Financial Statements

2016

AIRBUS

Financial Statements

2016

Chapter

1

Airbus Group SE IFRS Consolidated Financial Statements

Airbus Group SE — IFRS Consolidated Income Statements for the years ended 31 December 2016 and 2015

(In € million)	Note	**2016**	2015
Revenues	10	**66,581**	**64,450**
Cost of sales	10	(61,317)	(55,599)
Gross margin	10	**5,264**	**8,851**
Selling expenses		(997)	(1,065)
Administrative expenses		(1,726)	(1,586)
Research and development expenses	11	(2,970)	(3,460)
Other income	13	2,689	474
Other expenses	13	(254)	(222)
Share of profit from investments accounted for under the equity method	12	231	1,016
Other income from investments	12	21	54
Profit before finance costs and income taxes		**2,258**	**4,062**
Interest income		247	183
Interest expense		(522)	(551)
Other financial result		(692)	(319)
Total finance costs	14	(967)	(687)
Income taxes	15	(291)	(677)
Profit for the period		**1,000**	**2,698**
Attributable to:			
Equity owners of the parent (Net income)		995	2,696
Non-controlling interests		5	2

Earnings per share		**€**	**€**
Basic	16	1.29	3.43
Diluted	16	1.29	3.42

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus Group SE — IFRS Consolidated Statements of Comprehensive Income for the years ended 31 December 2016 and 2015

(In € million)	Note	**2016**	2015
Profit for the period		**1,000**	**2,698**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit pension plans		(1,649)	761
Share of remeasurement of the defined benefit pension plans from investments accounted for under the equity method		(102)	(36)
Income tax relating to items that will not be reclassified	15	365	(235)
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		(174)	222
Change in fair value of cash flow hedges	35	(247)	(4,699)
Change in fair value of available-for-sale financial assets		(53)	368
Share of changes in other comprehensive income from investments accounted for under the equity method		(35)	(142)
Income tax relating to items that may be reclassified	15	(7)	1,112
Other comprehensive income, net of tax		**(1,902)**	**(2,649)**
Total comprehensive income of the period		**(902)**	**49**
Attributable to:			
Equity owners of the parent		(917)	76
Non-controlling interests		15	(27)

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

1

Airbus Group SE — IFRS Consolidated Statements of Financial Position at 31 December 2016 and 2015

(In € million)	Note	**2016**	2015
Assets			
Non-current assets			
Intangible assets	17	12,068	12,555
Property, plant and equipment	18	16,913	17,127
Investment property		5	66
Investments accounted for under the equity method	7	1,608	1,326
Other investments and other long-term financial assets	19	3,655	2,492
Non-current other financial assets	23	976	1,096
Non-current other assets	24	2,358	2,166
Deferred tax assets	15	7,557	6,759
Non-current securities	34	9,897	9,851
		55,037	**53,438**
Current assets			
Inventories	20	29,688	29,051
Trade receivables	21	8,101	7,877
Current portion of other long-term financial assets	19	522	178
Current other financial assets	23	1,257	1,402
Current other assets	24	2,576	2,819
Current tax assets		1,110	860
Current securities	34	1,551	1,788
Cash and cash equivalents(1)	34	10,143	6,590
		54,948	**50,565**
Assets and disposal group of assets classified as held for sale	6	1,148	1,779
Total assets(1)		**111,133**	**105,782**

(In € million)	Note	**2016**	2015
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		773	785
Share premium		2,745	3,484
Retained earnings		4,987	6,316
Accumulated other comprehensive income		(4,845)	(4,316)
Treasury shares		(3)	(303)
		3,657	**5,966**
Non-controlling interests		(5)	7
Total equity[2]	32	**3,652**	**5,973**
Non-current liabilities			
Non-current provisions	22	10,826	9,871
Long-term financing liabilities	34	8,791	6,335
Non-current other financial liabilities	23	13,313	14,038
Non-current other liabilities	24	16,279	14,993
Deferred tax liabilities	15	1,292	1,200
Non-current deferred income		288	263
		50,789	**46,700**
Current liabilities			
Current provisions	22	6,143	5,209
Short-term financing liabilities	34	1,687	2,790
Trade liabilities[1]	21	12,532	10,864
Current other financial liabilities	23	5,761	5,021
Current other liabilities	24	27,535	27,037
Current tax liabilities		1,126	908
Current deferred income		917	1,049
		55,701	**52,878**
Disposal group of liabilities classified as held for sale	6	991	231
Total liabilities[1]		**107,481**	**99,809**
Total equity and liabilities[1]		**111,133**	**105,782**

(1) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted by € -899 million.
(2) As of 31 December 2016, the accumulated other comprehensive income, previously classified within equity relating to assets and disposal groups classified as held for sale, amounts to € -56 million.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus Group SE — IFRS Consolidated Statements of Cash Flows for the years ended 31 December 2016 and 2015

(In € million)	Note	**2016**	2015
Profit for the period attributable to equity owners of the parent (Net income)		**995**	**2,696**
Profit for the period attributable to non-controlling interests		5	2
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(247)	(183)
Interest expense		522	551
Interest received		139	131
Interest paid		(378)	(388)
Income tax expense		291	677
Income tax paid		(559)	(595)
Depreciation and amortisation	9	2,294	2,466
Valuation adjustments		1,132	487
Results on disposals of non-current assets		(1,870)	(234)
Results of investments accounted for under the equity method		(231)	(1,016)
Change in current and non-current provisions		1,321	(54)
Contribution to plan assets		(290)	(217)
Change in other operating assets and liabilities:[1]		**1,245**	**(1,432)**
▪ Inventories		(3,477)	(4,133)
▪ Trade receivables		(1,215)	(1,378)
▪ Trade liabilities[1]		2,398	894
▪ Advance payments received		4,628	3,752
▪ Other assets and liabilities		(837)	(417)
▪ Customer financing assets		(202)	(193)
▪ Customer financing liabilities		(50)	43
Cash provided by operating activities[1][2]		**4,369**	**2,891**
Investments:			
▪ Purchases of intangible assets, property, plant and equipment, investment property		(3,060)	(2,924)
▪ Proceeds from disposals of intangible assets, property, plant and equipment, investment property		72	78
▪ Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	6	(120)	(13)
▪ Proceeds from disposals of subsidiaries (net of cash)	6	731	127
▪ Payments for investments accounted for under the equity method, other investments and other long-term financial assets		(691)	(258)
▪ Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		182	1,731
▪ Dividends paid by companies valued at equity	7	192	34
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated	6	1,527	127
Payments for investments in securities		(2,280)	(7,151)
Proceeds from disposals of securities		2,617	4,790
Cash (used for) investing activities		**(830)**	**(3,459)**
Increase in financing liabilities	34	3,297	1,254
Repayment of financing liabilities	34	(1,725)	(262)
Cash distribution to Airbus Group SE shareholders	32	(1,008)	(945)
Dividends paid to non-controlling interests		(4)	(3)
Changes in capital and non-controlling interests		60	195
Share buyback	32	(736)	(264)
Cash (used for) financing activities		**(116)**	**(25)**
Effect of foreign exchange rate changes on cash and cash equivalents		60	171
Net increase (decrease) in cash and cash equivalents[1]		**3,483**	**(422)**
Cash and cash equivalents at beginning of period[1]		**6,677**	**7,099**
Cash and cash equivalents at end of period[1]	34	**10,160**	**6,677**
thereof presented as cash and cash equivalents[1]	34	*10,143*	*6,590*
thereof presented as part of disposal groups classified as held for sale	6	*17*	*87*

