees with the assistance of a third party expert is conducted every three years. In the year succeeding the outside evaluation, the Board will perform a self-evaluation and focus on the implementation of the improvement action plan resulting from the third party assessment. In the intervening second year the General Counsel will issue a questionnaire and consult with Board members to establish an internal evaluation. The next Board evaluation will be performed by the General Counsel for the year 2016.

4.1.3 BOARD COMMITTEES

The Audit Committee

Pursuant to the Board Rules, the Audit Committee makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim (Q1, H1, Q3) accounts, as well as the appointment of external auditor and the determination of his remuneration. Moreover, the Audit Committee has the responsibility for verifying and making recommendations to the effect that the internal and external audit activities are correctly directed, that internal controls are duly exercised and that these matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the accounts and it monitors the adequacy of the Group's internal controls, accounting policies and financial reporting. It also oversees the operation of the Group's ERM system and the Compliance Organisation.

The Chairman of the Board of Directors and the Chief Executive Officer are invited to attend meetings of the Audit Committee. The Chief Financial Officer and the Head of Controlling & Accounting are requested to attend meetings to present management proposals and to answer questions. Furthermore, the Head of Corporate Audit and the Chief Compliance Officer are requested to report to the Audit Committee on a regular basis.

The Audit Committee is required to meet at least four times a year. In 2015, it fully performed all of the above described duties, and met 5 times with an average attendance rate of 80%. The average attendance rate was lower than usual due to the unavailability of former Board member Josep Piqué i Camps. The average attendance rate of the Audit Committee would have otherwise been 93%.

The Remuneration, Nomination and Governance Committee

Based upon the recommendations resulting from the Spencer Stuart Board evaluation at year-end 2014, the Board decided to systematically include governance matters into the Remuneration and Nomination Committee as part of its 'Improvement Action Plan'. In its meeting on July 30 the Board approved the corresponding change of the Internal Rules and renamed the Committee into: Remuneration, Nomination and Governance Committee ("RNGC").

Pursuant to the Board Rules, the Remuneration, Nomination and Governance Committee consults with the CEO with respect to proposals for the appointment of the members of the Executive Committee and makes recommendations to the Board of Directors regarding the appointment of the Secretary to the Board of Directors. The RNGC also makes recommendations to the Board of Directors regarding succession planning at Board, Group Executive Committee and Senior Management levels; remuneration strategies and long-term remuneration plans. Furthermore the Committee decides on the service contracts and other contractual matters in relation to the members of the Board of Directors and the Group Executive Committee. The rules and responsibilities of the Remuneration, Nomination and Governance Committee have been set out in the Board Rules.

The Chairman of the Board of Directors and the Chief Executive Officer are invited to attend meetings of the Remuneration, Nomination and Governance Committee. The Head of Airbus Group Human Resources is requested to attend meetings to present management proposals and to answer questions.

In addition, the Remuneration, Nomination and Governance Committee reviews top talents, discusses measures to improve engagement and to promote diversity, reviews the remuneration of the Group Executive Committee members for this year, the LTIP, and the variable pay for the previous year.

Finally, the Remuneration, Nomination and Governance Committee performs regular evaluations of the Company's corporate governance and makes proposals for changes to the Board Rules or the Articles of Association.

The guiding principle governing management appointments in the Group is that the best candidate should be appointed to the position ("best person for the job"), while at the same time seeking to achieve a balanced composition with respect to gender, experience, national origin, etc. The implementation of these principles should, however not create any restrictions on the diversity within the Company's executive management team.

The Remuneration, Nomination and Governance Committee is required to meet at least twice a year. In 2015 it fully performed all of the above described duties and met 6 times with an average attendance rate of 96%.

4.1.4 EXECUTIVE COMMITTEE NOMINATION AND COMPOSITION

The CEO proposes all of the Members of the Executive Committee of the Company (the "Executive Committee") for approval by the Board of Directors, after consultation with (a) the Chairman of the Remuneration, Nomination and Governance Committee and (b) the Chairman of the Board of Directors, applying the following principles:

- ▶ The preference for the best candidate for the position;
- ▶ The maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of the Group (in particular among the nationals of the four (4) Member States of the European Union where these main industrial centres are

- located); and
- ▶ At least 2/3 of the Members of the Executive Committee, including the CEO and the CFO, being EU nationals and residents.

Role of CEO and Executive Committee

The CEO is responsible for executing the strategy as approved by the Board of Directors and for managing the day-to-day operations of the Group's business and he shall be accountable for its proper execution accordingly. The Executive Committee supports the CEO in performing this task. The Executive Committee members shall jointly contribute to the overall interests of the Company in addition to each member's individual operational or functional responsibility within the Group. The CEO endeavours to reach consensus among the members of the Executive Committee. In the event a consensus is not reached, the CEO is entitled to decide the matter.

4.2 Conflict of interest

Conflict of interest

The Company has a conflict of interest policy which sets out that any potential or actual conflict of interest between the Company and any member of the Board of Directors shall be disclosed and avoided (please refer to the Board Rules and to the Code of Ethics both available on the Company's website: www.airbusgroup.com). Pursuant to the Articles of Association and the Board Rules a conflicted member of the Board of Directors should abstain from participating in the deliberation and decision-making process concerning the matters concerned. The Board of Directors must approve any decision to enter into a transaction where a Director has conflicts of interest that are material to the Company or the individual Director. In 2015 no transactions were reported where there was a conflict of interest that was material to the Company. There were, however, related-party transactions: for an overview, please see: "[Notes to the Consolidated Financial Statements (IFRS) – Note 8: Related Party Transactions]".

4.3 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch Code, which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While the Company, in its continuous efforts to adhere to the highest standards, applies most of the current recommendations of the Dutch Code, it must, in accordance with the "apply or explain" principle, provide the explanations below.

For the full text of the Dutch Code, please refer to: www.commissiecorporategovernance.nl.

For the financial year 2015, the Company states the following:

1. Vice-Chairmanship

Provision III.4.1(f) of the Dutch Code recommends the election of a vice-chairman, to deal with the situation when vacancies occur.

The Board of Directors is headed by the Chairman of the Board of Directors. In case of dismissal or resignation of the Chairman, the Board of Directors shall immediately designate a new Chairman. There is therefore no need for a vice-Chairman to deal with the situation when vacancies occur.

2. Termination indemnity

Provision II.2.8 of the Dutch Code recommends that the maximum remuneration in the event of dismissal be one year's salary, and that if the maximum of one year's salary would be manifestly unreasonable for an Executive Board Member who is dismissed during his first term of office, such Board Member be eligible for severance pay not exceeding twice the annual salary.

The Company foresees a termination indemnity for the Chief Executive Officer equal to one and a half times the annual total target salary in the event that the Board of Directors has concluded that the Chief Executive Officer can no longer fulfil his position as a result of change of the Company's strategy or policies or as a result of a change in control of the Company. The termination indemnity would be paid only provided that the performance conditions assessed by the Board of Directors would have been fulfilled by the Chief Executive Officer.

3. Securities in Airbus Group as long-term investment

Provision III.7.2 of the Dutch Code recommends that non-Executive Directors who hold securities in the Company should keep them as a long-term investment. It does not encourage non-Executive Directors to own shares.

The Company does not require its non-Executive Directors who hold shares in its share capital, to keep such shares as a long-term investment. Although Non-Executive Directors are welcome to own shares of the Company, the Company considers it is altogether unclear whether share ownership by non-Executive Directors constitutes a factor of virtuous alignment with stakeholder interest or maybe a source of bias against objective decisions.

4. Dealings with analysts

Provision IV.3.1 of the Dutch Code recommends meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases. In addition, it recommends that provisions shall be made for all shareholders to follow these meetings and presentations in real time and that after the meetings the presentations shall be posted on the company's website.

The Company does not always allow shareholders to follow meetings with analysts in real time. However, the Company ensures that all shareholders and other parties in the financial markets are provided with equal and simultaneous information about matters that may influence the share price.

5. Gender diversity

The Company strives to comply with composition guidelines whereby the Board of Directors would be composed in a balanced way if it contains at least 30% women and at least 30% men. These percentages are based on those included in a Dutch draft bill that is expected to come into force in the course of 2016 in continuation of legislation in force up to 31 December 2015 stipulating the same percentages. With the election of Amparo Moraleda to the Company's Board of Directors at the AGM held on 27 May 2015, the female representation on the Board increased to 16.7%. The Company is pleased with this development and will continue to promote gender diversity within its Board of Directors by striving to increase the proportion of female Directors.

For information on the operation of the shareholders' meeting and its key powers and on shareholders' rights and how they can be exercised, please refer to section 3.1 "Shareholding and voting rights – right to attend shareholders' meetings".

For information on the composition and operation of the Board of Directors and its respective committees, please refer to section 4.1.1 “Composition, power and rules, section, 4.1.2 “Operation of the Board of Directors in 2015”, and section 4.1.3 “Board Committees”.

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, please refer to section 3.1 “Shareholding and voting rights – Shareholding structure at the end of 2015“, section 3.2 “Relationships with Principal Shareholders“, section 4.1.1 “Composition, powers and rules“, section 3.1 “Shareholding and voting rights – Amendments to the Articles of Association“ and section 3.1 “Shareholding and voting rights – Modifications of share capital or rights attached to shares”

4.4 Remuneration Report

4.4.1 INTRODUCTION

The Board of Directors and the Remuneration and Nomination Committee (“**RNGC**”) are pleased to present the 2015 Remuneration Report.

The Report comprises the following sections:

- ▶ 4.4.2 presents the Company’s Remuneration Policy;
- ▶ 4.4.3 sets out the changes to the Remuneration Policy that will be proposed for adoption by the 2016 AGM;
- ▶ 4.4.4 illustrates how the Remuneration Policy was applied in 2015 in respect of the CEO, the only Executive Member of the Board of Directors. (The cumulated remuneration of all Group Executive Committee Members is presented in the “Notes to the Consolidated Financial Statements (IFRS) — Note 8: Related Party Transactions”);
- ▶ 4.4.5 illustrates how the Remuneration Policy was applied in 2015 in respect of the non-Executive Members of the Board of Directors;
- ▶ 4.4.6 miscellaneous.

4.4.2 REMUNERATION POLICY

The Remuneration Policy covers all members of the Board of Directors: the CEO (who is the only Executive Director) and the other members of the Board (which is comprised of non-Executive Directors).

It should be noted that although the Policy relating to executive remuneration only refers to the CEO, these principles are also applied to the other members of the Group Executive Committee, who do not serve on the Board of Directors, and to a large extent to all executives across the Group. Upon proposal by the CEO, the RNGC analyses and recommends, and the Board of Directors decides the remuneration of the Members of the Group Executive Committee.

A — Executive Remuneration – Applicable to the CEO

a) Remuneration Philosophy

The Company's remuneration philosophy has the objective of providing remuneration that will attract, retain and motivate high calibre executives, whose contribution will ensure that the Company achieves its strategic and operational objectives, thereby providing long-term sustainable returns for all shareholders.

The Board of Directors and the RNGC are committed to making sure that the executive remuneration structure is transparent and comprehensible for both executives and investors, and to ensure that executive rewards are consistent and aligned with the interests of long-term shareholders.

Before setting the targets to be proposed for adoption to the Board of Directors, the RNGC considers the financial outcome scenarios of meeting performance targets, as well as of maximum performance achievements, and how these may affect the level and structure of the executive remuneration.

b) Total Direct Compensation and Peer Group

The Total Direct Compensation for the CEO comprises a Base Salary, an Annual Variable remuneration (“VR”) and a Long-Term Incentive Plan (“LTIP”). The three elements of the Total Direct Compensation are each intended to comprise 1/3 of the total, assuming the achievement of performance conditions is 100% of target.

The level of Total Direct Compensation for the CEO is set at the median of an extensive peer group. The benchmark is regularly reviewed by the RNGC and is based on a peer group which comprises:

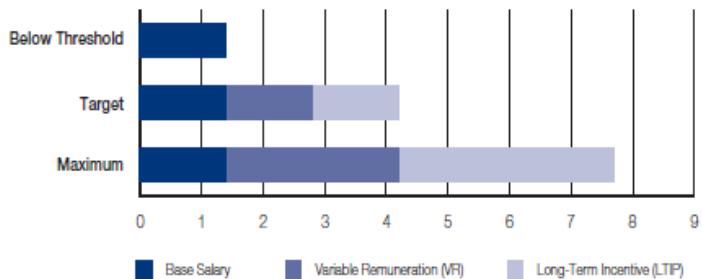
- ▶ Global companies in Airbus Group's main markets (France, Germany, UK and US); and
- ▶ Companies operating in the same industries as Airbus Group worldwide.

The elements of the Total Direct Compensation are described below:

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

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

Scenarios CEO total direct compensation 2015



Indications are in million euros.

"Below Threshold" includes annual base Salary; Annual Variable Remuneration at 0%; LTIP not vesting.

"Target" includes Base Salary, Annual Variable Remuneration at target and LTIP grant face value.

"Maximum" includes Base Salary; maximum Annual Variable Remuneration value (200%); LTIP grant projected at vesting date (250%).

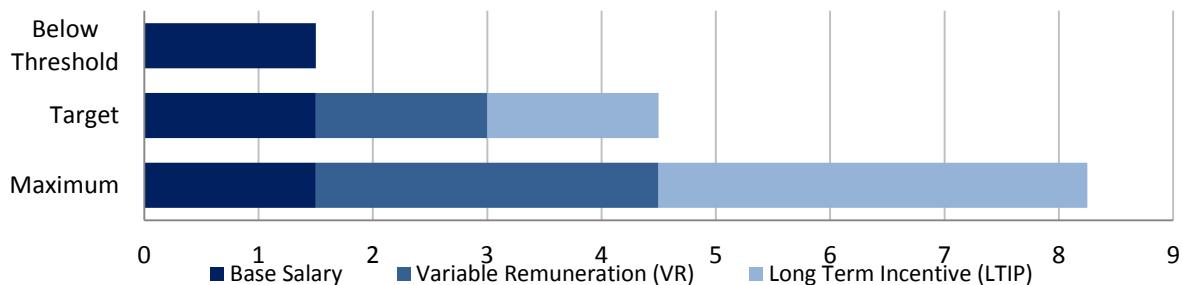
Proposal of policy from 2016

The Remuneration Committee regularly benchmarks the CEO's Total Direct Compensation (Base Salary, Annual Variable Remuneration and LTIP) against an extensive peer group. The last review took place in October 2014, and was completed with the assistance of an independent consultant: Towers Watson. The relevant peer groups that were considered were proposed by Towers Watson, and comprised 31 companies having comparable economic indicators such as revenue, number of employees, and market capitalization. Financial institutions were excluded from the peer group (you may refer to Paragraph 4.4.4 below for further details).

This review showed that the CEO's Total Direct Compensation was slightly below the median level of the peer group. Based on these findings and with regards to the track record of the CEO, the RNGC recommended to increase the Total Target Remuneration of the CEO by 7% to € 3,000,000 (€ 1,500,000 Base Salary + € 1,500,000 Target Variable Pay). in the frame of the renewal of his mandate. This increase takes into consideration the fact that his remuneration was not reviewed since 2012 and is in line with the salary policy applied to employees across the Group over that period.

As illustrated in the table below, the structure of the CEO's Total Direct Compensation will remain unchanged in 2016. Indeed, the on-target levels of Annual Variable Remuneration and LTIP will each amount to 100% of the CEO's base salary.

Scenarios CEO Total Direct Compensation 2016



Indications are in million euros.

"Below Threshold" includes annual base Salary; Annual Variable Remuneration at 0%; LTIP not vesting.

"Target" includes Base Salary, Annual Variable Remuneration at target and LTIP grant face value.

"Maximum" includes Base Salary; maximum Annual Variable Remuneration value (200%); LTIP grant projected at vesting date (250%).

c) Base Salary

The Base Salary of the CEO is determined by the Board of Directors, taking into account the peer group analysis mentioned above.

d) Annual Variable Remuneration

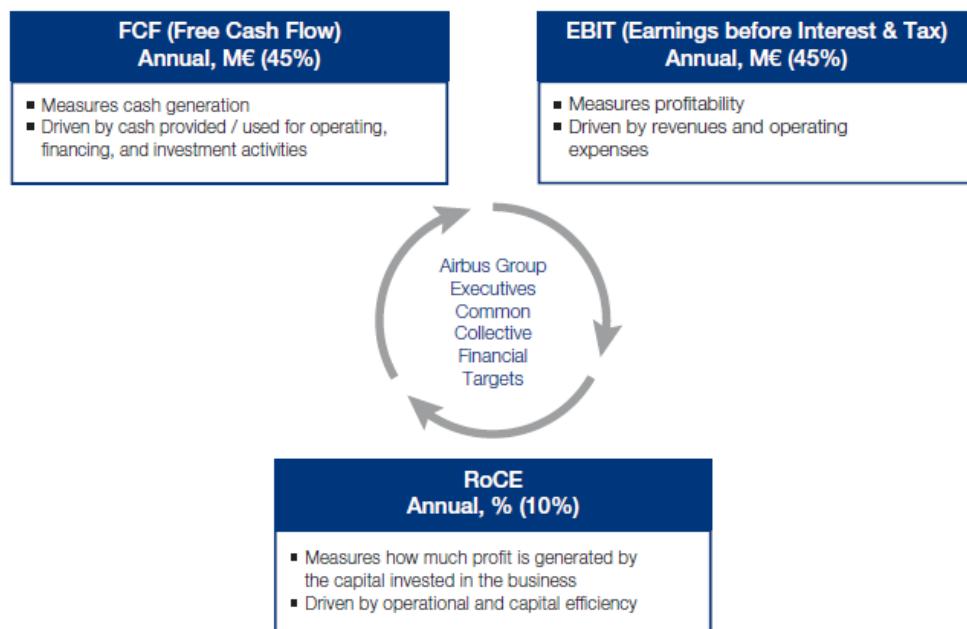
The variable remuneration is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of the variable remuneration for the CEO is targeted at 100% of Base Salary; it is capped at a maximum level of 200% of Base Salary. The entire variable remuneration is at-risk, and therefore if performance targets are not achieved sufficiently, no variable remuneration is paid.

The performance measures that are considered when awarding the variable remuneration to the CEO are split equally between Common Collective performance measures and Individual performance measures.

Common Collective Component

The Common Collective component is based on EBIT* (45%), Free Cash Flow (45%) and RoCE (10%) objectives. Each year, the Airbus Group Board of Directors sets the goals for these key value drivers at Group and Division levels. The Common Collective financial targets relate closely to internal planning and to guidance given to the capital market (although there may be variations therefrom).

To calculate the Common Collective annual achievement levels, actual EBIT*, Free Cash Flow and RoCE performance are compared against the targets that were set for the year. This comparison forms the basis to compute achievement levels, noting that the actual EBIT*, Free Cash Flow, and RoCE levels are occasionally adjusted for a limited number of factors which are outside management control (such as certain foreign exchange impacts or unplanned Merger and Acquisition activities). The RNGC's intention is to ensure ambitious financial targets and to incentivise the CEO's commitment to meeting these targets.



Individual

The Individual element focuses on **Outcomes** and **Behaviour**. Individual Performance is assessed in these two important dimensions:

- ▶ **Outcomes** encompass various aspects of what the CEO can do to contribute to the success of the business: specific business results he helps achieve, projects he drives and processes he helps improve. The individual targets of the CEO are comprehensive and shared with all employees via the Company Top Priorities;
- ▶ **Behaviour** refers to the way results have been achieved, which is also critical for long term success: how the CEO and the Board of Directors work as a team, how the CEO leads the Group Executive Committee, quality of communication, encouragement of innovation, etc. A specific part of the Behaviour assessment relates to ethics, compliance and quality issues.

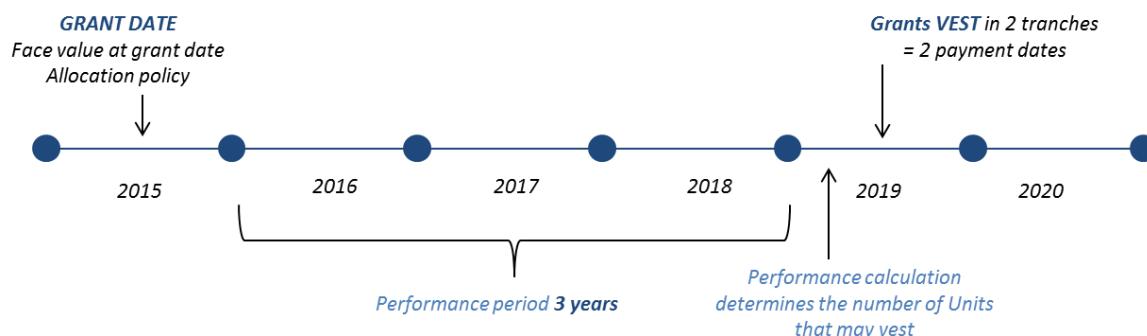
e) Long-Term Incentive Plan

For the CEO, the Company's current Long-Term Incentive Plan ("LTIP") is comprised only of Performance Units. One Unit is equal in value to one Airbus Group share.

Performance Units

Performance Units are the long-term equity-related incentive awards that are currently granted to the CEO. LTIP awards are granted each year. Each grant is subject to a three-year cumulative performance objective. At the end of the three-year period, the grant is subjected to a performance calculation to determine whether and to what extent it should vest. Depending on continued employment, grants attributed until 2013 will vest in four tranches, the payment of which takes place approximately 6, 12, 18 and 24 months following the end of the performance period. Depending on continuous employment, grants attributed from 2014 would vest in two tranches, the payment of which would take place approximately 6 and 18 months following the end of the performance period.

LTIP-Scheme



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

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

For the CEO, the value of the Performance Unit allocation is capped, at the time of grant, at 100% of Base Salary. The number of Units that vest can vary between 0% and 150% of the Units granted, subject to cumulative performance over a three-year period. The level of vesting is subject to the following performance measures:

- ▶ 0-50% of the allocation: The Board of Directors has the discretion to decide that this element of the Performance Unit award will not vest if Airbus Group reports negative cumulated **EBIT*** results;
- ▶ 50-150% of the allocation: This element of the Performance Unit award vests based on one performance criteria: average **Earnings Per Share**. Starting with the 2013 plan, the Company proposes that this element be based on two performance criteria: average **Earnings Per Share** (75%) and cumulative **Free Cash Flow** (25%).

For reasons of confidentiality, the precise targets set for the cumulated FCF and average EPS, even though they have been properly established in a precise manner, cannot be publicly disclosed as these objectives are in part linked to Airbus Groups' strategy. Nonetheless, for the sake of transparency and to ensure compliance with best market practices, forward-looking information demonstrating the stringency of the targets set by the Board of Directors are provided for the previous long term incentive plans.

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

- ▶ the maximum level of vesting is 150% of the number of Units granted;
- ▶ the value that could result from share price increases is capped at 200% of the reference share price at the date of grant;
- ▶ the overall pay-out is capped at 250% of the value at the date of grant.

f) Share Ownership Guideline

The Board of Directors has established a share ownership guideline pursuant to which the CEO is expected to acquire Airbus Group shares with a value equal to 200% of Base Salary and to hold them throughout his tenure.

g) Benefits

The benefits offered to the CEO comprise a company car and accident insurance. Travel cost reimbursements are based on the Company travel policy as applicable to all employees.

h) Retirement

The CEO is entitled to a retirement benefit. The Company's policy is to provide a pension at retirement age that equals 50% of Base Salary, once the CEO has served on the Group Executive Committee for five years. This pension can increase gradually to 60% of Base Salary, for executives who have served on the Group Executive Committee for over ten years, and have been Airbus Group employees for at least 12 years.

i) Contracts and Severance

In the case of contract termination, the CEO is entitled to an indemnity equal to 1.5 times the Total Target Remuneration (defined as Base Salary and target Annual Variable Remuneration) with respect to applicable local legal requirements if any. This will not apply if the CEO mandate is terminated for cause, in case of dismissal, if he resigns or, if the CEO has reached retirement age.

The CEO's contract includes a non-compete clause which applies for a minimum of one year, and can be extended at the Company's initiative for a further year. The Board of Directors has the discretion to invoke the extension of the non-compete clause. The compensation for each year that the non-compete clause applies is equal to 50% of the last

Total Annual Remuneration (defined as Base Salary and Annual Variable Remuneration most recently paid) with respect to applicable local legal requirements if any.

Past LTIP awards may be maintained, in such cases as in the case of retirement or if a mandate is not renewed by the Company without cause. The vesting of past LTIP awards follows the plans' rules and regulations and is not accelerated in any case. LTIP awards are forfeited for executives who leave the Company of their own initiative, but this is subject to review by the Board of Directors.

j) Clawback

Recent changes to Dutch law introduced the possibility for the Company to deduct or claw back part of the CEO's variable cash remuneration (*i.e.* VR) or equity-related remuneration (excluding the LTIP element settled in cash) served by the Company if certain circumstances arise.

Any revision, claw back, or amounts deducted from the CEO's remuneration will be reported in the financial notes of the relevant Annual Report.

k) Loans

Airbus Group does not provide loans or advances to the CEO.

B — Non-Executive Remuneration – Applicable to non-Executive Members of the Board

The Company's Remuneration Policy with regard to non-Executive Members of the Board of Directors is aimed at ensuring fair compensation and protecting the independence of the Board's members.

Fees and Entitlements

Non-Executive Members of the Board are currently entitled to the following:

- ▶ a base fee for membership or chair of the Board;
- ▶ a Committee fee for membership or chair on each of the Board's Committees;
- ▶ an attendance fees for the attendance of Board meetings.

Each of these fees is a fixed amount. Non-Executive Members of the Board do not receive any performance or equity-related compensation, and do not accrue pension rights with the Company in the frame of their mandate, except what they would receive in the frame of a current or past executive mandate. These measures are designed to ensure the independence of Board Members and strengthen the overall effectiveness of the Company's corporate governance.

The Company does not encourage non-Executive Directors to purchase Company shares.

Under the current policy, members of the Board are entitled to the following fees:

Fixed fee for membership of the Board EUR / year

- ▶ Chairman of the Board: 180,000
- ▶ Member of the Board: 80,000

Fixed fee for membership of a Committee EUR / year

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

Attendance fees EUR / Board meeting

- ▶ Chairman: 10,000
- ▶ Member: 5,000

Committee Chairmanship and Committee Membership fees are cumulative if the concerned non-Executive Director belongs to two different Committees. Fees are paid twice a year at the end of each semester (as close as possible to the Board meeting dates).

Proposal of policy from 2016

In order to recognize the increase in Board members' responsibilities, their greater time commitment and the Group's continuous need to attract and retain highly competent members, a comprehensive review of the Board remuneration policy was undertaken in 2015.

In October, an independent consultant, KornFerry, completed a benchmark on the remuneration of non-executive Directors and the Chairman of the Board. The analysis reviewed 60 comparable companies from 7 countries (France, Germany, Italy, Netherlands, Spain, Switzerland and the UK) and the aerospace/defence sector (BAE Systems, Boeing, Dassault Aviation, Finmeccanica, General Dynamics, Honeywell, Lockheed Martin, Northrop Grumman, Raytheon, Rolls Royce, Safran, Textron, Thales, United Technologies Corp). The findings of the benchmark showed that Airbus Group's Chairman total compensation was among the lowest across the peer group; also, non-executive Directors' remuneration was below the average.

In the meeting on February 23, 2016 the Board confirmed the recommendation of the RNGC to increase the total target remuneration of the Chairman of the Board of Directors to EUR 300,000 (currently EUR 240,000) while that of a non-executive Director shall increase to EUR 140,000 (currently EUR 110,000). The calculation is based on 6 regular Board meetings per year. This increase is the first since the comprehensive revision and modification of the Board remuneration policy launched by the Board of Directors in 2007.

Incentivising Board attendance the new Board remuneration policy will double the attendance fee of a non-executive Director to EUR 10,000 while leaving the fixed fee unchanged. The Chairman's remuneration will be increased with regards to both the fixed fee by EUR 30,000 and the attendance fee by EUR 5,000. However, attendance fees will decrease by 50% in case of an attendance by phone.

For personal reasons, Denis Ranque decided to waive the portion of his remuneration as Chairman of the Board of Directors which exceeds EUR 240,000 (his current total target remuneration) until further notice. The Board recommended that the Company makes an annual contribution of € 60,000 to the Airbus Group Foundation as long as Denis Ranque waives the part of his remuneration which exceeds € 240,000.

The following entitlements remain:

- ▶ A base fee for membership or chair of the Board;
- ▶ A committee fee for membership or chair on each of the Board's Committees;
- ▶ An attendance fees for the attendance of Board meetings.

Under the new policy, and in greater details, members of the Board would be entitled to the following fees:

CHAIRMAN OF THE BOARD

The proposal is to increase the Chairman's remuneration with regards to both the fixed fee and the attendance fee:

- ▶ Fixed fee: 210,000
- ▶ Attendance fee: 15,000

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

NON-EXECUTIVE DIRECTORS

The proposal is to increase the attendance fees of the non-executive directors; the objective being to incentivise the attendance. The fixum would remain unchanged,

- ▶ Fixed fee: 80,000
- ▶ Attendance fee: 10,000

MEMBERSHIP OF A COMMITTEE

The remuneration for the membership of a Committee would remain unchanged

- ▶ Chairman of a Committee: 30,000 per year (no attendance fee)
- ▶ Member of a Committee: 20,000 per year (no attendance fee)

C – Employee Share ownership plan (ESOP)

Enabling employees to participate in the results of the company is a key element in the Airbus Group benefits policy. Since its creation, the Company has developed a philosophy based on sharing the added value created by the Company with all employees (including the CEO). Therefore, the Company has regularly offered qualifying employees the opportunity to purchase shares on favourable terms through the ESOP.

Pursuant to shareholders' resolutions adopted at the AGM, the powers to issue shares and to set aside preferential subscription rights of existing shareholders have been granted to the Board of Directors. Such powers include the approval of ESOP.

4.4.3 PROPOSED AMENDMENTS OF THE REMUNERATION POLICY

At the 2016 AGM, the Board of Directors is proposing that shareholders adopt a number of amendments to the Airbus Group Remuneration Policy.

The following changes are being proposed:

- ▶ **CEO remuneration:** The remuneration of the CEO was not reviewed since 2012. Therefore, in the frame of the renewal of his mandate, the Company proposes to increase the remuneration of the CEO as described above. This increase takes into consideration the track record of the CEO and is in line with the salary policy applied to employees across the Group over that period.

- ▶ **Non-executive remuneration:** In order to recognize the increase in responsibilities, greater time commitment and the continuous need to attract and retain highly competent Board members, a review of the Board remuneration policy was undertaken in 2015, the first comprehensive revision since 2007. As described in detail above, the Company proposes to increase the remuneration of the Chairman and that of the non-executive Board members to be in line with market practice, incentivise attendance and recognize the strategic role played by the Board of Directors in the Airbus Group' developments.
- ▶ **LTIP:** In order to maintain the alignment with shareholders' interests, and to ensure both the Company and the beneficiaries benefit from new tax and social regimes (offered by the Macron Act in France in favour of French tax resident employees), the Company intends to replace all or part of future LTIP allocations with substantially similar instruments, such as performance shares or other equity-related allocations. As with the Performance Units, the value of the CEO's LTIP allocation would continue to be capped as a percentage of Base Salary at the date of grant and be subject to performance conditions. The other features would remain unchanged (performance conditions assessed over a 3 year period based on relevant financial criteria: average Earning Per Share and cumulated Free Cash Flow) with stringent targets set, as demonstrated by the past Group practice.
- ▶ **ESOP:** The Company intends to implement an ESOP in 2017, subject to approval by the Board of Directors, open to all qualifying employees (including the CEO). The Company intends to replace future ESOP through the issuance of shares or free distribution of shares of other existing or new securities giving access to the capital as a matching contribution. This plan would aim at favouring the development of employee shareholding.

4.4.4 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2015: CEO

a) Benchmarking

The RNGC regularly benchmarks the CEO's Total Direct Compensation (Base Salary, Annual Variable Remuneration and LTIP) against an extensive peer group.