(1) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted accordingly (cash and cash equivalents at 31 December 2015: € -899 million and at 31 December 2014: € -190 million; change in trade liabilities in 2015: € -709 million).
(2) The 2016 cash provided by operating activities has been positively impacted by certain agreements reached with Airbus' suppliers relating to the settlement of claims and negotiation on payment terms.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus Group SE — IFRS Consolidated Statements of Changes in Equity for the years ended 31 December 2016 and 2015

(In € million)	Note	Equity attributable to equity holders of the parent								Non-controlling interests	Total equity
					Accumulated other comprehensive income						
		Capital stock	Share premium	Retained earnings	Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments	Treasury shares	Total		
Balance at 1 January 2015		**785**	**4,500**	**2,989**	**670**	**(3,310)**	**1,435**	**(8)**	**7,061**	**18**	**7,079**
Profit for the period		0	0	2,696	0	0	0	0	2,696	2	2,698
Other comprehensive income		0	0	491	165	(3,554)	278	0	(2,620)	(29)	(2,649)
Total comprehensive income of the period		0	0	3,187	165	(3,554)	278	0	76	(27)	49
Capital increase	32	3	115	0	0	0	0	0	118	24	142
Share-based payment (IFRS 2)	30	0	0	29	0	0	0	0	29	0	29
Cash distribution to Airbus Group SE shareholders / dividends paid to non-controlling interests	32	0	(945)	0	0	0	0	0	(945)	(3)	(948)
Equity transaction (IAS 27)		0	0	61	0	0	0	0	61	(5)	56
Equity component convertible bond	32	0	0	53	0	0	0	0	53	0	53
Change in treasury shares	32	0	0	(3)	0	0	0	(484)	(487)	0	(487)
Cancellation of treasury shares		(3)	(186)	0	0	0	0	189	0	0	0
Balance at 31 December 2015		**785**	**3,484**	**6,316**	**835**	**(6,864)**	**1,713**	**(303)**	**5,966**	**7**	**5,973**
Profit for the period		0	0	995	0	0	0	0	995	5	1,000
Other comprehensive income		0	0	(1,383)	(65)	(289)	(175)	0	(1,912)	10	(1,902)
Total comprehensive income of the period		0	0	(388)	(65)	(289)	(175)	0	(917)	15	(902)
Capital increase	32	2	58	0	0	0	0	0	60	0	60
Share-based payment (IFRS 2)	30	0	0	31	0	0	0	0	31	0	31
Cash distribution to Airbus Group SE shareholders / dividends paid to non-controlling interests	32	0	0	(1,008)	0	0	0	0	(1,008)	(4)	(1,012)
Equity transaction (IAS 27)		0	0	38	0	0	0	0	38	(23)	15
Change in treasury shares	32	0	0	(2)	0	0	0	(511)	(513)	0	(513)
Cancellation of treasury shares		(14)	(797)	0	0	0	0	811	0	0	0
Balance at 31 December 2016		**773**	**2,745**	**4,987**	**770**	**(7,153)**	**1,538**	**(3)**	**3,657**	**(5)**	**3,652**

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

1

Chapter

2

Notes to the IFRS Consolidated Financial Statements

CONTENTS

2.1 Basis of Presentation

1. The Company

The accompanying IFRS Consolidated Financial Statements present the financial position and the results of operations of Airbus Group SE (the "Company") and its subsidiaries, a European Company (*Societas Europaea* ("SE")) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands, under number 24288945). On 1 January 2017, the Company has been further integrated by merging its Group structure with the commercial aircraft activities of Airbus, with associated restructuring measures. In this new set-up, the Company will retain Airbus Defence and Space and Airbus Helicopters as Divisions. Airbus Group SE will change its name to Airbus SE; the legal name change from Airbus Group SE to Airbus SE is still subject to the approval of the Annual General Meeting due to be held on 12 April 2017. Therefore, the Company together with its subsidiaries will be referred to as "Airbus" and no longer as "the Group". As a consequence, the segment formerly known as Airbus will now be referred to as "Airbus Commercial Aircraft"; there are no changes to the segment reporting in 2016. The Company is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Consolidated Financial Statements were authorised for issue by the Company's Board of Directors on 21 February 2017. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately.

2. Significant Accounting Policies

Basis of preparation — Airbus' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code. When reference is made to IFRS, this intends to be EU-IFRS. The Consolidated Financial Statements have been prepared on a historical cost basis, unless otherwise indicated.

Airbus describes the accounting policies applied in each of the individual notes to the financial statements and avoids repeating the text of the standard, unless this is considered relevant to the understanding of the note's content. The most significant accounting policies are set out below:

Revenue recognition — Revenue is recognised to the extent that it is probable that the economic benefit arising from the ordinary activities of Airbus will flow to Airbus, that revenue can be measured reliably and that the recognition criteria, for each type of revenue-generating activity (sales of goods and services and construction contracts), have been met. Revenue is measured at the fair value of the consideration received or receivable.

Revenues from the sale of commercial aircraft are recognised when the aircraft is delivered, risks and rewards of ownership have been transferred to the customer and revenues can be measured reliably except for launch customer contracts (see "Revenue from construction contracts"). Revenues from sales of aircraft (and related cost of sales) always include the engine component. Customers will generally benefit from a concession from the engine manufacturer, negotiated directly between the customer and the engine manufacturer. When reliable information exists, the engine prices considered in our revenues (and cost of sales) reflect the effect of the concessions.

Revenue from construction contracts — Construction contract accounting is applied for military programmes, space projects as well as for launch customer contracts in the civil aircraft business if customers have significantly influenced the structural design and technology of the aircraft type under the contract. As a result of certain airline customers' increasing involvement in the development and production process of the A350 XWB programme, Airbus applies IAS 11 "Construction contracts" to a fixed number of launch customer contracts of the A350 XWB programme. When the outcome can be estimated reliably, revenues and contract costs are recognised as revenue and expensed respectively by reference to the percentage of completion of the contract activity at the end of the reporting period ("PoC method"). Contract revenues include the purchase price agreed with the customer considering escalation formulas, contract amendments and claims and penalties when assessed as probable. The PoC method used depends on the contract. The method is based either on inputs (*i.e.* costs incurred for development contracts) or outputs (*i.e.* contractually agreed technical milestones, delivered units).

Whenever the outcome of a construction contract cannot be estimated reliably – for example during the early stages of a contract or during the course of a contract's completion – all related contract costs that are incurred are immediately expensed and revenues are recognised only to the extent of those costs being recoverable (the "early stage", also called "zero profit margin" method of accounting) (see "– Note 3: Key Estimates and Judgements").