The last review took place in October 2014, and was completed with the assistance of an independent consultant: Towers Watson. The relevant peer groups that were considered were proposed by Towers Watson, and comprised 31 companies* having comparable economic indicators such as revenue, number of employees, and market capitalisation. Financial institutions were excluded from the peer group.

Based on this review the RNGC concluded again this year, that the CEO's Total Direct Compensation was slightly below the median level of the peer group.

[***France:** Air Liquide, Danone, Michelin, Renault, Sanofi, Schneider Electric, GDF Suez, Vinci. **Germany:** BASF, Bayer, BMW, Daimler, Lufthansa, Deutsche Post World Net, Deutsche Telekom, E.ON, Henkel, RWE, SAP, Siemens, ThyssenKrupp. **UK:** Anglo American, BP, GlaxoSmithKline, Glencore, Imperial Tobacco, Rio Tinto, Rolls-Royce, Royal Dutch Shell, Unilever. **US:** AT&T, Boeing, Caterpillar, Cisco Systems, Coca-Cola, General Electric, IBM, Intel, Johnson & Johnson, Microsoft, Pfizer, Procter and Gamble, United Technologies, Verizon.]

b) Base Salary

For 2015, the Base Salary was set by the Board of Directors at € 1,400,004 (unchanged compared to the annualised salary paid in the previous year). The CEO's Base Salary level was set in July 2012, shortly after his appointment. Any review of the CEO's Base Salary will also take into consideration salary increases of employees across the Group.

c) Annual Variable Remuneration

As stipulated in the Company's Remuneration Policy, the CEO's Annual Variable remuneration is targeted at 100% of Base Salary and capped at 200% of Base Salary. It is subject to the fulfilment of Collective and Individual performance targets.

For 2015, the Annual Variable Remuneration amounted to an aggregate € 1,932,000 composed of € 987,000 for the Common Collective Component (141%), and € 945,000 for the Individual part (135%).

The **Common Collective Component** results from a composite **141% achievement** of EBIT*, Free Cash Flow and RoCE objectives.

This achievement mainly reflects a significant **Free Cash Flow** before M&A over-performance against the budgeted target and guidance given to the market; the main drivers of that success were the solid operational performance, healthy pre-delivery payments inflows, and on-going efforts to control working capital during programme ramp-up phase.

EBIT*, compared to the budgeted target and guidance, was globally good, in spite of an unplanned A400M provisions. Finally, **RoCE** slightly exceeded the target, thanks to a well-controlled capital employed.

Normalisation adjustments of EBIT* were made to exclude currency exchange differences against the budget rate, or those arising from phasing mismatches. Importantly, the impact of M&A (especially the Dassault shares sale) was excluded from EBIT* and Free Cash Flow to determine the achievement level.

The **Individual part** results from a high achievement level of 135% out of 200%, assessed by the RNGC and approved by the Board on the basis of the CEO's performance and behaviour, mostly with respect to the eight Group priorities agreed at the start of the year (see: Chapter 2 - Summary 2015). For each of these outcomes, leadership, personal performance and contributions were examined.

The **factors determining the high assessment** were among other achievements: a solid financial and operational performance with a record order book supporting the commercial aircraft ramp-up plans and driving operational efficiency (e.g.: break even on the A380 programme, delivery of 14 A350s in the first year of industrialization, acceleration of the A350 and A400M ramp-ups and A320neo transition, signature of Ariane 6, launch of the X6); an initiated digital strategy (e.g.: selection of OneWeb to build 900 small satellites to enable global internet access, creation of a new corporate venture capital and business innovation center in Silicon Valley, and the implementation of a cyber security improvement plan); reinforcement of corporate social responsibility (e.g.: opening of new algae cultivation facility to produce bio-kerosene and chemical products, launching of a programme to help airlines reduce their environmental footprint with tailored services and expertise), reinforced anti-corruption policy and programme (e.g.: updating Group policies with overarching standards of business conduct, integrity and transparency, including for suppliers and business partners); a reinforced worldwide footprint with local industrial presence (e.g.: inauguration of Airbus Final Assembly Line in Alabama, launching of 'Make-in-India' initiative).

Performance against Target



d) Long-Term Incentive Plan

Granting 2015

As stipulated in the Company's Remuneration Policy, the CEO is eligible for a Performance Unit award under the Company's LTIP. The value of the Performance Unit award is capped at 100% of Base Salary at the date of grant. During 2015 the CEO was granted 24,862 Performance Units.

The table below gives an overview of the Performance Units granted to the Chief Executive Officer in 2015 pursuant to the LTIP:

| Unit plan: number of Performance Units | | |
|--|-----------------|--|
| | Granted in 2015 | Vesting dates |
| Thomas Enders | 24,862 | Vesting schedule is made up of 2 tranches over 2 years: (i) 50% expected in June 2019; (ii) 50% expected in June 2020. |

*There is no obligation under the Dutch Financial Supervision Act to notify the cash units under the LTIP to the AFM. The CEO's cash units are therefore no longer reflected in the AFM register.

Vesting values in 2015

In 2015, the CEO received both cash payments and vested shares in connection with the vesting of 2010 and 2011 LTIP awards:

- ▶ **Cash:** The total cash payment to the CEO amounted to € 3,148,629.
- ▶ **Shares:** In connection with the 2010 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the CEO received 18,496 vested shares on the fourth vesting date for the 2010 LTIP (4th November 2015).

In connection with the 2011 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 8,224 Performance Units was delayed and these will be released in the form of shares on the fourth vesting date for the 2011 LTIP (which will take place in 2016).

In connection with the 2012 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 12,575 Performance Units will be delayed and these will be released in the form of shares on the fourth vesting date for the 2012 LTIP (which will take place in 2017).

LTI overview: granting and vesting

| Date of grants Number | Share price at grant date | Value at grant date | (Un)conditional | Performance achievement | Units with performance achievement | Dates of vesting | 2014 Share value at vesting dates |
|-----------------------|---------------------------|---------------------|-----------------|-------------------------|------------------------------------|--|---|
| 2010 | 54,400 | € 18.40 | € 1,000,960 | Conditional | 136% | 73,984 4 vestings in 2014 - 2015 | 3 rd vesting – 6 May 2015 : € 62.17 4 th vesting – 4 November 2015 : € 57.97 |
| 2011 | 51,400 | € 21.41 | € 1,100,474 | Conditional | 128% | 65,792 4 vestings in 2015 - 2016 | 1 st vesting – 6 May 2015 : € 62.17 2 nd vesting – 4 November 2015 : € 57.97 |
| 2012 | 50,300 | € 27.83 | € 1,399,849 | Conditional | Not yet known | Not yet known 4 vestings in 2016 - 2017 | Not yet known |
| 2013 | 30,300 | € 46.17 | € 1,398,951 | Conditional | Not yet known | Not yet known 4 vestings in 2017 - 2018 | Not yet known |
| 2014 | 29,500 | € 47.45 | € 1,399,775 | Conditional | Not yet known | Not yet known 2 vestings in 2018 - 2019 | Not yet known |
| 2015 | 24,862 | € 56.31 | € 1,399,979 | Conditional | Not yet known | Not yet known 2 vestings in 2019 - 2020 | Not yet known |

Calculations may involve rounding to the nearest unit.

Performance conditions of 2011 LTI plan:

The performance conditions were determined as follows:

- ▶ if the Airbus Group reports negative cumulated EBIT* results, the definitive grant shall be 0%.
- ▶ 50% to 150% of the allocation would be granted on a linear basis depending on three year average EPS for the 2012, 2013 and 2014 fiscal years, with the three year average EPS target for an allocation of 100% equal to 1.55 euro.

Review of achievement of performance conditions:

The Board of Directors on 26th of February 2015 noted the achievement of the performance conditions of the 2011 plan, i.e. for the 2012, 2013 and 2014 fiscal years: The three year average EPS, was € 2.10, after normalization to align it with policies in force when setting the target (notably IAS11).

| Date of grants | Number of units | Target average EPS for a 100% allocation | Achieved average EPS | Resulting vesting in percentage | Resulting vesting in number | For comparison, average EPS for the last 3 reported years at the date of grants |
|----------------|-----------------|--|----------------------|---------------------------------|-----------------------------|---|
| 2010 | 54,400 | 0.90 euro | 1.54 euro | 136% | 73,984 | 0.15 euro* |
| 2011 | 51,400 | 1.55 euro | 2.10 euro | 128% | 65,792 | 0.56 euro** |

[*Average EPS of 2009, 2008 and 2007] [** Average EPS of 2010, 2009 and 2008.]

e) Share ownership

The CEO owned 64,521 Airbus Group shares on 31/12/2015, which represents more than 200% base salary. He herewith respects the Group's share ownership policy.

f) Employee Share Ownership Plan (ESOP)

In March 2015, the Company has invited employees of the Group to subscribe for a share matching plan whereby the Company matched a certain number of directly acquired shares with a grant of matching shares. This ratio varied depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 50%. The total offering was up to 2 million shares of the Company, open to all qualifying employees.

Under the umbrella of the ESOP 2015, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed in March 2015.

Although the CEO was eligible to the plan, he did not participate to the ESOP 2015 plan favouring the development of a shareholding among other employees of the Group.

g) Benefits

As stipulated in the Company's Remuneration Policy the CEO's benefits comprise a Company car and accident insurance. The monetary value of these benefits for 2015 amounted to € 69,050.

h) Retirement

As of 31 December 2015, the present value of the CEO's pension defined benefit obligation including deferred compensation amounted to € 17,118,048 vs. 18,584,426 a year ago. While the plan benefits remain identical, the present value of the pension obligation was calculated applying a 1.9% discount rate in 2014 compared to a 2.3% discount rate in 2015, which mainly explains the change in value. For the fiscal year 2015, the current service and interest costs related to the CEO's pension promise represented an expense of € 1,079,861. This obligation has been accrued in the Consolidated Financial Statements.

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

i) Clawback

The Board has not applied any claw back in 2015.

4.4.5 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2015: NON-EXECUTIVE FEES

The RNGC recommended and the Board of Directors decided not to increase non-executive fees in 2015, and therefore the non-executive fees remain unchanged from the level set in October 2007. The CEO is the only Member of the Board of Directors who is not entitled to any Board membership fee.

Summary table of the 2015 and 2014 fees of all non-Executive Members of the Board (current and former):

| | Directors' remuneration related to 2015* | | | Directors' remuneration related to 2014 | | | |
|--|--|-----------------------------|------------------|---|-----------------|---------------------------|-----------------|
| | Fixum (in €) | Attendance Fees** (in €) | | Total (in €) | Fixum (in €) | Attendance Fees (in €) | |
| | | | Total (in €) | | | | Total (in €) |
| Current Non Executive Board Members | | | | | | | |
| Denis Ranque | 180,000 | 70,000 | 250,000 | 180,000 | 70,000 | 250,000 | |
| Manfred Bischoff | 80,000 | 25,000 | 105,000 | 80,000 | 25,000 | 105,000 | |
| Ralph D Crosby Jr | 80,000 | 35,000 | 115,000 | 80,000 | 35,000 | 115,000 | |
| Hans-Peter Keitel | 100,000 | 35,000 | 135,000 | 100,000 | 30,000 | 130,000 | |
| Hermann-Josef Lamberti | 110,000 | 30,000 | 140,000 | 110,000 | 35,000 | 145,000 | |
| Anne Lauvergeon | 100,000 | 30,000 | 130,000 | 100,000 | 30,000 | 130,000 | |
| Lakshmi N. Mittal | 100,000 | 35,000 | 135,000 | 100,000 | 30,000 | 130,000 | |
| Maria Amparo Moraleda Martínez*** | 50,000 | 20,000 | 70,000 | N/A | N/A | N/A | |
| Sir John Parker | 110,000 | 30,000 | 140,000 | 110,000 | 35,000 | 145,000 | |
| Michel Pébereau | 100,000 | 25,000 | 125,000 | 100,000 | 30,000 | 130,000 | |
| Jean-Claude Trichet | 100,000 | 35,000 | 135,000 | 100,000 | 35,000 | 135,000 | |
| Former Non Executive Board Members | | | | | | | |
| Josep Piqué i Camps | 41,668 | 0 | 41,668 | 100,000 | 15,000 | 115,000 | |
| TOTAL | 1,151,668 | 370,000 | 1,521,668 | 1,160,000 | 370,000 | 1,530,000 | |

* The Fixum related to 2014 was paid in 2015; the Fixum related to 2015 was paid 50% in July 2015 and 50% in January 2016.

** The Board meetings of March 24 and June 3 were telephone-based and it was agreed that no remuneration will be paid for it.

*** Member of the Company Board of Directors, Audit Committee as of 27/05/2015.

4.4.6 MISCELLANEOUS

Policy for Loans and Guarantees Granted

The Company's general policy is not to grant any loan to the Members of the Board of Directors. Unless the law provides otherwise, the Members of the Board of Directors shall be reimbursed by the Company for various costs and expenses, like reasonable costs of defending claims. Under certain circumstances, such as an act or failure to act by a Member of the Board of Directors that can be characterised as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to this reimbursement. The Company has also taken out liability insurance ("D&O" – Directors & Officers) for the persons concerned.

4.5 Ethics and Compliance Organisation

In June 2013 the CEO described the importance of the Company's dedication towards Ethics and Compliance ("E&C") in the following way: "Within the Airbus Group, it's not just our results that matter – it's the way we achieve them". The Airbus Group Ethics and Compliance Programme ("the Airbus Group E&C Programme") seeks to ensure that the Group's business practices conform to applicable laws and regulations as well as to ethical business principles and thus establish a culture of integrity. The Company is convinced that such a culture helps to sustain the Group's global competitiveness.

There are two foundation documents in the Group E&C Programme: the "Standards of Business Conduct" which were revised in 2013 and "Our Integrity Principles" which summarises the Group's 6 key Ethics and Compliance commitments and which was rolled out group-wide to each individual employee in 2013 by his / her manager.

Those foundation documents are complemented by policies addressing specific topics and providing the necessary framework for Airbus Group to operate. In light of regulatory investigations and commercial disputes, the Group has determined to enhance certain of its policies, procedures and practices, including ethics and compliance. The Group is accordingly in the process of revising and implementing improved procedures, including those with respect to its engagement of consultants and other third parties, in particular in respect of sales support activities, and is conducting enhanced due diligence as a pre-condition for future or continued engagement and corresponding payment. The Group believes that these enhancements to its controls and practices best position it for the future, particularly in light of advancements in regulatory standards. The Group cannot exclude that these changes lead to additional commercial disputes or other consequences in the future.

In terms of organization, in 2015 the decision was made to merge the Ethics & Compliance Organisation with the Legal Department under the ultimate responsibility of the Group General Counsel. The Group General Counsel reports to the CEO and is now a Group Executive Committee member and reports to the Board. In order to maintain the necessary independence, the SVP Group Ethics and Compliance Officer ("ECO"), reports to the Group General Counsel and has access to the Audit Committee of the Board of Directors.

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

To further ensure its independence, the decision was also made to fully integrate the new Legal and Compliance function, such that the Division General Counsels report only to the Group General Counsel.

The Ethics and Compliance organization is made of 5 pillars:

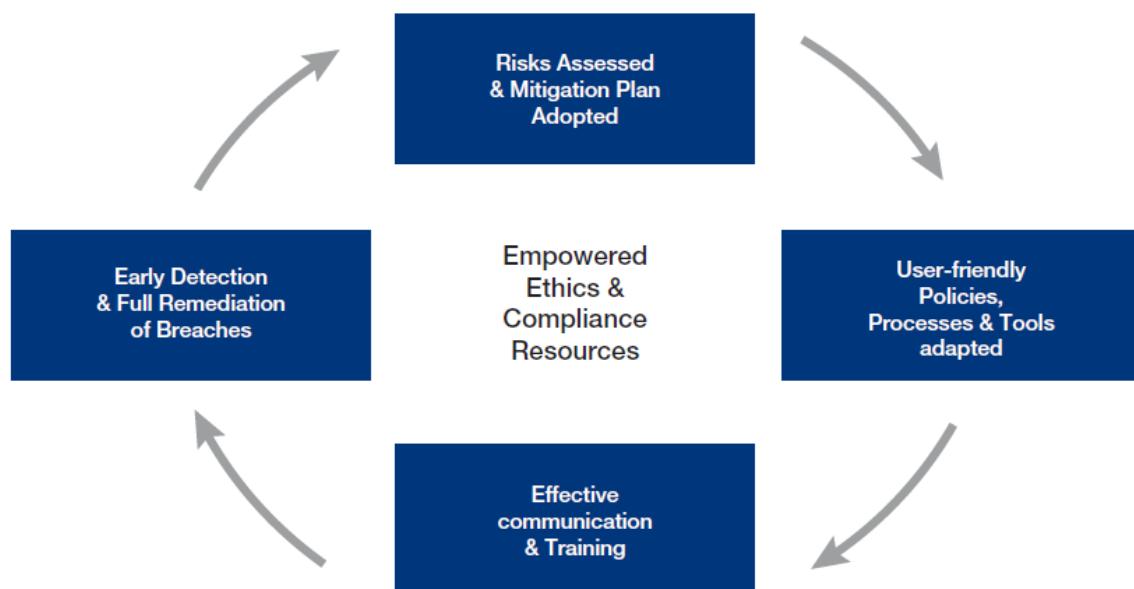
- ▶ The E&C Programme sets the rules and policies and deals with the allegations and investigations;
- ▶ The International Compliance Office addresses corruption and bribery risks;
- ▶ The Export Compliance Office ensures that the activities of the Group comply with all relevant export control rules and with the internal “sensitive countries” policy;
- ▶ The Procurement Compliance Officer supervises compliance in the supply chain; while
- ▶ The Data Protection Compliance Officer is in charge of data privacy risk.

Under the responsibility of the Group General Counsel, each Division has a Divisional E&C Organisation that is embedded within the business through a network of E&C representatives. In recent years, we have enlarged our footprint of E&C representatives and they are now present in all functions and locations of the Business.

Furthermore, in 2015 we maintained five E&C Country Managers in the following zones: Brazil, India, Russia Middle East and Africa, China. The E&C Country Managers report to the Group Ethics & Compliance organization.

Like previous years, E&C was a top priority for the Group in 2015 and the E&C Organisation had a set of objectives. Similarly, each of our Executives had E&C objectives to meet.

Our E&C Cycle includes the following steps which are put in motion by empowered E&C Resources:



Employees, customers, suppliers, and third-party intermediaries are encouraged to freely share their E&C concerns with the management or with E&C resources. While we have a non-retaliation principle, we recognise that a confidential channel for reporting may be useful and we have an alert system called OpenLine. Subject to local legal restrictions, OpenLine is available to employees of controlled entities in France, Germany, Spain, the UK, Australia, Brazil, Canada, China, Mexico and Saudi Arabia. It has been extended to India in 2015. A separate system is also available for the USA. The Airbus Group OpenLine can be used by employees to raise concerns in relation with Corruption and Bribery, Accounting, Finance, Anti-Competitive practices, Harassment, Conflicts of Interest, Quality or Product Safety.

The Group General Counsel reports quarterly to the Audit Committee. The report contains details on Group significant compliance allegations, including the allegations described above under “Notes to the Consolidated Financial Statements (IFRS) — Note 36: Litigation and claims”. As a matter of transparency and to leverage on lessons learnt, this report is shared with the top management.

4.6 Enterprise Risk Management System

The aerospace and defence industry's complex programmes delivered over volatile market cycles, amplify risk and opportunity. Airbus Group's long-term development and production lifecycle make Enterprise Risk Management (“ERM”) a crucial mechanism for both mitigating the risks faced by the Company and identifying future opportunities.

Applied across the Group and its main subsidiaries, ERM facilitates achieving and applying common understanding, methodology, practice and language. ERM is a permanent top-down and bottom-up process, which is executed across Airbus Group Divisions on each level of the organisation. It is designed to identify and manage risks and opportunities focusing on business-relevant aspects. A particular focus is put on the operational dimension due to the importance of Programmes and Operations for Airbus Group.

Required key activities in Risk and Opportunity Management are:

- ▶ anticipation of future events and conditions;
- ▶ early warning;
- ▶ early risks reduction;
- ▶ seizing and capturing of opportunities.

Enterprise Risk Management is an operational process embedded into day-to-day management activities of Programmes, Operations and Functions. A reporting synthesis is made and consolidated on a regular basis (quarterly and yearly).

The aim of the ERM process is to:

- ▶ identify, assess, control and mitigate risks, and seize and capture opportunities;
- ▶ monitor the ERM process and to report status and results;
- ▶ allow risk-adjusted decisions and management processes (e.g. planning; decision-making);
- ▶ enhance risk-response/opportunity-capture decisions and actions;
- ▶ identify and manage cross-enterprise risks/opportunities by understanding interrelated impacts.

Through ERM, the Airbus Group Management enables the:

- ▶ management of the risk profile associated to the Company's strategy;
- ▶ management of the risks associated with the Company activities;
- ▶ ERM reporting to the Board of Directors and Audit Committee (AC) respectively;

The Airbus Group Board of Directors supervises the:

- ▶ corporate strategy and the risks inherent to the business activities;
- ▶ design and effectiveness of the internal risk management and control systems.

ERM Process

The objectives, principles and process for the ERM system as endorsed by the Board of Directors are set forth in the Company's ERM Policy and communicated throughout the Group. The Company's ERM Policy is supplemented by various manuals, guidelines, handbooks, etc. External standards that contribute to the Company's ERM system include the Internal Control and ERM frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organisation (ISO).

The ERM system comprises an integrated hierarchical bottom-up and top-down process to enable better management and transparency of risks and opportunities. At the top, the Board of Directors and the Audit Committee discuss major risks and opportunities, related risk responses and opportunity capture as well as the status of the ERM system, including significant changes and planned improvements. This is based on systematic bottom-up information including management judgement. The results are then fed back into the organisation.

The ERM process consists of four elements:

- ▶ the operational process, which consists of a sequence of eight consistent standardised components to enhance operational risk and opportunity management;
- ▶ the reporting process, which contains procedures for the status reporting of the ERM system and the risk/opportunity situation;
- ▶ the compliance process, which comprises procedures to assess the effectiveness of the ERM system; and
- ▶ the support process, which includes procedures to maintain and increase the quality of the ERM system.

The ERM process applies to all relevant sources of risks and opportunities, which are potentially affecting the Company activities, its businesses as well as its organisation in the short-, middle- and long-term. The ERM process is part of the management process and interrelated with the other processes. The details of application of the ERM process vary with the risk appetite of management and the size, structure and nature of the organisational unit, programme/project, department or process. Nonetheless, the fundamental principles of the Company's ERM Policy generally apply.

For the main risks to which the Group is exposed. See “— Chapter 4.7 (Risk Factors)” of this document.

ERM Governance and Responsibility

The governance structure and related responsibilities for the ERM system are as follows:

- ▶ the Board of Directors supervises the design and effectiveness of the ERM system including management actions to mitigate the risks inherent in the Company's business activities. The board discusses the major risks based on ERM reporting or as required depending on development of business risks. The board is supported by the Audit Committee, which discusses at least yearly the activities with respect to the operation, design and effectiveness of the ERM system;
- ▶ the Group's Chief Executive Officer, backed by the Group Executive Committee, is responsible for an effective ERM system, the related internal environment (i.e. values, culture) and risk philosophy. He is supported by the Group's Chief Financial Officer, who supervises the Head of Risk and Opportunity Management Airbus & Airbus Group, and the ERM system design and process implementation;
- ▶ the Head of Risk and Opportunity Management Airbus & Airbus Group has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation on Group and Division level focusing on the operational dimension, early warning and anticipation culture development while actively seeking to reduce overall

risk criticality. The risk management organisation is structured as a cross-divisional Centre of Competence ("CoC") and pushes for a proactive risk management culture; and

- ▶ the management on executive levels assume responsibility for the operation and monitoring of the ERM system in their respective area of responsibility. They seek to ensure transparency and effectiveness of the ERM system and adherence to its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate responses to increase probability and impact of opportunities.

ERM Effectiveness

The ERM effectiveness is analysed by:

- ▶ Corporate Audit, based on internal corporate audit reports;
- ▶ ERM CoC, based on ERM reports, confirmation letters, in situ sessions (risk reviews etc.), participation to key controls (e.g. major Programme Maturity Gate Reviews).

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

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

Board Declaration

The Board of Directors believes to the best of its knowledge that the internal risk management and control system over financial reporting has worked properly in 2015 and provides reasonable assurance that the financial reporting does not contain any errors of material importance.

No matter how well designed, all ERM systems have inherent limitations, such as vulnerability to circumvention or overrides of the controls in place. Consequently, no assurance can be given that the Company's ERM system and procedures are or will be, despite all care and effort, entirely effective.

4.7 Risk Factors

The Company is subject to many risks and uncertainties that may affect its financial performance. The business, results of operation or financial condition of the Company could be materially adversely affected by the risks described below. These are not the only risks the Company faces. Additional risks and uncertainties not presently known to the Company or that it currently considers immaterial may also impair its business and operations.

4.7.1 FINANCIAL MARKET RISKS

Global Economic and Sovereign Debt Concerns

As a global company, the Company's operations and performance depend significantly on market and economic conditions in Europe, the US, Asia and the rest of the world. Market disruptions and significant economic downturns may develop quickly due to, among other things, crises affecting credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt and bank debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including those in the Near and Middle East, Ukraine, Africa and other regions). Any such disruption or downturn could affect the Company's activities for short or extended periods and have a negative effect on the Company's future results of operation and financial condition.

In recent years European financial markets have experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro-zone to reduce their budget deficits and refinance or repay their sovereign debt obligations as they come due. The European Central Bank and euro-zone policy makers have so far succeeded to stabilise the euro-zone and the European banks. However, austerity measures as well as lower credit supply to the real economy have slowed down economic activity and as a result consumer prices are far below the target levels. The European Central Bank has amplified its expansive monetary policy in order to fight against deflationary trends, induce economic growth and complement structural reforms. The policy includes negative deposit rates and a quasi open-ended quantitative easing programme started in March 2015 and further extended in December 2015 to an equivalent of about € 1.5 trillion which triggered a weakening of the euro. The progressive implementation of an institutional framework for Eurozone has decreased the immediate pressure on EU sovereign debt but risks for medium term economic prospects remain.

Improving economic fundamentals such as in particular the low unemployment rate in the U.S. have triggered the first increase in interest rates of 0.25% by the Federal Reserve in nearly a decade signalling confidence in the continued strength and sustainability of a U.S. recovery. The strong labour market, the recovery of the housing prices, and low energy cost support the recovery of the US economy. However, a further strengthening of the US dollar, the slowdown of growth in Emerging Countries, the fall of equity markets and more globally the development of risk aversion may reduce the growth dynamic in the US. Risks on growth and more importantly deflationary risks linked to the drop of oil price might reduce the pace and magnitude of the further normalization of the US monetary policy. Medium term concerns about the increasing budget deficit and the sustainability of sovereign debt will likely have to be addressed over the next several years through a combination of tax increases, agreed budget cuts or budget sequestration in defence and entitlement spending, combined with an increase in the debt ceiling to finance further borrowing. This could negatively affect economic growth in the US and worldwide, the creditworthiness of US Treasury securities and the exchange rate of the US dollar against other major currencies (in particular euro or pound sterling), which may in turn adversely impact the Company's sales in the defence sector, the market value of the Company's investments or the exchange rates at which the Company is able to hedge its foreign currency exposure.

China has acknowledged additional downward revisions in its GDP growth targets, confirming fears of a slowdown in the world's largest growth engine. This reversion in Chinese demand is exacerbating pressures on global commodity markets

and subsequently to other economies with high exposure on commodities such as Russia, Middle East or Brazil. Beside the diverging policies of European Central Bank and Federal Reserve, In parallel, the reduction of monetary easing by the Federal Reserve Bank and the expected increase of US treasury yields impact financial markets of emerging countries, in particular those with high current account deficits. The noticeable slowdown of emerging markets results in cuts of policy rates and the devaluation of local currencies against USD. The continued reallocation of investments to the US and the devaluation of emerging market currencies deteriorate the external refinancing conditions for issuers from emerging countries including our customers in these countries.

If economic conditions were to deteriorate, or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in credit, currency, commodity and equity markets. This could have a number of effects on the Company's business, including:

- ▶ requests by customers to postpone or cancel existing orders for aircraft (including helicopters) or decision by customers to review their order intake strategy due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or change in operating costs or weak levels of passenger demand for air travel and cargo activity more generally;
- ▶ an increase in the amount of sales financing that the Company must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interests the Company might have in the underlying aircraft;
- ▶ further reductions in public spending for defence, homeland security and space activities, which go beyond those budget consolidation measures already proposed by governments around the world;
- ▶ financial instability, inability to obtain credit or insolvency of key suppliers and subcontractors, thereby impacting the Company's ability to meet its customer obligations in a satisfactory and timely manner;
- ▶ continued de-leveraging as well as mergers, rating downgrades and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by the Company for its businesses or restrict its ability to implement desired foreign currency hedges;
- ▶ default of investment or derivative counterparties and other financial institutions, which could negatively impact the Company's treasury operations including the cash assets of the Company; and
- ▶ decreased performance of the Group's cash investments due to low and partly negative interest rates.

The Company's financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realised in the future on the Company's financial instruments differing significantly from the fair values currently assigned to them.

Foreign Currency Exposure

A significant portion of the Company's revenues is denominated in US dollars, while a major portion of its costs is incurred in euro, and to a lesser extent, in pounds sterling. Consequently, to the extent that the Company does not use financial instruments to hedge its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies. The Company has therefore implemented a long-term hedging portfolio to help secure the rates at which a portion of its future US dollar-denominated revenues (arising primarily at Airbus) are converted into euro or pound sterling, in order to manage and minimise this foreign currency exposure.

There are complexities inherent in determining whether and when foreign currency exposure of the Company will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations, postponements or delivery delays. The Company may also have difficulty in fully implementing its hedging strategy if its hedging counterparties are unwilling to increase derivatives risk limits with the Company, and is exposed to the risk of non-performance or default by these hedging counterparties. The exchange rates at which the Company is able to hedge its foreign currency exposure may also deteriorate, as the euro could appreciate against the US dollar for some time as it has been the case in the past and as the higher capital requirements for banks result in higher credit charges for uncollateralised derivatives. Accordingly, the Company's foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the long term, which could have a negative effect on its results of operation and financial condition. In addition, the portion of the Company's US dollar-denominated revenues that is not hedged in accordance with the Company's hedging strategy will be exposed to changes in exchange rates, which may be significant.

When effectively hedged, the Company recognises fair value changes of the derivative portfolio in equity until instruments' maturity. If the US dollar appreciates against the euro compared to the rate at which the Company has hedged its future US dollar denominated revenues the mark to market of the derivative portfolio becomes negative. Hence, the Company's equity is accordingly reduced which could eventually result into restrictions of equity otherwise available for dividend distribution or share buy-backs. Currency exchange rate fluctuations in those currencies other than the US dollar in which the Company incurs its principal manufacturing expenses (mainly the euro) may affect the ability of the Company to compete with competitors whose costs are incurred in other currencies. This is particularly true with respect to fluctuations relative to the US dollar, as many of the Company's products and those of its competitors (e.g., in the defence export market) are priced in US dollars. The Company's ability to compete with competitors may be eroded to the extent that any of the Company's principal currencies appreciates in value against the principal currencies of such competitors.

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

Sales Financing Arrangements

In support of sales, the Company may agree to participate in the financing of selected customers. As a result, the Company has a portfolio of leases and other financing arrangements with airlines and other customers. The risks arising from the Company's sales financing activities may be classified into two categories: (i) credit risk, which concerns the customer's ability to perform its obligations under a financing arrangement, and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft. Measures taken by the Company to mitigate these risks include optimised financing and legal structures, diversification over a number of aircraft and customers, credit analysis of financing counterparties, provisioning for the credit and asset value exposure, and transfers of exposure to third parties. No assurances may be given that these measures will protect the Company from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market.