Provision for loss making contracts — Airbus records provisions for loss making contracts when it becomes probable that the total contract costs will exceed total contract revenues. Before a provision for loss making contracts is recorded, the related assets under construction are written-off. Loss making sales contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which requires significant and complex assumptions, judgements and estimates related to achieving certain performance standards as well as estimates involving warranty costs (see "– Note 3: Key Estimates and Judgements", "– Note 10: Revenues, Cost of Sales and Gross Margin" and "– Note 22: "Provisions, Contingent Assets and Contingent Liabilities").

Research and development expenses — Research and development activities can be either contracted or self-initiated.

The costs for contracted research and development activities, carried out in the scope of externally financed research and development contracts, are expensed when the related revenues are recorded.

The costs for self-initiated research are expensed when incurred. The costs for self-initiated development are capitalised when:

- the product or process is technically feasible and clearly defined (*i.e.* the critical design review is finalised);
- adequate resources are available to successfully complete the development;
- the benefits from the assets are demonstrated (a market exists or the internal usefulness is demonstrated) and the costs attributable to the projects are reliably measured;
- Airbus intends to produce and market or use the developed product or process and can demonstrate its profitability.

Income tax credits granted for research and development activities are deducted from corresponding expenses or from capitalised amounts when earned.

Development costs which are capitalised, are recognised either as intangible assets or, when the related development activities lead to the construction of specialised tooling for production ("jigs and tools"), or involve the design, construction and testing of prototypes and models, as property, plant and equipment. Capitalised development costs are generally amortised over the estimated number of units produced. If the number of units produced cannot be estimated reliably, capitalised development costs are amortised over the estimated useful life of the internally generated intangible asset. Amortisation of capitalised development costs is recognised in cost of sales.

Inventories are measured at the lower of acquisition cost (generally the average cost) or manufacturing cost and net realisable value. Manufacturing costs comprise all costs that are directly attributable to the manufacturing process, such as direct material and labour, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs to complete the sale. Inventories include work in progress arising under construction contracts for which revenues are recognised based on output methods.

Transactions in foreign currency, *i.e.* transactions in currencies other than the functional currency of an Airbus entity, are translated into the functional currency at the foreign exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are remeasured into the functional currency at the exchange rate in effect at that date. Except when deferred in equity as qualifying cash flow hedges (see "– Note 35: Information about Financial Instruments"), these foreign exchange remeasurement gains and losses are recognised, in line with the underlying item:

- in the profit before finance costs and income taxes if the substance of the transaction is commercial (including sales financing transactions); and
- in the finance costs for financial transactions.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into functional currency at the foreign exchange rate in effect at the date of the transaction. Translation differences on non-monetary financial assets and liabilities that are measured at fair value are reported as part of the fair value gain or loss. However, translation differences of non-monetary financial assets measured at fair value and classified as available-for-sale are included in Accumulated other comprehensive income ("AOCI").

Hedge accounting — Most of Airbus' revenues are denominated in US dollar ("US$"), while a major portion of its costs are incurred in euro. Airbus is significantly exposed to the risk of changes in US$/€ exchange rates. Furthermore, Airbus is exposed, though to a much lesser extent, to foreign exchange risk arising from costs incurred in currencies other than the euro and to other market risks such as interest rate risk, commodity price and equity price risk.

In order to manage and mitigate those risks, Airbus enters into derivative contracts. Airbus applies cash flow hedge accounting to its derivative contracts whenever the relevant IFRS criteria can be met. Hedge accounting ensures that derivative gains or losses are recognised in profit or loss (mainly as part of the revenue) in the same period that the hedged items or transactions affect profit or loss.

The major portion of Airbus' derivative contracts is accounted for under the cash flow hedge model. The fair value hedge model is used only for certain interest rate derivatives. Derivative contracts which do not qualify for hedge accounting are accounted for at fair value through profit and loss, any related gains or losses being recognised in financial result.

Airbus' hedging strategies and hedge accounting policies are described in more detail in "– Note 35: Information about Financial Instruments".

3. Key Estimates and Judgements

The preparation of Airbus' Consolidated Financial Statements requires the use of estimates and assumptions. In preparing these financial statements, management exercises its best judgement based upon its experience and the circumstances prevailing at that time. The estimates and assumptions are based on available information and conditions at the end of the financial period presented and are reviewed on an ongoing basis. Key estimates and judgements that have a significant influence on the amounts recognised in Airbus' Consolidated Financial Statements are mentioned below:

Revenue recognition on construction contracts — The PoC method is used to recognise revenue under construction contracts. This method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements.

The management of the operating Divisions continually review all estimates involved in such construction contracts and adjusts them as necessary (see "– Note 21: Trade Receivables and Trade Liabilities" for further information).

Provisions — The determination of provisions, for example for contract losses, warranty costs, restructuring measures and legal proceedings is based on best available estimates. Loss making contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which also requires significant judgement related to achieving certain performance standards as well as estimates involving warranty costs. Depending on the size and nature of Airbus' contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. In particular, the introduction of commercial or military aircraft programmes (such as the A350 XWB and the A400M) or major derivative aircraft programmes particularly involves an increased level of estimates and judgements associated with the expected development, production and certification schedules and expected cost components.

Airbus makes estimates and provides, across the programmes, for costs related to in service technical issues which have been identified and for which solutions have been defined, which reflects the latest facts and circumstances. Airbus is contractually liable for the repair or replacement of the defective parts but not for any other damages whether direct, indirect, incidental or consequential (including loss of revenue, profit or use). However, in view of overall commercial relationships, contract adjustments may occur, and be considered on a case by case basis.

Estimates and judgements are subject to change based on new information as contracts and related programmes progress. Furthermore, the complex design and manufacturing processes of Airbus' industry require challenging integration and coordination along the supply chain including an ongoing assessment of suppliers' assertions which may additionally impact the outcome of these monitoring processes (see "– Note 10: Revenues, Cost of Sales and Gross Margin" and "– Note 22: Provisions, Contingent Assets and Contingent Liabilities" for further information).

Employee benefits — Airbus accounts for pension and other post-retirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. The actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in post-retirement employee benefit obligations and the related future expense (see "– Note 29: Post-Employment Benefits").

Legal contingencies — Airbus companies are parties to litigations related to a number of matters as described in "– Note 36: Litigation and Claims". The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of Airbus. Management regularly analyses current information about these matters and provides provisions for probable cash outflows, including the estimate of legal expenses to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim against Airbus companies or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

Income taxes — Airbus operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. At each end of the reporting period, Airbus assesses whether the realisation of future tax benefits is probable to recognise deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced, through valuation allowances recognition, if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of Airbus' ability to utilise future tax benefits. The basis for the recoverability test of deferred tax assets is the same as Airbus' latest five year operative planning also taking into account certain qualitative aspects regarding the nature of the temporary differences. Qualitative factors include but are not limited to an entity's history of planning accuracy, performance records, business model, backlog, existence of long-term contracts as well as the nature of temporary differences (see "– Note 15: Income Tax").

Other subjects that involve assumptions and estimates are further described in the respective notes (see "– Note 6: Acquisitions and Disposals", "– Note 17: Intangible Assets" and "– Note 21: Trade Receivables and Liabilities".