The Company's sales financing arrangements expose it to aircraft value risk, because it generally retains security interests in aircraft for the purpose of securing customers' performance of their financial obligations to the Company, and/or because it may guarantee a portion of the value of certain aircraft at certain anniversaries from their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, the Company would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, etc.). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the

exercise window date of an asset value guarantee with respect to that aircraft, the Company would be exposed to losing as much as the difference between the market value of such aircraft and the guaranteed amount, though such amounts are usually capped. The Company regularly reviews its exposure to asset values and adapts its provisioning policy in accordance with market findings and its own experience. However, no assurances may be given that the provisions taken by the Company will be sufficient to cover these potential shortfalls. Through the Airbus Asset Management department or as a result of past financing transactions, the Company is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

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

Counterparty Credit

In addition to the credit risk relating to sales financing as discussed above, the Company is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments. However, the Group has policies in place to avoid concentrations of credit risk and to ensure that credit risk exposure is limited.

Counterparties for transactions in cash, cash equivalents and securities as well as for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. The Company's credit limit system assigns maximum exposure lines to such counterparties, based on a minimum credit rating threshold as published by Standard & Poor's, Moody's and Fitch Ratings. Besides the credit rating, the limit system also takes into account fundamental counterparty data, as well as sector and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of the Company is reviewed on a regular basis and the respective limits are regularly monitored and updated. The Company also seeks to maintain a certain level of diversification in its portfolio between individual counterparties as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparties.

However, there can be no assurance that the Company will not lose the benefit of certain derivatives or cash investments in case of a systemic market disruption. In such circumstances, the value and liquidity of these financial instruments could decline and result in a significant impairment, which may in turn have a negative effect on the Company's future results of operation and financial condition.

Moreover, the progressive implementation of new financial regulations (Basel III, EMIR, CRD4, Bank Restructuring Resolution Directive, Dodd Frank Act, Volcker Rules, etc.) will have an impact on the business model of banks (for example, the split between investment banking and commercial banking activities) and on the capital structure and cost of such banks' activities in relation to over-the-counter derivatives, and therefore on the funding consequences of central clearing and collateralisation of over-the-counter derivatives for corporations like the Company. This may ultimately increase the cost and reduce the liquidity of the Company's long-term hedges, for example, as banks seek to either pass-on the additional costs to their corporate counterparties or withdraw from low-profit businesses altogether.

Equity Investment Portfolio

The Company holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. Equity investments are either accounted for using the equity method (associated

companies), if the Company has the ability to exercise significant influence, or at fair value. If fair value is not readily determinable, the investment is measured at cost.

As of 31 December 2014, the Company's principal investment in associates was Dassault Aviation. The book value of this investment was € 2.4 billion. Following the partial sale, the remaining equity investment in Dassault Aviation has been reclassified as asset held for sale. As such, the Company is still exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies. For equity investments other than associates, which make up only a fraction of the Company's total assets, the Company regards the risk of negative changes in fair value or impairments on these investments as non-significant.

Treasury shares held by the Company are not considered to be equity investments. Additionally, treasury shares are not regarded as being exposed to risk, as any change in value of treasury shares is recognised directly in equity only when sold to the market and never affects net income. Treasury shares are primarily held to hedge the dilution risk arising from employee stock ownership plans and the exercise by employees of stock options.

Pension Commitments

The Company participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. For information related to these plans, see "Notes to the Consolidated Financial Statements (IFRS) — Note 29.1: Provisions for retirement plans". Although the Company has recorded a provision in its balance sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading the Company to record additional provisions in respect of such plans.

Necessary adjustments of such provisions are driven by (i) the discount factor (dependent in part on interest rates) and the inflation rate applied to calculate the net present value of the pension liabilities, (ii) the performance of the asset classes which are represented in the pension assets, and (iii) additional cash injections contributed by the Company from time to time to the pension assets. The Company has taken measures to reduce potential losses on the pension assets and to better match the characteristics of the pension liabilities with those of the pension assets as a long-term objective. Nevertheless, any required additional provisions would have a negative effect on the Company's total equity (net of deferred taxes), which could in turn have a negative effect on its future financial condition.

Tax Issues

As a multinational group with operations and sales in various jurisdictions, the Company is subject to a number of different tax laws. It is the Company's objective to adhere to the relevant tax regulations in the different countries and to ensure tax compliance while structuring its operations and transactions in a tax-efficient manner. The structure of the Company's organisation and of the transactions it enters into are based on its own interpretations of applicable tax laws and regulations, generally relying on opinions received from internal or independent tax counsel, and, to the extent necessary, on rulings or specific guidance from competent tax authorities. There can be no assurance that the tax authorities will not seek to challenge such interpretations, in which case the Company or its affiliates could become subject to tax claims. Moreover, the tax laws and regulations that apply to the Company's business may be amended by the tax authorities, which could affect the overall tax efficiency of the Company.

4.7.2 BUSINESS-RELATED RISKS

Commercial Aircraft Market Factors

Historically, the market for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and cargo activity, which are in turn primarily influenced by economic or gross domestic product ("GDP") growth. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average

age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) evolution of fuel price, (vii) deregulation and (viii) environmental constraints imposed upon aircraft operations. The market for commercial aircraft could continue to be cyclical, and downturns in broad economic trends may have a negative effect on its future results of operation and financial condition.

The commercial helicopter market could also be influenced by a number of factors listed above and in particular with the significant drop of the price of oil in 2015, the Company is impacted by a postponement of investments in the acquisition of new platforms by offshore helicopter players and a reduction of flight hours. The uncertainty on the lead time of the market recovery and the low oil price may have an impact on Airbus Helicopters financial results and could lead to cancellations or loss of bookings.

Terrorism, Pandemics and Other Catastrophic Events

As past terrorist attacks and the spread of pandemics (such as H1N1 flu) have demonstrated, terrorism and pandemics may negatively affect public perception of air travel safety and comfort, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest in a given region may also affect the willingness of the public to travel by air. Furthermore, major airplane crashes may have a negative effect on the public's or regulators' perceptions of the safety of a given class of aircraft, form of design, airline or air traffic. As a result of terrorism, geopolitical instability, pandemics and other catastrophic events, an airline may be confronted with sudden reduced demand for air travel and be compelled to take costly security and safety measures. In response to such events, and the resulting negative impact on the airline industry or particular airlines, the Company may suffer from a decline in demand for all or certain types of its aircraft or other products, and the Company's customers may postpone delivery or cancel orders.

In addition to affecting demand for its products, the occurrence of catastrophic events could disrupt the Company's internal operations or its ability to deliver products and services to customers. Disruptions may be related to threats to physical security and infrastructure, information technology or cyber-attacks or failures, damaging weather or acts of nature and other crises. Any significant production delays, or any destruction, manipulation, theft or improper use of the Company's data, information systems or networks could have a significant adverse effect on the Company's future results of operation and financial condition as well as on the reputation of the Company and its products and services.

Security Risks

The Company is exposed to a number of different types of potential security risk, arising from actions that may be intentional and hostile, accidental, or negligent. Industrial espionage, cyber-attacks (including systems sabotage), data breach, identity theft and intellectual property breach are the main types of risk that we may face in this category. The risk to the availability and integrity of our industrial control systems, manufacturing processes, and products is growing, with the increase of interconnectivity and digitalization, and with a growing gap developing between the defences of older, relatively insecure industrial systems and the capabilities of potential attackers.

In this context, the Company's extensive information and communications systems are exposed to cyber security risks, which are rapidly changing, and increasing in sophistication and potential impact.

As of the date of this report, the most serious cyber security risk is the Advanced Persistent Threat (APT), where technically capable and determined attackers use sophisticated methods, frequently including carefully crafted malicious software, to covertly extract information from our systems. These risks mostly arise from external connections to our systems, and can be exacerbated if we extend trusted connections to partners or suppliers. APT could be used to impact the security of our products through direct cyber-attack on the product itself, or through the compromise of the product's security design, or active disruption of the product's security functions, either of which could take place at any stage of the

product's life-cycle. While the Company has undertaken significant effort to prevent such events from happening, no assurance can be given that these efforts will successfully prevent attacks or damage from such attacks.

Malicious software (including but not limited to petty cyber-criminality) of a more general kind predominantly poses a threat to the integrity and availability of our products and business systems, potentially impacting our business continuity.

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

Dependence on Key Suppliers and Subcontractors

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

The Company relies upon the good performance of its suppliers and subcontractors to meet the obligations defined under their contracts. Supplier performance is continually monitored and assessed so that supplier development programmes can be launched if performance standards fall below expectations. In addition, the Company benefits from its production's lead times inherent flexibility to compensate for a limited non-performance of suppliers, protecting the Company's commitments towards its customers. In certain cases, dual sourcing may be utilised to mitigate the risk. No assurance can be given that these measures will fully protect the Company from non-performance of a supplier which could disrupt production and in turn may have a negative effect on its future results of operation and financial condition.

Changes to the Company's production or development schedules may impact suppliers so that they initiate claims under their contracts for financial compensation. However the robust, long-term nature of the contracts and a structured process to manage such claims, limits the Company's exposure. Despite these mitigation measures, there could still be a negative effect on the future results of operation and financial condition of the Company.

As the Company's global sourcing footprint extends, some suppliers (or their sub-tier suppliers) may have production facilities located in countries that are exposed to socio-political unrest or natural catastrophes which could interrupt deliveries. Country-based risk assessment is applied by the Company to monitor such exposures and to ensure that appropriate mitigation plans or fall-back solutions are available for deliveries from zones considered at risk. Despite these measures, the Company remains exposed to interrupted deliveries from suppliers impacted by such events which could have a negative effect on the future results of operation and financial condition of the Company.

Suppliers (or their sub-tier suppliers) may also experience financial difficulties requiring them to file for bankruptcy protection, which could disrupt the supply of materials and parts to the Company. However, financial health of suppliers is analysed prior to selection to minimise such exposure and then monitored during the contract period to enable the Company to take action to avoid such situations. In exceptional circumstances, the Company may be required to provide financial support to a supplier and therefore face limited credit risk exposure. If insolvency of a supplier does occur, the Company works closely with the appointed administrators to safeguard contractual deliveries from the supplier. Despite these mitigation measures, the bankruptcy of a key supplier could still have a negative effect on the future results of operation and financial condition of the Company.

Industrial Ramp-Up

As a result of the large number of new orders for aircraft recorded in recent years, the Company intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft (including helicopters). The Company's ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given high demand by the Company and its competitors, conversion of raw materials into parts and

assemblies, and performance by suppliers and subcontractors (particularly suppliers of buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, across the three Divisions, which carry their own resource demands. Therefore, the failure of any or all of these factors could lead to missed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders. This risk increases as the Company and its competitors announce even higher production rates. Good progress has been made in 2015 and the supply chain is in general more stable. Specific areas of risk with suppliers of cabin equipment continue to be carefully managed.

Technologically Advanced Products and Services

The Company offers its customers products and services that are technologically advanced, the design, manufacturing, components and materials utilized can be complex and require substantial integration and coordination along the supply chain. In addition, most of the Company's products must function under demanding operating conditions. Even though the Company believes it employs sophisticated design, manufacturing and testing practices, there can be no assurance that the Company's products or services will be successfully developed, manufactured or operated or that they will perform as intended.

Certain of the Company's contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, to provide cancellation rights, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should the Company fail to meet delivery schedules or other measures of contract performance — in particular with respect to new development programmes such as the A350 XWB, A400M, H175 or H160 and to modernisation programmes such as the A320neo and the A330neo. See “— Programme-Specific Risks” below.

In addition to the risk of contract cancellations, the Company may also incur significant costs or loss of revenues in connection with remedial action required to correct any performance issues detected in its products or services. Moreover, to the extent that a performance issue is considered to have a possible impact on safety, regulators could suspend the authorisation for the affected product or service.

Any significant problems with the development, manufacturing, operation or performance of the Company's products and services could have a significant adverse effect on the Company's future results of operation and financial condition as well as on the reputation of the Company and its products and services.

Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. Due to the overall economic environment and competing budget priorities, several countries have reduced their level of public spending. This is especially true with respect to defence and security budgets, where certain countries have already implemented substantial reductions. Any termination or reduction of future funding or cancellations or delays impacting existing contracts may have a negative effect on the Company's future results of operation and financial condition. In the case where several countries undertake to enter together into defence or other procurement contracts, economic, political or budgetary constraints in any one of these countries may have a negative effect on the ability of the Company to enter into or perform such contracts.

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

Availability of Government and Other Sources of Financing

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

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

Competition and Market Access

The markets in which the Company operates are highly competitive. In some areas, competitors may have more extensive or more specialised engineering, manufacturing and marketing capabilities than the Company. In addition, some of the Company's largest customers may develop the capability to manufacture products or provide services similar to those of the Company. This would result in these customers supplying their own products or services and competing directly with the Company for sales of these products or services, all of which could significantly reduce the Company's revenues. Further, new enterprises with different business models could substitute some of the Company's products and services. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues or market share.

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

Major Research and Development Programmes

The business environment in many of the Company's principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments with a high level of complexity. The business plans underlying such investments often contemplate a long payback period before these investments are recouped, and assume a certain level of return over the course of this period in order to justify the initial investment. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved.

Successful development of new programmes also depends on the Company's ability to attract and retain aerospace engineers and other professionals with the technical skills and experience required to meet its specific needs. Demand for such engineers may often exceed supply depending on the market, resulting in intense competition for qualified professionals. There can be no assurances that the Company will attract and retain the personnel it requires to conduct its operations successfully. Failure to attract and retain such personnel or an increase in the Company's employee turnover rate could negatively affect the Company's future results of operation and financial condition.

Restructuring, Transformation and Cost Saving Programmes

In order to improve competitiveness, offset rising procurement costs and achieve profitability targets, among other things, the Company and its Divisions have launched several restructuring, transformation, cost saving and competitiveness programmes over the past several years. These include group-wide programmes, as well as Division- or Corporate-specific programmes such as the Airbus Defence and Space restructuring plan.

Anticipated cost savings under these programmes are based on estimates, however, and actual savings under these programmes may vary significantly. In particular, the Company's cost reduction measures are based on current conditions and do not take into account any future cost increases that could result from changes in its industry or operations, including new business developments, wage and cost increases or other factors. The Company's failure to successfully implement these planned cost reduction measures, or the possibility that these efforts may not generate the level of cost savings it expects going forward, could negatively affect its future results of operation and financial condition.

In addition to the risk of not achieving the anticipated level of cost savings from these programmes, the Company may also incur higher than expected implementation costs. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated. Restructuring, closures, site divestitures and job reductions may also harm the Company's labour relations and public relations, and have led and could lead to work stoppages and/or demonstrations. In the event that these work stoppages and/or demonstrations become prolonged, or the costs of implementing the programmes above are otherwise higher than anticipated, the Company's future results of operation and financial condition may be negatively affected.

Acquisitions, Divestments, Joint Ventures & Strategic Alliances

As part of its business strategy, the Company may acquire or divest businesses and form joint ventures or strategic alliances. Acquisitions and divestments are inherently risky because of difficulties that may arise when integrating or carving out people, operations, technologies and products. There can be no assurance that any of the businesses that the Company acquires can be integrated or carved out successfully and as timely as originally planned or that they will perform well and deliver the expected synergies once integrated or separated. In addition, the Company may incur significant acquisition or divestment, administrative and other costs in connection with these transactions, including costs related to integration or separation of acquired businesses. While the Company believes that it has established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful.

Public-Private Partnerships and Private Finance Initiatives

Defence customers, particularly in the UK, increasingly request proposals and grant contracts under schemes known as public-private partnerships ("PPPs") or private finance initiatives ("PFIs"). PPPs and PFIs differ substantially from traditional defence equipment sales, as they often incorporate elements such as:

- ▶ the provision of extensive operational services over the life of the equipment;
- ▶ continued ownership and financing of the equipment by a party other than the customer, such as the equipment provider;

- ▶ mandatory compliance with specific customer requirements pertaining to public accounting or government procurement regulations; and
- ▶ provisions allowing for the service provider to seek additional customers for unused capacity.

The Company is party to PPP and PFI contracts, for example through Paradigm with Skynet 5 and related telecommunications services, and in the AirTanker (FSTA) project. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the lifetime of the project.