4. Change in Accounting Policies and Disclosures

The accounting policies applied by Airbus for preparing its 2016 year-end Consolidated Financial Statements are the same as applied for the previous year. Amendments and improvements to standards effective on 1 January 2016 have no impact on the Consolidated Financial Statements.

New, Revised or Amended IFRS Standards and Interpretations Issued but not yet Applied

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

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

IFRS 9 "Financial Instruments"

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 "Financial instruments: recognition and measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

An assessment of the materiality of IFRS 9 impact on Airbus' Financial Statements is currently being performed.

IFRS 15 "Revenue from Contracts with Customers"

On May 2014, the IASB issued IFRS 15 which establishes a single comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 will replace the current revenue recognition standards IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations when it becomes effective.

Airbus has completed an initial qualitative assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

Revenue recognition should depict the transfer of control of the goods and services to the customer. IFRS 15 will require Airbus to identify the different performance obligations it assumes under a contract, and account for them separately based on their relative stand-alone selling prices. For all contracts, including long-term construction contracts currently accounted for under the PoC method, Airbus will only be able to recognise revenue once certain conditions providing evidence that control of a good or service has transferred to the customer are met. IFRS 15 introduces three criteria among which control is transferred over time and as a result revenue could be recognised over time:

(i) customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(ii) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

(iii) the entity's performance does not create an asset with alternative use to the entity and the entity has enforceable right to payment to performance completed to date.

The current significant accounting policies (see "– Note 2: Significant Accounting Policies") will be impacted by IFRS 15, as follows:

Sales of commercial aircraft – Revenue will be recognised once the customer is controlling the aircraft. In most of the cases, the physical delivery of the aircraft results in the transfer of control to the customer. Airbus does not expect any change in the timing of the revenue recognition of commercial aircraft. The assessment of the impact on the measurement of the revenue is still ongoing specifically on the concessions granted by some of Airbus' suppliers to Airbus' customers and on potential impact of significant financing component.

Construction contracts – This notion is not maintained under IFRS 15. Airbus has been analysing its major construction contracts (see "– Note 2: Significant Accounting Policies") and may conclude for some of them that the criteria stated under the criteria (ii) and/or (iii) criteria above are not fulfilled. In such case, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

In certain circumstances, the standard considers work in progress to be controlled by the customer, in which case it would be inappropriate for an entity to recognise work in progress as an asset on its balance sheet. As a result, Airbus will use a method which will reflect the over time transfer of control when sold assets have no alternative use to the final customer. The assessment of the quantitative impact of the implementation of the new revenue standard is still ongoing.

Transition – Airbus plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach.

The implementation of IFRS 15 will generate more extensive disclosures in the financial statements (i.e. backlog based on contract transaction price).

IFRS 16 "Leases"

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to underlying asset and a lease liability representing its obligation to make lease payments.

Airbus does not expect significant change on current financial leases and on the current accounting recognition of its actual leases when Airbus is acting as a lessor.

The assessment of the materiality of IFRS 16 impact on operating leases on Airbus' Financial Statements is currently being performed.

2.2 Airbus Structure

5. Scope of Consolidation

Consolidation — Airbus' Consolidated Financial Statements include the financial statements of Airbus Group SE and all material subsidiaries controlled by Airbus. Airbus' subsidiaries prepare their financial statements at the same reporting date as Airbus' Consolidated Financial Statements (see Appendix "Simplified Airbus Structure Chart").

Subsidiaries are entities controlled by Airbus including so-called Structured Entities ("SE") which are created to accomplish a narrow and well-defined objective (see "– Note 25: Sales Financing Transactions"). They are fully consolidated from the date control commences to the date control ceases.

The assessment of the control of SE is performed in three steps. In a first step, Airbus identifies the relevant activities of the SE (which may include managing lease receivables, managing the sale or re-lease at the end of the lease and managing the sale or re-lease on default) and in a second step, Airbus assesses which activity is expected to have the most significant impact on the SE's return. Finally, Airbus determines which party or parties control this activity.

Airbus' interests in equity-accounted investees comprise investments in associates and joint ventures. Investments in associates and in joint ventures are accounted for using the equity method and are initially recognised at cost.

The financial statements of Airbus' investments in associates and joint ventures are generally prepared for the same reporting period as for the parent company. Adjustments are made where necessary to bring the accounting policies and accounting periods in line with those of Airbus.

PERIMETER OF CONSOLIDATION

	31 December	
Number of companies	**2016**	2015
Fully consolidated entities	244	262
Investments accounted for using the equity method:		
▪ in joint ventures	52	53
▪ in associates	23	19
Total	**319**	**334**

For more details related to unconsolidated and consolidated SE, please see "– Note 25: Sales Financing Transactions".

6. Acquisitions and Disposals

Business combinations are accounted for using the acquisition method, as at the acquisition date, which is the date on which control is transferred to Airbus.

The determination of the fair value of the acquired assets and the assumed liabilities which are the basis for the measurement of goodwill requires significant estimates. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market prices. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, Airbus either consults with an independent external valuation expert or develops the fair value internally, using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows.

These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied.

Loss of control, loss of joint control, loss of significant influence — Upon loss of control of a subsidiary, the assets and liabilities and any components of Airbus' equity related to the subsidiary are derecognised. Any gain or loss arising from the loss of control is recognised within other income or other expenses in the Consolidated Income Statement.

If Airbus retains any interest in the previous subsidiary, such interest is measured at fair value at the date the control is lost.

Assets and liabilities of a material subsidiary for which a loss of control is highly probable are classified as assets and liabilities held for sale when Airbus has received sufficient evidence that the loss of control will occur in the 12 months after the classification. These assets and liabilities are presented after elimination of intercompany transactions.

When the loss of significant influence or the loss of joint control of an investment accounted under the equity method is highly probable and will occur in the coming 12 months, this associate or joint venture is classified as an asset held for sale.

Sale of investment in an associate or joint venture — Any gain or loss arising from the disposal of investment accounted for under the equity method is recognised within share of profit from investments accounted for under the equity method.

6.1 Acquisitions

On 9 March 2016, Airbus Commercial Aircraft acquired 100% of the shares of the **Navtech Inc. Group ("Navtech")**, a leading global provider of flight operations solutions, and has recognised goodwill of €104 million. The one year window period for the completion of the purchase price allocation will end on 9 March 2017.

Navtech provides aviation services with a suite of flight operations products, aeronautical charts, navigation data solutions, flight planning, aircraft performance and crew planning solutions. Navtech generates annual revenues of approximately US$ 40 million and employs over 250 employees, mainly based in Waterloo (Canada) and in Hersham and Cardiff (UK).

There were no material acquisitions in 2015.

6.2 Disposals

On 17 June 2015, Airbus Commercial Aircraft signed an agreement with Singapore-based ST Aerospace Ltd. ("STA") to offer passenger-to-freighter ("P2F") conversion solutions for its A320 and A321 aircraft. **Elbe Flugzeugwerke's ("EFW")**, Dresden (Germany), assets and liabilities were classified as disposal groups held for sale as of 31 December 2015. On 4 January 2016, STA acquired an additional 20% of the shares by way of a contribution in kind and a capital increase to EFW, and consequently, Airbus lost the control of EFW. Airbus retains 45% of the shares of EFW with significant influence. Airbus Commercial Aircraft has recognised in other income a €19 million gain during the year.

On 2 June 2016, Airbus DS Holding SAS (France) and Astrium International Holdings B.V. (Netherlands), as beneficiaries, and a French private equity firm, Apax Partners, closed the sale of the **business communications entities**. The assets and liabilities of these entities were previously classified as disposal groups held for sale. The gain resulting from this transaction of €146 million was recognised in other income (reported in Airbus Defence and Space Division).

On 25 March 2015, Airbus sold 1,612,407 **Dassault Aviation** shares, corresponding to 17.5% of the Dassault Aviation's share capital, of which 460,688 shares (5%) were sold to Dassault Aviation for €980 per share and 1,151,719 shares (12.5%) were sold to institutional investors at €1,030 per share. On 14 April 2015, Airbus sold an additional 115,172 shares (1.25%) to institutional investors at €1,030 per share.

As of 31 March 2015, the remaining equity investment in Dassault Aviation with the carrying amount of €1,320 million was classified as an asset held for sale (reported in "Other / HQ / Conso.") as Airbus intends to pursue market opportunities to sell the remainder of this investment. Prior to the reclassification, the carrying amount included the Airbus interest in Dassault Aviation's first quarter 2015 result and a negative catch-up on 2014 of €-119 million.

In 2015, Airbus recognised €748 million (€697 million in share of profit from investments accounted for under the equity method and €51 million in other income) representing the net capital gain on partial disposal after transaction costs.

On 14 June 2016, Airbus Group SAS sold approximately 1.33 million shares in Dassault Aviation, around 62% to institutional investors and 38% to Dassault Aviation, at a price of €950 per share. The total gain on these transactions amounted to €528 million recognised in other income (reported in "Other / HQ / Conso.").

The remaining investment, representing 10% of Dassault Aviation's share capital, is now classified as other investments and measured at fair value (see "– Note 19: Other Investments and Other Long-Term Financial Assets"). The resulting gain of €340 million is recognised in other income (reported in "Other / HQ /Conso."). Previously, the investment in Dassault Aviation was classified as asset held for sale.

The Company also issued bonds exchangeable in Dassault Aviation shares (see "– Note 34: Net Cash"). In the event of exchange in full of the bonds, Airbus will have fully disposed of its Dassault Aviation stake.

On 14 January 2015, Airbus and Safran completed the first phase of the integration process of **Airbus Safran Launchers ("ASL")** enabling the entity to become operational. Coordination and programme management of the civil activities of the launcher business as well as relevant participations were transferred to ASL.

Airbus received 50% of issued shares in ASL initially recognised at €56 million as at-equity investment. The loss of control in the business resulted in a capital gain of €49 million, which is reported in Airbus Defence and Space Division in other income.

On 16 June 2015, ASL, the French state and the Centre National d'Études Spatiales ("CNES"), the French space agency, reached an agreement to transfer CNES's stake in Arianespace to ASL, which was authorised on 20 July 2016 by the European Commission. On 12 August 2015, ASL was awarded the Ariane 6 development contract by the European Space Agency ("ESA").

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

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

The allocation of the purchase price is currently ongoing at ASL level and is expected to be finalised during the one year window period ending on 30 June 2017. As a result of this preliminary allocation, € 7 million depreciation expense net of tax was recognised during the year 2016.

On 20 August 2015, Airbus Defence and Space GmbH, Rohde & Schwarz GmbH und Co. KG, Thales Electronic Systems GmbH and Northrop Grumman Litef GmbH sold their shares in **Elektroniksystem und Logistik GmbH ("ESG")** to E-Sicherheitsbeteiligungen GmbH. Airbus recognised a € 59 million gain in share of profit from investments accounted for under the equity method, which is reported in Airbus Defence and Space Division. The assets and liabilities of this company were classified as held for sale as at 31 December 2014.

On 1 October 2015, Airbus sold its shares in its fully owned subsidiary **Cimpa SAS** to Sopra Steria Group. The € 72 million gain on this disposal is recognised in other income.

6.3 Assets and Disposal Groups Classified as Held for Sale

As of 31 December 2016, Airbus accounted for **assets and disposal groups of assets classified as held for sale** in the amount of € 1,148 million (2015: € 1,779 million). **Disposal group of liabilities classified as held for sale** as of 31 December 2016 amount to € 991 million (2015: € 231 million). The assets and disposal groups classified as held for sale are related to the defence electronics companies and Atlas Elektronik GmbH ("Atlas").

On 18 March 2016, Airbus reached an agreement with affiliates of KKR & Co. L.P. (the acquirer) to sell its **defence electronics business**, a leading global provider of mission-critical sensors, integrated systems and services for premium defence and security applications mainly based in Ulm (Germany). Such divestment is part of the strategic review of the Airbus Defence and Space business portfolio. The transaction is expected to be closed within 12 months of the date of the agreement. The assets and liabilities relative to this disposal group have been classified as held for sale since 31 March 2016.

On 20 December 2016, Airbus signed a sale purchase agreement to sell to Thyssen Krupp its 49% stake in **Atlas**.

The assets and disposal group of assets and liabilities classified as held for sale consist of:

	31 December	
(In € million)	**2016**	2015
Non-current financial assets	13	1,253
Other non-current assets	354	269
Inventory	428	75
Trade receivables	247	84
Other assets	89	11
Cash and cash equivalents	17	87
Assets and disposal group of assets classified as held for sale	**1,148**	**1,779**
Provisions	559	69
Non-current financial liabilities	6	0
Trade liabilities	85	0
Other liabilities	341	162
Disposal group of liabilities classified as held for sale	**991**	**231**

6.4 Cash Flows from Disposals including Assets and Disposal Groups Classified as Held for Sale

The following chart provides details on cash flow from disposals (resulting in assets and liabilities disposed) of subsidiaries, joint ventures and businesses:

	31 December	
(In € million)	**2016**	2015
Total selling price received by cash and cash equivalents	2,273	277
Cash and cash equivalents included in the disposed subsidiaries	(15)	(23)
Total	**2,258**	**254**

The aggregate cash flow from disposals of subsidiaries and assets and disposals groups classified as held for sales in 2016 results mainly from the completion of the creation of ASL, the sale of Dassault Aviation shares and the sale of business communication entities.

The aggregate cash flow from disposals of subsidiaries and assets and disposals groups classified as held for sales in 2015 results mainly from the sale of CIMPA, the partial sale of Dassault Aviation share and the completion of the first phase of the creation of ASL.

7. Investments Accounted for under the Equity Method

	31 December	
(In € million)	**2016**	2015
Investments in joint ventures	1,437	1,264
Investments in associates	171	62
Investments accounted for under the equity method	**1,608**	**1,326**

7.1 Investments in Joint Ventures

The joint ventures in which Airbus holds interests are structured in separate incorporated companies. Under joint arrangement agreements, unanimous consent is required from all parties to the agreement for all relevant activities. Airbus and its partners have rights to the net assets of these entities through the terms of the contractual agreements.