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

Programme-Specific Risks

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

A350 XWB programme. In connection with the A350 XWB programme, after fourteen successful deliveries to four airlines in 2015, the Company faces the following main challenges: ensuring satisfaction of first operators and high quality support to its operations; maintaining supply chain performance and production ramp-up; controlling and reducing the level of outstanding work in final assembly line; managing recurring costs beyond the initial ramp-up phase; maintaining customisation and head of versions ramp-up; and maintaining the development schedule of A350 1000 XWB to ensure entry in service as planned.

A380 programme. In connection with the A380 programme, the Company faces the following main challenges: secure order flow in order to maintain current rate of production in the medium term; making continued improvements to lower the resources and costs associated with designing each customised "head of version" aircraft for new customers, in order to allow a higher number of head of version to be completed each year; and managing maturity in service. Further reduction of fixed costs to protect break even at lower volumes has started. However the success of some of the running sales campaigns will be key to mitigate the risk of the reduced backlog.

A320neo programme. In connection with the A320neo programme, the Company faces the following main challenges: management of stress in the supply chain as a result of the industrial ramp-up; meeting the engine development status including performance targets, and its schedule; ensuring the availability of skilled personnel for the programme; ensuring maturity and service readiness for early operations. The transition from A320ceo (current engine option) to A320neo (new engine option) has begun in 2016 and will finish in 2019. The main focus will be with the slower start of PW engine deliveries for A320neo, as well as further ramp-up.

A330 programme. In connection with the A330 programme, the Company proactively addressed the current market situation by reducing production to rate 6 per month. The commercial transition has been secured at the lower rate, which helps mitigate against production gaps. The A330neo development progresses as planned and no new challenge emerged in 2015.

A400M programme. In connection with the A400M programme, the Company faces the following main challenges: finalising the development, tests and associated documentation to enable progressively enhanced aircraft capabilities through standard operational clearance (SOC1 to 3); such as cargo management and aerial delivery, self-defence and protection, air to air refuelling; continuing production ramp-up; managing the retrofit campaign and finalising the development of in-service support goods and services as well as providing high levels of service for integrated logistic

support. Industrial efficiency and military capability remain a challenge during the ramp up phase. Management is working with the customers to agree a schedule of military capability enhancement and deliveries as well as reviewing the escalation formulae. Industrial recovery measures have been identified and management is focused on delivery, but risk remains. The mission capability roadmap (including the achievement of the respective milestones) and the delivery plan remain under negotiation with OCCAR/Nations and are expected to be finalised in 2016. For further information, see “— Notes to the Consolidated Financial Statements (IFRS) — Note 10: Revenues, cost of sales and gross margin”.

NH90 and Tiger programmes. In connection with the NH90 and Tiger programmes, the Company succeeded in the negotiations of contract amendments with France and Germany, whilst renegotiations of some other contracts are still ongoing. In connection with multiple fleets entering into service it faces the challenge of assuring support readiness.

H175 programme. In connection with the H175 programme produced in cooperation with Avic, the Company faces the following main challenges: after the certification by EASA and the delivery of the 9 first H175 for Oil and Gas operations, the Company is proceeding with the industrial ramp-up, mastering the maturity plan of the aircraft and further certifications for new missions planned for 2016 and 2017.

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

4.7.3 **LEGAL RISKS**

Dependence on Joint Ventures and Minority Holdings

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

- ▶ the Eurofighter and AirTanker consortia; and
- ▶ three principal joint ventures: MBDA, ATR and Atlas Electronik.

The formation of partnerships and alliances with other market players is an integral strategy of the Company, and the proportion of sales generated from consortia, joint ventures and equity holdings may rise in future years. This strategy may from time to time lead to changes in the organisational structure, or realignment in the control, of the Company's existing joint ventures.

The Company exercises varying and evolving degrees of control in the consortia, joint ventures and equity holdings in which it participates. While the Company seeks to participate only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of the Company, and thus may have interests that differ from those of the Company.

In addition, in those holdings in which the Company is a minority partner or shareholder, the Company's access to the entity's books and records, and as a consequence, the Company's knowledge of the entity's operations and results, is generally limited as compared to entities in which the Company is a majority holder or is involved in the day-to-day management.

Product Liability and Warranty Claims

The Company designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. The Company is subject to the risk of product liability and warranty claims in the event that any of its products fails to perform as designed. While the Company believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance coverage will be adequate.

Intellectual Property

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

In addition, although the Company believes that it lawfully complies with the intellectual property rights granted to others, it has been accused of infringement on occasion and could have additional claims asserted against it in the future. These claims could harm its reputation, cost it money and prevent it from offering certain products or services. Any claims or litigation in this area, whether the Company ultimately wins or loses, could be time-consuming and costly, injure the Company's reputation or require it to enter into licensing arrangements. The Company might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against the Company, causing further damages.

Export Controls Laws and Regulations

The export market is a significant market for the Company. In addition, many of the products the Company designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of the jurisdictions in which they are produced may be restricted or subject to licensing and export controls, notably by the UK, France, Germany and Spain, where the Company carries out its principal military activities as well as by other countries where suppliers come from, notably, the US. There can be no assurance (i) that the export controls to which the Company is subject will not become more restrictive, (ii) that new generations of the Company's products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain the Company's ability to perform under previously signed contracts. Reduced access to military export markets may have a significant adverse effect on the Company's business, results of operation and financial condition.

Operating worldwide, the Company must comply with several, sometimes inconsistent, sets of sanctions laws and regulations implemented by national/regional authorities. Depending on geopolitical considerations including national security interests and foreign policy, new sanctions programs may be set up or the scope of existing ones may be widened, at any time, immediately impacting the Company's activities.

Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in suspension of the Company's export privileges, or preclude the Company from bidding on certain government contracts (even in the absence of a formal suspension or debarment).

Furthermore, the Company's ability to market new products and enter new markets may be dependent on obtaining government certifications and approvals in a timely manner.

Anti-Corruption Laws and Regulations

The Company seeks to comply with all applicable anti-bribery laws and regulations and is fully committed to preventing corruption in all operations conducted by the Company or by third parties acting on its behalf. To that end, an anti-corruption programme has been put in place to ensure adequate identification, assessment, monitoring and control of corruption risks. This programme oversees business development activities and various other operations such as mergers and acquisitions, financial investments or procurement activities. The anti-corruption programme ensures a long-term view on the evolution of the corruption risk and continuously updates and, as the case may be, reinforces the Company controls and procedures to prevent corruption while aiming at ensuring business success. These controls are based on extensive due diligence of the environment of the business operations and all the stakeholders associated with it. All due diligence follows a risk-based approach and is based on internal and external information and expertise. Moreover, the anti-corruption programme provides comprehensive targeted training and communicates applicable policies to all Company employees.

Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in administrative, civil or criminal liabilities including significant fines and penalties, suspension or debarment of the Company from government or non-government contracts for some period of time, and could also have a significant adverse effect on the reputation of the Company.

Legal and Regulatory Proceedings

The Company is currently engaged in a number of active legal and regulatory proceedings. See "Notes to the Consolidated Financial Statements (IFRS) — Note 36: Litigation and claims". The Company expects to continue to incur time and expenses associated with its defence, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although the Company is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a material effect on the Company's business, results of operation or financial condition. An unfavourable ruling could also negatively impact the Company's stock price and reputation.

In addition, the Company is sometimes subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. In addition to the risk of an unfavourable ruling against the Company, any such inquiry or investigation could negatively affect the Company's reputation and its ability to attract and retain customers and investors, which could have a negative effect on its business, results of operation and financial condition. See "— Corporate Governance — 4.5 Ethics and Compliance Organisation".

4.7.4 INDUSTRIAL AND ENVIRONMENTAL RISKS

Given the scope of its activities and the industries in which it operates, the Company is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. The Company therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety. This expenditure includes the identification and the prevention, elimination or control of physical and psychological risks to people arising from work, including chemical, mechanical and physical agents. Environmental protection includes costs to prevent, control, eliminate or reduce emissions to the environment, waste management, the content of the Company's products, and reporting and warning obligations. Moreover, new laws and regulations, the imposition of tougher licence requirements, increasingly strict enforcement or new interpretations of existing laws and regulations may cause the Company to incur increased capital expenditure and operating costs in the future in relation to the above, which could have a negative effect on its results of operation and financial condition.

If the Company fails to comply with health, safety and environmental laws and regulations, even if caused by factors beyond its control, that failure may result in the levying of civil or criminal penalties and fines against it. Regulatory authorities may require the Company to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks. In the event of an industrial accident or other serious incident, employees, customers and other third parties may file claims for ill-health, personal injury, or damage to property or the environment (including natural resources). Further, liability under some environmental laws relating to contaminated sites can be imposed retrospectively, on a joint and several basis, and without any finding of non-compliance or fault. These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages could have a negative effect on the Company's results of operation and financial condition.

In addition, the various products manufactured and sold by the Company must comply with relevant health, safety and environmental laws, for example those designed to protect customers and downstream workers, and those covering substances and preparations in the jurisdictions in which they operate. Although the Company seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the EU regulation known as "REACH", which addresses the production and use of chemical substances) may force the Company to adapt, redesign, redevelop, recertify and/or eliminate its products from the market. Seizures of defective products may be pronounced, and the Company may incur administrative, civil or criminal liability. In the event of an accident or other serious incident involving a product, the Company may be required to conduct investigations and undertake remedial activities. Employees, customers and other third parties may also file claims for personal injury, property damage or damage to the environment (including natural resources). Any problems in this respect may also have a significant adverse effect on the reputation of the Company and its products and services.

5. Financial Performances and other Corporate Activities

The Group's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

5.1 Consolidated Financial Statements ("IFRS")

5.1.1 CONSOLIDATED INCOME STATEMENT ("IFRS")

(Please refer to the "Airbus Group SE – IFRS Consolidated Income Statements for the years ended 31 December 2015 and 2014").

5.1.2 REVENUES

Group revenues increased six percent to € 64.5 billion (2014: € 60.7 billion). This was mainly driven by Commercial Aircraft which registered an eight percent rise in revenues on higher deliveries of 635 aircraft (2014: 629 units), including 14 A350 XWBs, and the strengthening U.S. dollar. Despite lower overall deliveries of 395 units (2014: 471 units), Helicopters' revenues rose four percent and mainly reflected a higher level of services activities. Defence and Space's revenues were broadly stable despite the de-consolidation of launcher revenues with the creation of the Airbus Safran Launchers Joint Venture's first phase. A total of 11 A400M military transport aircraft were delivered in 2015.

5.1.3 EBIT* AND FINANCIAL RESULT

Airbus Group uses EBIT* pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the former EADS merger, as well as impairment charges thereon (please refer to the "Notes to the IFRS Consolidated Financial Statements – Note 9: Segment Information").

Group EBIT* before one-off – an indicator capturing the underlying business margin by excluding material non-recurring charges or profits caused by movements in provisions related to programmes and restructurings or foreign exchange impacts – rose to € 4,132 million (2014: € 4,066 million) with increases in all Divisions compensating the lower Dassault Aviation contribution.

Commercial Aircraft's EBIT* before one-off rose 10 percent to € 2,780 million (2014: € 2,529 million), reflecting a solid operational performance that included the A380 breakeven and cost control. Helicopters' EBIT* before one-off increased to € 427 million (2014: € 413 million), as lower deliveries were compensated by higher services activities, a favourable mix and progress on the Division's transformation plan. Defence and Space's EBIT* before one-off rose 15 percent to € 1,060 million (2014: € 920 million), driven by strong programme execution across all business lines and progress with its transformation plan.

Reported EBIT* rose slightly to € 4,086 million (2014: € 4,040 million), with net one-offs totalling € -46 million and comprising:

- ▶ A net charge of € 635 million related to the dollar pre-delivery payment mismatch and balance sheet revaluation driven by the devaluation of the euro versus the dollar compared to historical rates;
- ▶ A € 290 million net charge related to the A400M programme which is unchanged compared to the first half 2015 results disclosure;
- ▶ A net gain of € 90 million linked to divestments in Defence and Space and of Commercial Aircraft subsidiary CIMPA;
- ▶ A gain of € 41 million after reassessing and adjusting the provision for the restructuring at Defence and Space which is progressing well;
- ▶ A € 748 million net gain from the sale of an 18.75% stake in Dassault Aviation in the first half of 2015.

Net income and earnings per share (EPS) increased 15 percent to € 2,696 million (2014: € 2,343 million) and € 3.43 (2014: € 2.99) respectively. The finance result was € -687 million (2014: € -778 million) and included one-offs totalling € -218 million, mainly from a negative foreign exchange revaluation. 2015 net income and EPS were positively influenced by a lower effective tax rate following tax reduced capital gains from divestments.

Table 1 – EBIT* and Revenues by Division

| by Division (Amounts in millions of Euro) | EBIT* | | | Revenues | | |
|--|---------|---------|--------|----------|---------|--------|
| | FY 2015 | FY 2014 | Change | FY 2015 | FY 2014 | Change |
| Commercial Aircraft | 2,301 | 2,671 | -14% | 45,854 | 42,280 | +8% |
| Helicopters | 427 | 413 | +3% | 6,786 | 6,524 | +4% |
| Defence and Space | 745 | 409 | +82% | 13,080 | 13,025 | 0% |
| Headquarters/ Eliminations | 613 | 547 | - | -1,270 | -1,116 | - |
| Total | 4,086 | 4,040 | +1% | 64,450 | 60,713 | +6% |

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

5.1.4 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (“IFRS”)

(Please refer to the “Airbus Group SE – IFRS Consolidated Statements of Financial Position at 31 December 2015 and 2014”).

Non-current assets

Intangible assets decreased by € -203 million to € 12,555 million (prior year-end: 12,758 M €) mainly at Airbus Defence and Space (€-169 million) mostly due to the reclassification of Business communications entities to group of assets held for sale. Intangible assets mainly relate to goodwill of € 9,907 million (prior year-end: € 9,979 million).

The annual impairment tests were performed in the fourth quarter 2015 and led to no impairment charge.

Property, plant and equipment increased by € +806 million to € 17,127 million (prior year-end: € 16,321 million) and includes leased assets of € 118 million (prior year-end: € 213 million). The increase was mainly driven by A350 XWB.

Investments accounted for under the equity method of € 1,326 million (prior year-end: € 3,391 million) mainly include the equity investments in MBDA, Atlas Group and ATR. Following the partial sale of Dassault Aviation shares, the remaining investment in Dassault Aviation has been reclassified as asset held for sale.

Other investments and other long-term financial assets of € 2,492 million (prior year-end: € 1,769 million) are related to Airbus for an amount of € 742 million (prior year-end: € 790 million), mainly concerning the non-current portion of aircraft financing activities.

Non-current other financial assets mainly comprise non-current derivative financial instruments. The increase by € +510 million to € 1,096 million (prior year-end: € 586 million) resulted from the positive variation of the non-current portion of fair values of derivative financial instruments (€ +429 million).

Non-current other assets increased by € +344 million to € 2,166 million (prior year-end: € 1,822 million) and mainly includes non-current prepaid expenses.

Deferred tax assets increased by € +1,042 million to € 6,759 million (prior year-end: € 5,717 million) mainly as a result of variations in the fair values of derivative financial instruments.

The fair values of derivative financial instruments are included in non-current other financial assets (€ 931 million, prior year-end: € 502 million), in current other financial assets (€ 349 million, prior year-end: € 208 million), in non-current other financial liabilities (€ -6,703 million, prior year-end: € -3,271 million) and in current other financial liabilities (€ -3,884 million, prior year-end: € -2,232 million), which corresponds to a total net fair value of € -9,307 million (prior year-end: € -4,793 million). The volume of hedged US dollar contracts increases from US dollar 88 billion as at 31 December 2014 to US dollar 102 billion as at 31 December 2015. The US dollar spot rate is USD/€ 1.09 and USD/€ 1.21 at 31 December 2015 and at 31 December 2014 respectively. The average US dollar hedge rate for the hedge portfolio of the Group improves from USD/€ 1.33 as at 31 December 2014 to USD/€ 1.28 as at 31 December 2015.

Non-current securities with a remaining maturity of more than one year increased by € +3,862 million to € 9,851 million (prior year-end: € 5,989 million). The movement is related to the cash management policy of the Group.