Airbus' interests in its joint ventures, being accounted for under the equity method, are stated in aggregate in the following table:

(In € million)	**2016**	2015
Airbus' interest in equity on investee at beginning of the year	**1,264**	**885**
New joint ventures[1]	595	179
Result from continuing operations attributable to Airbus	182	243
Other comprehensive income attributable to Airbus	(93)	46
Dividends received during the year	(195)	(89)
Reclassification as asset held for sale	(198)	0
Deconsolidation of investment	(112)	0
Others	(6)	0
Carrying amount of the investment at 31 December	**1,437**	**1,264**

(1) In 2016, it includes the impact of the completion of the second phase of the ASL creation (see "– Note 6: Acquisitions and Disposals").

Airbus' individually material joint ventures are ASL, Paris (France), MBDA S.A.S., Paris (France), and GIE ATR, Blagnac (France), as parent companies of their respective groups. These joint venture companies are not publicly listed.

ASL is a 50% joint venture between Airbus and Safran. ASL is the head company in a group comprising several subsidiaries and affiliates, all leading companies in their fields, such as: APP, Arianespace, Cilas, Eurockot, Eurocryospace, Europropulsion, Nuclétudes, Pyroalliance, Regulus, Sodern and Starsem. ASL inherits a rich portfolio of products and services, enabling it to deliver innovative and competitive solutions to numerous customers around the world.

Airbus held a 37.5% stake in **MBDA** at 31 December 2016 and 2015, which is a joint venture between Airbus, BAE Systems and Leonardo (formerly Finmeccanica). MBDA offers missile systems capabilities that cover the whole range of solutions for air dominance, ground-based air defence and maritime superiority, as well as advanced technological solutions for battlefield engagement.

GIE ATR is manufacturing advanced turboprop aircraft. It is a 50% joint venture between Alenia Aermacchi, a Leonardo (formerly Finmeccanica) group company and Airbus. Both Alenia Aermacchi and Airbus provide airframes which are assembled by GIE ATR in France. The members of ATR GIE are legally entitled to the whole benefits and are liable for the commitments of the Company. GIE ATR is obliged to transfer its cash to each member of the joint venture.

Atlas was a joint venture of Thyssen Krupp and Airbus (which at 31 December 2015 held a 49% stake). As of 31 December 2015, it was also considered an individually material joint venture. Following the signature of the sale purchase agreement, its remaining equity investment has been reclassified as asset held for sale (see "– Note 6: Acquisitions and Disposals").

The following table summarises financial information for ASL, MBDA and GIE ATR based on their Consolidated Financial Statements prepared in accordance with IFRS:

	ASL		MBDA		GIE ATR	
(In € million)	**2016**	2015	**2016**	2015	**2016**	2015
Revenues	2,227	1,215	2,955	2,875	1,651	1,760
Depreciation and amortisation	(35)	0	(92)	(86)	(18)	(50)
Interest income	2	0	8	2	0	1
Interest expense	(2)	0	(3)	(15)	(3)	(2)
Income tax expense	(40)	5	(66)	(74)	(3)	0
Profit from continuing operations	102	(8)	213	218	331	340
Other comprehensive income	(4)	0	(215)	65	14	16
Total comprehensive income (100%)	**98**	**(8)**	**(2)**	**283**	**345**	**356**
Non-current assets	5,324	229	2,339	2,010	147	94
Current assets	5,518	1,652	6,425	5,384	814	639
thereof cash and cash equivalents	*797*	*21*	*1,890*	*1,420*	*7*	*5*
Non-current liabilities	526	11	1,357	1,249	98	111
thereof non-current financial liabilities (excluding trade and other payables and provisions)	*35*	*0*	*7*	*9*	*0*	*0*
Current liabilities	6,511	1,669	7,119	5,811	407	159
thereof current financial liabilities (excluding trade and other payables and provisions)	*333*	*10*	*122*	*26*	*0*	*0*
Total equity (100%)	**3,805**	**201**	**288**	**334**	**456**	**463**
Equity attributable to equity owners of the parent	3,797	201	288	334	456	463
Non-controlling interests	8	0	0	0	0	0

	ASL		MBDA		GIE ATR	
(In € million)	**2016**	2015	**2016**	2015	**2016**	2015
Airbus' interest in equity on investee	1,899	101	108	125	228	232
Goodwill	255	0	282	282	0	0
PPA adjustments, net of tax	(1,479)	(49)	0	0	0	0
Fair value adjustments and modifications for differences in accounting policies	0	0	(14)	(13)	0	0
Elimination of downstream inventory	2	(1)	0	0	(4)	0
Carrying amount of the investment at 31 December	**677**	**51**	**376**	**394**	**224**	**232**

The development of these investments is as follows:

	ASL		MBDA		GIE ATR	
(In € million)	**2016**	2015	**2016**	2015	**2016**	2015
Airbus' interest in equity on investee at beginning of the year	**51**	**0**	**394**	**306**	**232**	**118**
Result from continuing operations attributable to Airbus	38	(4)	80	84	166	170
Other comprehensive income attributable to Airbus	(2)	0	(82)	28	7	8
Dividends received during the year	0	0	(16)	(24)	(177)	(64)
Changes in consolidation	590	55	0	0	0	0
Others	0	0	0	0	(4)	0
Carrying amount of the investment at 31 December	**677**	**51**	**376**	**394**	**224**	**232**

Airbus' share of contingent liabilities of MBDA as of 31 December 2016 is € 455 million (2015: € 399 million).

7.2 Investments in Associates

Airbus' interests in associates, being accounted for under the equity method, are stated in aggregate in the following table:

(In € million)	**2016**	2015[1]
Airbus' interest in equity on investee at beginning of the year	**62**	**77**
Result from continuing operations attributable to Airbus	49	40
Other comprehensive income attributable to Airbus	(27)	(29)
Dividends received during the year	(10)	(10)
Disposal of shares	(3)	(16)
Changes in consolidation[2]	100	0
Carrying amount of the investment at 31 December	**171**	**62**

(1) In 2015, excluding the individually material investment in Dassault Aviation, reclassified during the year to assets held for sale (see "– Note 6: Acquisitions and Disposals").
(2) In 2016, it includes the change in consolidation method of EFW.

The cumulative unrecognised comprehensive loss amounts for these associates to € -108 million and € -117 million as of 31 December 2016 and 2015, respectively (thereof € +9 million for the period).

8. Related Party Transactions

(In € million)	Sales of goods and services and other income	Purchases of goods and services and other expense	Receivables due as of 31 December	Payables due as of 31 December	Other liabilities / Loans received as of 31 December
2016					
Total transactions with associates	11	55	4	9	85
Total transactions with joint ventures	1,904	488	1,213	203	815
2015					
Total transactions with associates	7	40	96	4	79
Total transactions with joint ventures	1,771	121	1,850	14	544

Transactions with unconsolidated subsidiaries are immaterial to Airbus' Consolidated Financial Statements.

A part of the shares in Dassault Aviation was sold back to Dassault Aviation during 2016 and 2015 (for more details, see "– Note 6: Acquisitions and Disposals").

As of 31 December 2016, Airbus granted guarantees of €152 million to Air Tanker group in the UK (2015: €503 million).