Current assets

Inventories of € 29,051 million (prior year-end: € 25,355 million) increased by € +3,696 million. This is mainly related to Airbus (€ +3,297 million) and Airbus Defence and Space (€ +635 million). In Airbus, the increase is due to work in progress mainly associated with the A350 ramp-up. In Airbus Defence and Space, this is mainly driven by the increased activity on A400M.

Trade receivables increased by € +1,079 million to € 7,877 million (prior year-end: € 6,798 million), mainly in Airbus Defence and Space.

Current other financial assets mainly comprise receivables from related companies and current derivative financial instruments. The increase by € +238 million to € 1,402 million (prior year-end: € 1,164 million) includes the positive variation of the current portion of fair values of derivative financial instruments (€ +141 million).

Current other assets mainly comprise VAT receivables and prepaid expenses. The increase by € +430 million to € 2,819 million (prior year-end: € 2,389 million) resulted from higher prepaid expenses (€ +176 million) and miscellaneous current other assets (€ +175 million).

Current securities with a remaining maturity of one year or less decreased by € -1,395 million to € 1,788 million (prior year-end: € 3,183 million).

Cash and cash equivalents increased from € 7,271 million to € 7,489 million.

The assets and disposal group of assets classified as held for sale of €1,779 million (prior year-end: € 750 million) mainly include the remaining investment in Dassault Aviation of €1,253 million.

Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 5,966 million (prior year-end: € 7,061 million) representing a decrease of € -1,095 million. This decrease is due to a reduction in other comprehensive income of € -2,620 million related mainly to the mark to market revaluation of the hedge portfolio, and a dividend payment of € -945 million (1.20 € per share) and the share buy-back programme whereby the Group has bought back € 264 million of shares and recognised a financing liability of € 223 million for its irrevocable share buy-back commitment. This was partly offset by a net income of € +2,696 million, a convertible bond of € +53 million issued on 1 July 2015 and the contribution for exercised options of € +118 million.

Non-controlling interests decreased to € 7 million (prior year-end: € 18 million). This decrease is mainly derived from the mark to market revaluation of the hedge portfolio.

Non-current liabilities

Non-current provisions of € 9,871 million (prior year-end: € 10,400 million) include the non-current portion of pension provisions, which decreased by € -692 million to € 7,172 million (prior year-end: € 7,864 million), mainly due to an increase in the discount rates for the various pension schemes of the Group (France: 2.1% to 2.5%, Germany: 1.9% to 2.4% and UK: 3.6% to 3.9%). Other provisions are also included in non-current provisions and increased by € +163 million to € 2,699 million (prior year-end: € 2,536 million).

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions increased by € +57 million to € 6,335 million (prior year-end: € 6,278 million). On 1 July 2015, a convertible bond for € 500 million was issued with a 7 year-maturity. This bond bears a coupon of 0% and was issued at 102% of par. Its effective interest rate, after separation of the equity conversion option, is 1.386%. The increase due to this bond issue and due to a new € 296 million (\$ 320 million) loan agreement with EIB in December 2015 with a 10 year-maturity, was compensated by the reclassification of a € 1 billion EMTN bond to short-term financing liabilities.

Non-current other financial liabilities mainly comprise non-current derivative financial instruments. The increase by € +4,116 million to € 14,038 million (prior year-end: € 9,922 million) resulted from the increase of the non-current portion of liabilities for derivative financial instruments (€ +3,432 million) and of European governments refundable advances (€ +696 million).

Non-current other liabilities increased by € +2,144 million to € 14,993 million (prior year-end: € 12,849 million). Advance payments received increased by € +2,241 million.

Current liabilities

Current provisions decreased by € -503 million to € 5,209 million (prior year-end: € 5,712 million) and comprise the current portion of pension provisions (€ 443 million) and other provisions (€ 4,766 million). The decrease is mainly due to the release, utilisation and net presentation of the A350 XWB programme losses against inventories (see inventories).

Short-term financing liabilities increased by € +1,717 million to € 2,790 million (prior year-end: € 1,073 million), mainly due to the above mentioned reclassification of a € 1 billion EMTN bond from long-term financing liabilities and also due to new commercial paper programmes totalling 505 M €.

Trade liabilities increased by € +1,580 million to € 11,763 million (prior year-end: € 10,183 million). This increase occurred mainly at Airbus.

Current other financial liabilities mainly comprise current derivative financial instruments. The increase by € +1,541 million to € 5,021 million (prior year-end: € 3,480 million) resulted from the increase of the current portion of liabilities for derivative financial instruments (€ +1,652 million).

Current other liabilities increased by € +1,815 million to € 27,037 million (prior year-end: € 25,222 million). Advance payments received increased by € +1,438 million.

The disposal group of liabilities classified as held for sale total € 231 million (prior year-end: € 680 million).

5.1.5 NET CASH

The net cash position at the end of 2015 was € 10.0 billion (year-end 2014: € 9.1 billion) after a 2014 dividend payment of € 945 million (2013: € 587 million), € 264 million spent under the share buyback and a pension contribution of € 217 million. The gross cash position on 31 December 2015 was € 19.1 billion (year-end 2014: € 16.4 billion) (please refer to the “Notes to the IFRS Consolidated Financial Statements - Note 34: Net cash”).

Free cash flow before mergers and acquisitions improved to € 1,175 million (2014: € 1,109 million), reflecting the solid operational performance, healthy pre-delivery payment inflows and ongoing efforts to control working capital during the programme ramp-up phase. Proceeds of around € 1.7 billion in the first half of 2015 from the sale of Dassault Aviation shares boosted free cash flow to € 2,825 million (2014: € 2,002 million).

5.1.6 ORDER INTAKE AND ORDER BOOK

Group order intake in 2015 was € 159 billion (2014: € 166 billion), with the order book value reaching a record € 1,006 billion as of 31 December 2015 (year-end 2014: € 858 billion). Airbus received 1,080 net commercial aircraft orders (2014: 1,456 net orders), including 136 A330s. The 2015 gross orders of 1,190 aircraft included three A380s for new customer ANA. After 50 governmental helicopter cancellations, Airbus Helicopters received 333 net orders (2014: 369 units) including 107 H145s and 36 H175s. Order intake by value rose 18 percent at Airbus Defence and Space, with bookings including 14 additional A330 MRTTs and five telecommunications satellites. During the year, an agreement was also signed with OneWeb for 900 small telecommunications satellites.

Table 2 – Order Intake and Order Book by Division

| by Division (Amounts in millions of Euro) | Order Intake⁽¹⁾ | | | Order Book⁽¹⁾ | | |
|--|-----------------------------------|----------------|---------------|---------------------------------|--------------------------|---------------|
| | FY 2015 | FY 2014 | Change | 31st Dec 2015 | 31st Dec 2014 | Change |
| Commercial Aircraft | 139,062 | 150,085 | -7% | 952,450 | 803,633 | +19% |
| Helicopters | 6,168 | 5,469 | +13% | 11,769 | 12,227 | -4% |
| Defence and Space | 14,440 | 12,225 | +18% | 42,861 | 43,075 | 0% |
| Headquarters / Eliminations | -703 | -1,349 | - | -1,216 | -1,416 | - |
| Total | 158,967 | 166,430 | -4% | 1,005,864 | 857,519 | +17% |

(1) Contributions from commercial aircraft activities to the Airbus Group Order Intake and Order Book are based on list prices.

5.2 Information on Airbus Group SE auditors

| | Date of First Appointment | Expiration of Current Term of Office* |
|--|---------------------------|---|
| KPMG Accountants N.V. Laan van Langerhuize 1 – 1186 DS Amstelveen — the Netherlands Represented by R.J. Aalberts | 10 May 2000 | On the day of the Annual General Meeting of Airbus Group SE in 2016 |

* A resolution will be submitted to the Annual General Meeting of Shareholders in 2016, in order to appoint Ernst & Young Accountants LLP as the Company's auditors for the 2016 financial year.

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

5.3 Human Resources

5.3.1 WORKFORCE INFORMATION

In 2015, 5,266 employees worldwide (thereof 2,512 in the core-division perimeter of Airbus, Airbus Defence and Space, Airbus Helicopters and Airbus Group Corporate Functions) were welcomed into the Group (5,211 in 2014), while 4,870 employees left the Group including partial retirements. With additional perimeter changes and long-term absence effects these are leading to a 2015 year-end Group workforce of 136,574 (138,622 in 2014). In terms of nationalities, 37.8% of the company's employees are from France, 33.9% from Germany, 9.2% from the UK and 8.9% are from Spain. US nationals account for 1.8% of employees. The remaining 8.5% are employees coming from a total of 130 other countries.

5.3.2 ORGANISATION OF HUMAN RESOURCES MANAGEMENT

The overall mission of the Group's Human Resources ("HR") function is to ensure that the company can attract, develop, and retain a world-class competent, motivated and flexible workforce which fits current and anticipated future business requirements. HR facilitates diversity, continuous integration and internationalisation of the Group and contributes to a common spirit. The HR strategy aims at making the company a global employer of choice and an innovative, inclusive and engaging place to work for all employees. HR supports managers in their leadership and people management duties and advises employees.

Since July 2013, Group Human Resources have been integrated under the same leadership role: Chief Human Resources Officer Airbus Group and Airbus, in order to ensure a collaborative platform model to support the Group evolution and maintain a high quality of delivery.

The Airbus Group Corporate HR governing team is composed of Heads of Centres of Competence, Head of International HR, Head of Business Services and Operations, together with the divisional HR Directors. The Divisional HR Directors have a double operational reporting line from the Divisions to the Group Chief Human Resources Officer and to the Head of the Division.

The main principles of this setup are:

- ▶ an agile & effective organisation with a light corporate HQ HR in charge of strategy/policy;
- ▶ a better delivery with improved collaboration throughout a matrix organisation as a rule for managerial levels (reporting into Centres of Competences & proximity / business HR), the suppression of ad hoc committees and the optimisation of contractual Service Level Agreements;
- ▶ enhanced competencies, with transversal Centres of Competence integrated through one line of reporting;
- ▶ an improved proximity for HR management (business partners) to ensure that the HR organisation meets operational needs.

Corporate HQ HR is mainly focused on defining state of the art long-term HR policies that participates in setting up and supporting Group Strategy. Transversal integrated Centres of Competences are in charge of defining group policies and associated processes. They will also advise management and HR in the divisions in their respective domain of expertise (e.g. Talent and Executive Management, Compensation and Benefits, Social Policy and Industrial Relations, etc.).

HR Business Services and Operations continue to provide comprehensive services and operational activities to all employees to manage payroll, recruitment or learning administration using a common global HR information system with a higher efficiency.

Finally, proximity and business HR management have been further enhanced and will continue to stay primary focal points to their respective businesses and play an active role in the on-going transformation of the company. This clear differentiation of roles and responsibilities, which is fully aligned with the new Airbus Group strategy, enables HR to operate as a service- and performance-oriented business player.

The entire HR function is committed to support the Group's restructuring and to play its role as a change facilitator.

5.3.3 2015 KEY ACHIEVEMENTS IN HUMAN RESOURCES

Mobility of employees within or across divisions is one of the main priorities for the overall benefit of both Airbus Group employees and the Group itself. In 2015, 11,278 employees changed jobs and the company has kept the challenging 10% target for 2016.

The company perceives the development of new competences, the creation of new ideas and the further intensification of professional networks as crucial for any successful advancement. Consequently, it is deploying significant efforts towards the analysis and development of all competences across the Group, in diversifying skills, gap-bridging development actions, and in a robust and customised training plan.

In this perspective and in order to secure the competences of the future, in 2015 Airbus Group has signed partnership agreements with nine leading aeronautics and engineering universities to ensure students graduate with the skills required by industry to face future challenges.

The group provided more than 2 million training hours to all employees in 2015 and launched its leadership university, reaching more than 20,000 leaders at all levels this year. This aims at strengthening the Group's approach to leadership and harmonising the activities across its divisions and subsidiaries, offering equivalent opportunities for all leaders to drive their development anywhere in the Group.

In 2015, 322 identified talents, of which 26.7% were women, participated in top talent development programmes, getting ready to take Executive and Top Executive roles in the future.

In March 2015, Airbus Group launched a new unified business network focusing on women's development. Named 'Balance for Business', the main objective of the initiative is to improve gender balance and spur the recognition and development of women across the Group. Upon its creation, the network was composed of over 2,000 employees, of which 10% were men.

The company's commitment to act on the engagement survey results has led to the launch of a digitally-enabled, people-driven Business Transformation in 2015, with the aim of improving the experience of Airbus Group's employees at work. This transformation, named PULSE, is supposed to drastically simplify the life of all employees, reducing the burden of redundant administrative tasks, allowing both managers and employees to be more efficient and deliver more value to the business. PULSE is not only about digital tools – it is mainly based on changing the ways of working of the company. This transformation aims at developing a new company culture.

Besides, in support of the overall digital transformation of the Group under the leadership of the Digital Programme Office, HR, Communications and ICT, delivered a new Group-wide employee portal to support communication, collaboration and connection of employees across all divisions for deployment from January 2016. HR also provided the "Digital Passport" – a user-centric learning tool accessible by all, to improve awareness and understanding of the digital transformation.

Finally, this year for the first time, Airbus Group rolled out the Awards for Excellence recognition scheme at Group- level to reward employees and teams for exceptional achievements. 1,103 projects were submitted in total this year with the aim of improving business performance.

5.4 Environmental matters

Airbus Group is evolving in a world which is increasingly more populated, more urban, has scarcer resources, with overall greater pressure on ecosystems, and a changing climate. Environmental topics are fast-changing, and Airbus Group is preparing itself for both long-term and rapid changes.

The updated environmental policy thus provides a clear and common guidance to all employees on the Group's vision related to environmental topics: eco-efficiency and innovation as drivers to improve our environmental footprint, continuous progress and anticipation to meet current and future environmental challenges, and stakeholders' engagement towards a more sustainable business.

5.4.1 COMPANY MANAGEMENT PRINCIPLES

The company maintains, improves and expands the certified Environmental Systems, deploys Risk & Opportunities management and supports the engagement of stakeholders with a transparent reporting on environmental company performance. As a result, 83% of Group employees operate under ISO 14001 certification, the Enterprise Risk Management policy is deployed to Environmental issues across the Group and Airbus Group is supporting joint initiatives throughout the Aerospace and Defence industry to improve its overall environmental performance in the most consistent and efficient manner. Risks with high criticality that are reported by several divisions include supply disruptions linked to non-compliance to environmental regulation and the stringency of the Aircraft CO₂ standard currently being prepared by the ICAO.

5.4.2 CONTINUALLY IMPROVING OUR SITES' ENVIRONMENTAL PERFORMANCE

The Group's Environmental Policy directs the way to improve environmental performance in the areas of energy efficiency, GHG emissions, air pollutant emissions, waste generation, water consumption, noise, substances of concern and local eco-systems. This commitment is reflected by concrete progress on industrial footprint reductions: -32% in energy use, -36% in CO₂ emissions, -20% in water consumption, - 36 % in waste production and -58% in volatile organic compound ("VOC") emissions (revenue-based figures 2006-2014). As an example, common lighting solutions are introduced across Airbus Group sites to reduce energy consumption for the top 22 sites in Europe which will save 20 GWh per year, equivalent to the annual consumption of nearly 5,990 households; biomass boiler technologies cutting CO₂ emissions on the Airbus Toulouse site, or 3D printing which drastically reduces waste in the manufacturing process, going from up to 95% with traditional means down to only 5% with this technology.

5.4.3 DEVELOPING PRODUCTS AND SERVICES THAT CONSIDER CURRENT AND FUTURE ENVIRONMENTAL CHALLENGES

The Group's Environmental Policy aims to developing more eco-efficient products and services by promoting and supporting Eco design and environmental innovation.

Airbus: The Airbus A350 XWB is designed to be eco-efficient: -25% fuel consumption than the current generation of aircraft, satisfying regulatory noise best standards, and comfortable margins in hydrocarbon emissions (99% below limit), carbon monoxide emissions (86% below limit), smoke emission (60% below limit) or nitrogen oxides emission (35% below limit). The recently certificated A320neo aircraft is expected to offer up to 20% fuel economy compared to older generation aircraft.

Airbus Helicopters: The recently unveiled H160 brings significantly improved performance, less fuel consumption and less CO₂ emissions, and the new canted Fenestron and Blue Edge blades result in lower sound levels. With the Bluecopter demonstrator, eco-efficiency objectives are met: decreasing of fuel consumption by as much as 40%, significantly reducing CO₂ emissions, and lowering noise to approximately 10 decibel effective perceived noise below ICAO noise certification limits.

CTO: The E-Fan successfully carried out its maiden flight in April 2014, and was awarded the prestigious Personal Aircraft Design Academy award the same year at the AirVenture Oshkosh Airshow. Airbus Group now intends to mature the aircraft for pilot training while also using it as a platform to develop the potential of electric propulsion.

Monitoring the Earth's atmosphere: Airbus Defence and Space is a pioneer in this field, designing and building the most sophisticated satellites for environmental monitoring, and developing a wide range of horizon-broadening services. The weather satellite CryoSat-2 is studying possible climate variations and trends by measuring changes in the thickness of polar ice, providing researchers with unprecedented accurate data.

Optimized Air Traffic Management (ATM) and aircraft operations: Airbus supports initiatives which improve fuel savings for operators during commercial service (single engine taxiing, electric taxiing, new ATM solutions)

Sustainable fuels for aviation: Airbus participates in research projects around the world (Brazil, Qatar, Romania, Spain, Australia and China), working as a catalyst for the development and industrialization of sustainable fuels which do not compete with food production or water use.

End of life solutions: Airbus and its Tarmac Aerosave joint venture use a proven method for dismantling and recycling the aircraft in safe and environmentally responsible conditions in two dedicated centres in France and Spain.

Airbus Defence and Space is contributing to the space debris issue, developing mitigation measures (such as post-mission disposal capabilities) as well as improvement measures (e.g. several concepts for space debris removal). The Division is also proposing dismantling capabilities and expertise to manage the end of life of pyrotechnical products in a safe and sustainable way.

5.4.4 KEY CHALLENGES

Global Market Based Measure and carbon standard: Airbus to support the development of global measures to manage the environmental impact of aviation through the ICAO. These measures should be agreed upon in September 2016, and include a CO2 emissions certification standard for aircraft and a Global Market Based Measure for the offsetting of CO2 emissions of aircraft in operations.

Sustainable aviation fuels: Airbus to focus on speeding up the use of sustainable fuels for aviation commercially so as to help meeting our industry targets of carbon neutral growth from 2020 and 50% CO2 reduction by 2050 compared to 2005.

Hazardous substances: Airbus Group to mitigate the risk of supply chain disruption due to substances that will be banned in short and middle time.

Zero-CO2: Airbus Group to work towards reducing dependency to fossil fuels for operations.

VOC: Airbus Group to maintain efforts to reduce volatile organic compound emissions in the frame of restrictive regulations and to reduce local air pollution.

ISO 14001: 2015, new version: Airbus Group sites to maintain certification in the frame of a more demanding new standard for Environmental Management System.

5.5 Research and Technology, Quality and Systems Engineering

The Airbus Group Corporate Technical Office (CTO) made significant contributions in 2015 to the Group's overall strategic targets.

Airbus Group Innovations

Airbus Group Innovations is undergoing a transformation programme to become more agile, innovative and aligned with the needs of Airbus Group's divisions. The global research and technology network was in the international spotlight during the year, with the E-Fan's historic English Channel crossing in July, and the "Connected Cockpit" demonstrator exhibition that was displayed at several public appearances – both drawing significant attention. Among the highlights of Airbus Group Innovations' research laboratories was interpreting automated airborne real-time sensor data during the Barracuda Unmanned Combat Air System demonstrator's test campaign. Airbus Group Innovations also contributed to the Group's external profile during Airbus Helicopters' rotorcraft sales campaign in Poland.

Beyond Airbus Group Innovations' activities in the company's core countries, new partnerships were developed that will help the Group benefit from specific capabilities of regions around the world. This included Airbus Group Innovations' cooperation for superconductivity research in Russia, the establishment of research chairs in Brazil (composite structures) and Canada (Artic environmental security), and an agreement in India for joint-funding of collaborative projects. In addition, Airbus Group Innovations developed its operations in Japan and South Korea with a focus on collaborative robotics (cobot) and energy storage, respectively.

New business ventures

The strategy for the Corporate Innovation Nursery was evolved to complement the new divisional and Silicon Valley innovation initiatives, and streamline internal processes. Two CTO spin-off businesses – APWorks, which is a leader in the field of 3D-printing, and the Group's TESTIA non-destructive testing and training company – continued their successful ramp-ups and growth. TESTIA launched a new “Smart Mobile Worker” business line dedicated to augmented reality applications for production and maintenance.

Cyber Security

The CTO's Product & Cyber Security Program Directorate focused on protecting Airbus Group's products, manufacturing systems and IT infrastructure from cyber threats. It also established partnerships with world-leading enterprises to share attack signatures and protection concepts. Moving forward, it will investigate protecting interfaces with customers, partners and suppliers, along with promising new technology for a cognitive cyber threat intelligence platform.

Quest quality-improvement program

Under CTO's direction, Quest is leading the implementation of a single Group-wide quality policy, with an emphasis on increasing customer focus, improving feedback loops in operations, and ensuring robust practical problem-solving is applied. The initiative has been rolled out to all divisions and corporate functions, with a significant training, up-skilling and quality-awareness program in full implementation on top of the normal quality training schedule.

Ludwig Boelkow Campus

The Ludwig Boelkow Campus has continued its forward momentum. The first-ever study program for the Bundeswehr's military pilots – called “Aeronautical Engineering” – was launched in October 2015 with academic classes held at the campus. The campus' AlgaeTec facility, which is a unique laboratory for biofuel research operated by the Technical University of Munich, also was inaugurated during the year.

6. Financial Targets for 2016

As the basis for its 2016 guidance, Airbus Group expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes no major disruptions.

2016 earnings and free cash flow guidance is based on a constant perimeter.

In 2016, Airbus expects to deliver more than 650 aircraft, and the commercial order book is expected to grow. In 2016, before M&A, Airbus Group expects stable EBIT* before one-off and EPS* before one-off compared to 2015. In 2016, before M&A, Airbus Group expects to deliver stable free cash flow compared to 2015.

7. Airbus Group Strategy

7.1 Commercial leadership, defence and space optimisation and value creation

After the introduction of the new Group strategy in 2013, the Group has successfully executed its rebranding and “Airbus” has become the reference on our various markets. The restructuring of our defence and space business is ongoing; with progress in executing the portfolio decisions around the mission statement “we make it fly”. Furthermore, the internal transformation program at Airbus Helicopters has made significant progress.

Airbus Group continues to focus on leadership in commercial aeronautics, military aircraft, and space markets. The Group is driving incremental innovation, globalization, services and value-chain optimization, all of which will result in improved profitability and performance. Airbus Group raises its ambition by adding “Digitalization” as a further lever for change and by developing a new innovation strategy to “pioneer and foster disruptions in our industry”.

The 8 strategic paths of the Airbus Group Strategy are as follows:

1. Strengthen market position and profitability while remaining a leader in commercial aeronautics

Airbus aims to be largely self-sufficient going forward, rather than attempting to rely on a balanced Group portfolio. Focus upon on-time, on-cost, on-quality is paramount given the huge backlog execution challenge. Therefore, the proven management of cycles and shocks needs to be continued and the efforts to mitigate against cycles and shocks has to be even further strengthened through focusing on innovation, services and a more global approach.

2. Preserve leading position in European defence, space and government markets by focusing on military aircraft, missiles, space and related services

Defence can no longer be a tool to manage and hedge against commercial cycles, but our ambition is to remain strong and actively shape our defence, space and governmental business. The focus will involve (i) developing high-performing, low-equity businesses such as missiles, launchers, combat and transport aircraft, entering into new growth areas when they are backed by government funding, and (ii) focusing on productivity improvements both through internal means and in the context of European optimisation to enable efficiencies and improve the Group’s positioning on export markets. In Space, Airbus Group intends to strengthen its position increasing its stake in Arianespace and developing Ariane 6, if it is able to conclude the creation of Airbus Safran Launchers in its full scope.

Some business areas have been divested or are in the process to be divested as they do not fit the strategic goals and the Company sees possibilities to increase their development potential in different set-ups. These include satellite

communication services (excluding key governmental business), Rostock System-Technik, ESG, or Fairchild Controls. The Group also maintains its path, of an orderly exit from Dassault's capital to maximise value. Despite the Company's strong track record and good prospects, this minority stake has no strategic interest for Airbus Group and a 18,8% stake has been sold in the first half of 2015 taking Airbus' share down to 23,4%. Further divestments are planned, e.g., the professional mobile radio business, and defence electronics, that have better perspectives in ownership structures more tailored to the nature of these businesses.

To achieve this goal, Airbus Group is using the following strategic levers:

3. Pursue incremental innovation potential within product programmes while pioneering and fostering disruptions in our industry, and developing necessary skills and competencies required to compete in the future

Airbus Group innovates every day to increase its competitive advantage by enhancing product performance, creating new customer benefits, and reducing costs. Our cutting-edge technologies and scientific excellence contribute to global progress, and to delivering solutions for society's challenges, such as environmental protection, mobility, and safety.

After many new product developments in recent years, the majority of the Group's revenues are generated today in segments where we have competitive, mature products that are far from the end of their lifecycle. Innovation will therefore target maintaining, expanding, and continually leveraging the competitiveness of the current products.

The Group raised its ambitions to pioneer and disrupt the aerospace industry in areas that will shape the market and our future and made a substantial effort in breakthrough innovation. Giving broader populations access to the "3rd dimension" by fostering air mobility is a dedicated target of the Group. In 2016, the Group will further explore innovation hot-springs beyond the Silicon Valley where the new Corporate Venture Capital fund and the Innovation Centre A³ are currently ramping up their activity. Other examples include the Group's engagement in the OneWeb low cost satellite constellation of 900 units as well as the further expansion of dedicated facilities and tools for early stage innovation (e.g., Airbus Bizlab)

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

At Airbus Group, we realize that digitalization is a mega trend that needs to be addressed at a strategic level and also at all levels of the organisation. Our business can become more efficient with a mature use of digital technologies to drive higher quality of services, cost efficiency and improved operations performance. Therefore, digitalization has been validated as the 8th strategic path for Airbus Group. This new initiative will support the group's transformation by focusing on 5 main axes: (i) enabling high employee engagement, (ii) digital operational excellence, (iii) mastering our product data value chain and turning product data into insight, (iv) capturing the end user experience and (v) driving our business agility.

5. Adapt to a more global world as well as attract and retain global talents

With 77% of our backlog and 69% of our revenues coming from outside Europe, Airbus Group remains, more than ever, a global company. The strategy and the constant effort to globalize our businesses, especially in countries with substantial growth, have paid. This global footprint is also reflected in the diversity of our staff and skills, with employees outside Europe almost doubled in the last five years. Workforce in Asia and Latin America experienced the most important growth. Locally, products may need to be adapted and definitely serviced, but the main logic going forward is that the industry will retain its "global products for local markets" dynamic. Greenfield approaches have proven to ensure the Group a controlled entry and real citizenship, whilst partnerships and acquisitions are complementary tools. The setup of training JVs in Singapore and Malaysia as well as greenfield training investments in Mexico are the best example of the implementation of this strategy. Airbus Group is streamlining its set-up by consolidating its international presence, for example in India, China, and Middle East (Dubai), using a "one-roof" policy under the Airbus name.

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

The strategy going forward is to focus on services where the Group can differentiate and add value for its customers according to the motto “no one knows our products better than we”, aiming at developing long-term customer intimacy and bring competitive advantage to its customers. As services are executed locally, the portfolio will be adapted to the increasingly global customer base. The Group revenues in the service segment are around 13% of its total business. The ongoing acquisition of Navtech aims at supporting our strategy by strengthening our offering of flight operations solutions. Cooperation with military customers is set to increase substantially through maintenance and support services thanks to the new platforms to be delivered in the coming years, including over 250 Eurofighters, over 150 A400M aircraft, around 250 NH90s and 50 Tiger helicopters. In commercial, with production rates above 600 aircraft a year, the installed base is expanding rapidly, and new innovative services are being offered successfully.

7. Strengthen the value chain position

The Group's core capability is to master programme management and architect/integrator capabilities in order to market, develop, and manufacture large-scale aeronautics/space platforms, integrated systems, and related services. As the Group is much based on a strong platform prime role, managing the supplier base towards delivering to the final customer is key. We aim to strengthen and optimise selected strategic value chain areas to protect our Intellectual property, manage risks, increase profit, access services, and differentiate our offerings. The Group's suppliers provide a large proportion of the value in our products, necessitating a robust supply-chain governance framework. This is supported by processes and tools that foster partnership, risk mitigation and supplier performance development.

Deliver the result of the strategy:

8. Focus on profitability, value creation and market position; no need to chase growth at any cost. Actively manage portfolio

Thanks to strong organic growth potential, mainly in the commercial airplane business, the Group currently goes through a series of production ramp-ups and associated financial needs. On top of that, targeted investments will help to position the group for the future. The financial strength of the Group is an imperative to master these challenges, and to ensure that we have enough room for manoeuvre for strategic moves. A prerequisite is that the Airbus Group stay's attractive for investors, notably compared to its peers. And further efforts are planned to optimize our portfolio of business and to improve performance of our organization.

7.2 Key divisional priorities 2016

Airbus

- ▶ Meet A350 delivery targets, focus on ramp-up and cost control;
- ▶ Achieving a smooth entry-into-service of the A320neo with our customers and securing the industrial transition from ceo to neo;
- ▶ Raising production of the single-aisle family as we build towards rate 50 in 2017 and rate 60 mid-2019;
- ▶ Develop A330neo in accordance with milestones;
- ▶ Reaching – and going beyond – our efficiency and competitiveness targets for 2016;
- ▶ Introducing a roadmap and programme for the use of digital technology throughout Airbus; and
- ▶ Strengthening our focus on people development.

Airbus Defence and Space

In 2016, Airbus Defence and Space key priorities are:

- ▶ Deliver what we promise to make our products and services a success for our customers and achieve our operational and financial targets;
- ▶ Deliver A400M capability and ramp up;
- ▶ Prepare the future by increasing focus on Innovation chain, winning key sales campaigns and translating growth strategy into product policies;
- ▶ Boost competitiveness through digitalisation initiatives and a reinforced continuous improvement culture; and
- ▶ Engage people by attracting, retaining and developing talents with a focus on diversity while maintaining high safety, ethical and environmental standards.

Airbus Helicopters

Airbus Helicopters will pursue the execution of its strategy in 2016 by:

- ▶ Improving further, based on 2015's successes, the fleet availability of our customers, timely deliveries of spares, and operational costs;
- ▶ Ensuring the entry-into-service of new variants such as the H175 VIP, Panther MBe and the achievement of our key development milestones on H160;
- ▶ Focusing on major military campaigns and concluding contracts with pre-selection status; and
- ▶ Continue the focus on transformation to deliver on operational, financial targets and prepare the future in anticipation of a commercial market recovery.

The information contained in this Board Report will enable you to form an opinion on the situation of the Company and the operations, which are submitted to you for approval.

For further information and detail regarding the Company's activities, finances, corporate governance, and in particular risk factors, the reader should refer to the Company's website www.airbusgroup.com.

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

- ▶ The financial statements for the year ended 31 December 2015 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company and undertakings included in the consolidation taken as a whole; and
- ▶ This Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2015 financial year of the Company and undertakings included in the consolidation taken as a whole, and the principal risks facing the Company have been described herein.

The Board of Directors

Denis Ranque, Chairman

Tom Enders, Chief Executive Officer

Manfred Bischoff, Director

Ralph Dozier Crosby, Jr., Director

Hans-Peter Keitel, Director

Hermann-Josef Lamberti, Director

Anne Lauvergeon, Director

Lakshmi N. Mittal, Director

María Amparo Moraleda Martínez, Director

Sir John Parker, Director

Michel Pébereau, Director

Jean-Claude Trichet, Director

Leiden, 23 February 2016