For information regarding the funding of Airbus' pension plans, which are considered as related parties, please see "– Note 29: "Post-Employment Benefits".

The information relative to compensation and benefits granted to Members of the Executive Committee and Board of Directors are disclosed in "– Note 31: Remuneration".

2.3 Segment Information

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

- **Airbus Commercial Aircraft** (formerly Airbus) — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.
- **Airbus Helicopters** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Airbus Defence and Space** — Military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communications solutions and logistics; training, testing, engineering and other related services; development, manufacturing, marketing and sale of missiles systems; development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services; development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

9. Segment Information

The following table presents information with respect to Airbus' business segments. As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Airbus Commercial Aircraft and Airbus Defence and Space and between Airbus Helicopters and Airbus Commercial Aircraft. The holding function of Airbus, the Airbus Group Bank and other activities not allocable to the reportable segments, combined together with consolidation effects, are disclosed in the column "Other / HQ / Conso.".

Airbus uses EBIT as a key indicator of its economic performance.

Business segment information for the year ended the 31 December 2016 is as follows:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ / Conso.	**Consolidated**
Total revenues	49,237	6,652	11,854	67,743	57	67,800
Internal revenues	(646)	(448)	(118)	(1,212)	(7)	(1,219)
Revenues	**48,591**	**6,204**	**11,736**	**66,531**	**50**	**66,581**
Profit before finance costs and income taxes (EBIT)	**1,543**	**308**	**(93)**	**1,758**	**500**	**2,258**
thereof:						
▪ *depreciation and amortisation*	*(1,568)*	*(183)*	*(483)*	*(2,234)*	*(60)*	*(2,294)*
▪ *research and development expenses*	*(2,147)*	*(327)*	*(332)*	*(2,806)*	*(164)*	*(2,970)*
▪ *share of profit from investments accounted for under the equity method*	*185*	*6*	*41*	*232*	*(1)*	*231*
▪ *additions to other provisions*	*1,395*	*693*	*3,700*	*5,788*	*311*	*6,099*
Interest result						(275)
Other financial result						(692)
Income taxes						(291)
Profit for the period						**1,000**

Business segment information for the year ended the 31 December 2015 is as follows:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ / Conso.	Consolidated
Total revenues	45,854	6,786	13,080	65,720	296	66,016
Internal revenues	(764)	(633)	(163)	(1,560)	(6)	(1,566)
Revenues	**45,090**	**6,153**	**12,917**	**64,160**	**290**	**64,450**
Profit before finance costs and income taxes (EBIT)	**2,287**	**427**	**736**	**3,450**	**612**	**4,062**
thereof:						
▪ *depreciation and amortisation*	*(1,608)*	*(159)*	*(654)*	*(2,421)*	*(45)*	*(2,466)*
▪ *research and development expenses*	*(2,702)*	*(325)*	*(344)*	*(3,371)*	*(89)*	*(3,460)*
▪ *share of profit from investments accounted for under the equity method*	*179*	*4*	*159*	*342*	*674*	*1,016*
▪ *additions to other provisions*	*897*	*616*	*2,009*	*3,522*	*263*	*3,785*
Interest result						(368)
Other financial result						(319)
Income taxes						(677)
Profit for the period						**2,698**

Segment capital expenditures		
(In € million)	**2016**	2015
Airbus Commercial Aircraft	2,304	2,001
Airbus Helicopters	236	280
Airbus Defence and Space	469	552
Other / HQ / Conso.	51	91
Total capital expenditures[1]	**3,060**	**2,924**

(1) Excluding expenditure for leased assets.

Segment assets	31 December	
(In € million)	**2016**	2015
Airbus Commercial Aircraft	51,457	47,857
Airbus Helicopters	10,104	10,172
Airbus Defence and Space	16,457	19,388
Other / HQ / Conso.	1,709	738
Total segment assets	**79,727**	**78,155**
Unallocated		
Deferred and current tax assets	8,667	7,619
Securities	11,448	11,639
Cash and cash equivalents[1]	10,143	6,590
Assets classified as held for sale	1,148	1,779
Total assets	**111,133**	**105,782**

(1) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted by € -899 million.

The revenues by geographical areas are disclosed in "– Note 10: Revenues, Cost of Sales and Gross Margin". The property, plant and equipment by geographical areas is disclosed in "– Note 18: Property, Plant and Equipment".

2.4 Airbus Performance

10. Revenues, Cost of Sales and Gross Margin

Revenues

Revenues are mainly comprised of sales of goods and services, as well as revenues associated with construction contracts accounted for under the PoC method, contracted research and development and customer financing.

(In € million)	**2016**	2015
Revenues from construction contracts	10,956	9,860
Other revenues[1]	55,625	54,590
Total[2]	**66,581**	**64,450**
thereof service revenues including sale of spare parts	*9,045*	*8,328*

(1) Includes mainly revenues from sales of commercial aircraft recognised under IAS 18.
(2) For more details, please see "– Note 9: Segment Information".

Revenues increased by 3.3%, mainly at Airbus Commercial Aircraft, mostly driven by a positive volume effect and a favourable foreign exchange impact. Deliveries increased to 688 aircraft (635 in the previous year). Airbus Defence and Space revenues decreased mainly due to perimeter changes for defence activities (see "– Note 6: Acquisitions and Disposals") and include revenues related to the A400M programme of €1,702 million (2015: €1,648 million).

Revenues by geographical areas based on the location of the customer are as follows:

(In € million)	**2016**	2015
Europe	21,377	20,060
Asia – Pacific	21,266	18,755
North America	8,931	10,217
Middle East	8,464	8,612
Latin America	4,925	4,096
Other countries	1,618	2,710
Total	**66,581**	**64,450**

Cost of Sales and Gross Margin

Cost of sales increased by 10.3%. The increase was primarily due to business growth at Airbus Commercial Aircraft, the higher net charge related to A400M programme for €2,210 million (in 2015: €290 million) and to A350 XWB programme for €385 million (in 2015: €0 million).

Inventories recognised as an expense during the period amount to €47,835 million (in 2015: €45,289 million).

The **gross margin** decreased by €-3,587 million to €5,264 million compared to €8,851 million in 2015, resulting in a gross margin rate decrease from 13.7% to 7.9%. Included are net charges recorded in 2016, as mentioned above.

In 2016, Airbus Commercial Aircraft has delivered 49 A350 XWB aircraft, including to 7 new customers.

To reflect expected lower revenues escalation, increased learning curve costs and delivery phasing, Airbus Commercial Aircraft recorded a net charge of €385 million on A350 XWB loss making contracts in the second quarter 2016.

The industrial ramp-up is progressing and associated risks continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customer's commitment. Despite the progress made, challenges remain with the ramp-up acceleration and recurring costs convergence.

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

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

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

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

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

11. Research and Development Expenses

Research and development expenses decreased by 14.2% primarily reflecting R&D activities on the A350 XWB programme at Airbus Commercial Aircraft. In addition, an amount of € 311 million of development costs has been capitalised, mainly related to the H160 and A350 XWB programmes.

12. Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments

(In € million)	**2016**	2015
Share of profit from investments in joint ventures	182	243
Share of profit from investments in associates[1]	49	773
Share of profit from investments accounted for under the equity method	**231**	**1,016**
Other income from investments	**21**	**54**

(1) In 2015, it includes a significant impact from the investment in Dassault Aviation. For more details, please see "– Note 6: Acquisitions and Disposals".

13. Other Income and Other Expenses

Other income increased by € +2,215 million. This increase is mainly due to the capital gain of € 1,175 million following the completion of the creation of ASL, the capital gain of € 146 million from the sale of the business communications entities, the capital gain from the sale of Dassault Aviation shares of € 528 million and the revaluation at fair value of the remaining investment in Dassault Aviation for € 340 million (see "– Note 6: Acquisitions and Disposals").

Other expenses increased to € -254 million compared to € -222 million in 2015.

14. Total Finance Costs

Interest income derived from Airbus' asset management and lending activities is recognised as interest accrues, using the effective interest rate method.

(In € million)	**2016**	2015
Interest on European Government refundable advances	(212)	(280)
Others	(63)	(88)
Total interest result[1]	**(275)**	**(368)**
Change in fair value measurement of financial instruments	(370)	(119)
Foreign exchange translation of monetary items	(220)	(74)
Unwinding of discounted provisions	(65)	(101)
Others	(37)	(25)
Total other financial result	**(692)**	**(319)**
Total	**(967)**	**(687)**

(1) In 2016, the total interest income amounts to €247 million (in 2015: € 183 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss € -522 million (in 2015: € -551 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

15. Income Tax

The expense for income taxes is comprised of the following:

(In € million)	**2016**	2015
Current tax expense	(753)	(661)
Deferred tax benefit (expense)	462	(16)
Total	**(291)**	**(677)**

In 2016, € 15 million of current tax income (in 2015: € 42 million) and € -13 million of deferred tax expense (in 2015: € -56 million) relate to prior years.

Main income tax rates and main changes impacting Airbus:

Countries	2016	2017	> 2017
Netherlands	25.00%	25.00%	25.00%
France[1]	34.43%	34.43%	34.43%
Germany	30.00%	30.00%	30.00%
Spain	25.00%	25.00%	25.00%
UK[2]	20.00%	19.00%	18.00%

(1) A tax law has been enacted in December 2016 changing the rate for income taxes from 34.43% to 28.92% as of 1 January 2020.
(2) 20% from 1 April 2015 until 31 March 2017, 19% from 1 April 2017 until 31 March 2020 and 17% from 1 April 2020.

The following table shows a reconciliation from the theoretical income tax (expense) using the Dutch corporate tax rate to the reported income tax (expense):

(In € million)	**2016**	2015
Profit before income taxes	1,291	3,375
* Corporate income tax rate	25.0%	25.0%
Expected (expense) for income taxes	(323)	(844)
Effects from tax rate differentials	(194)	(329)
Income from investments / associates[(1)]	580	412
Tax credit	73	66
Change of tax rate	(117)	(90)
Change in valuation allowances	(102)	96
Non-deductible expenses and tax-free income	(208)	12
Reported tax (expense)	**(291)**	**(677)**

(1) In 2016, it includes the impact of the completion of the second phase of the ASL creation and the impact from the sale of shares of Dassault Aviation, both subject to specific tax treatment. In 2015, it includes the impact of the partial sale of shares of Dassault Aviation subject to specific tax treatment. For more details, see "– Note 6: Acquisitions and Disposals".

Changes in valuation allowances represent reassessments of the recoverability of deferred tax assets based on future taxable profits of certain companies mainly for Airbus Commercial Aircraft and Airbus Defence and Space in Germany. The amount of change in valuation allowances of € -102 million in 2016 (2015: € 96 million) excludes a positive impact of € 2 million (2015: € 1 million) from a change in tax rates which is presented in the line "change of tax rate".

As Airbus controls the timing of the reversal of temporary differences associated with its subsidiaries (usually referred to as "outside basis differences") arising from yet undistributed profits and changes in foreign exchange rates, it does not recognise a deferred tax liability. For temporary differences arising from investments in associates Airbus recognises deferred tax liabilities. The rate used reflects the assumptions that these differences will be recovered from dividend distribution unless a management resolution for the divestment of the investment exists at the closing date. For joint ventures, Airbus assesses its ability to control the distribution of dividends based on existing shareholder agreements and recognises deferred tax liabilities accordingly.

As of 31 December 2016, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, for which deferred tax liabilities have not been recognised, amounts to € 104 million.

Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of € 1 million (in 2015: € 52 million). Assessments show that these deferred tax assets will be recovered in future through either (i) own projected profits, or (ii) profits of other companies integrated in the same fiscal group ("*régime d'intégration fiscale*" in France, "*steuerliche Organschaft*" in Germany) or (iii) via the "loss surrender-agreement" in the UK.

Deferred taxes on net operating losses ("NOL"), trade tax loss carry forwards and tax credit carry forwards:

(In € million)	France	Germany	Spain	UK	Other countries	**31 December 2016**	31 December 2015
NOL	958	1,565	307	1,809	270	4,909	6,503
Trade tax loss carry forwards	0	1,510	0	0	0	1,510	1,955
Tax credit carry forwards	0	0	392	54	14	460	323
Tax effect	**330**	**462**	**470**	**361**	**83**	**1,706**	**1,849**
Valuation allowances	(9)	(268)	(149)	(51)	(9)	(486)	(423)
Deferred tax assets on NOL's and tax credit carry forwards	**321**	**194**	**321**	**310**	**74**	**1,220**	**1,426**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable in France, Germany, the UK and Spain. In Spain, R&D tax credit carry forwards still expire after 18 years. The first tranche of tax credit carry forwards (€ 1 million) will expire in 2020. No deferred tax has been recognised for this tranche.

Roll forward of deferred taxes:

(In € million)	**2016**	2015
Net deferred tax asset at beginning of the year	**5,559**	**4,587**
Deferred tax benefit (expense) in income statement	462	(16)
Deferred tax recognised directly in AOCI (IAS 39)	(7)	1,112
Deferred tax on remeasurement of the net defined benefit pension plans	365	(235)
Others	(114)	111
Net deferred tax asset at 31 December	**6,265**	**5,559**

Details of deferred taxes recognised cumulatively in equity are as follows:

	31 December	
(In € million)	**2016**	2015
Available-for-sale investments	(97)	(86)
Cash flow hedges	2,616	2,612
Deferred tax on remeasurement of the net defined benefit pension plans	1,678	1,313
Total	**4,197**	**3,839**

Deferred income taxes as of 31 December 2016 are related to the following assets and liabilities:

	1 January 2016		Other movements		Movement through income statement		**31 December 2016**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI / IAS 19	Others[1]	R&D tax credits	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Intangible assets	53	(538)	0	16	0	(71)	70	(610)
Property, plant and equipment	832	(1,353)	0	8	0	(130)	741	(1,384)
Investments and other long-term financial assets	186	(157)	(10)	(46)	0	(82)	197	(306)
Inventories	1,333	(752)	0	111	0	(879)	1,140	(1,327)
Receivables and other assets	837	(2,615)	(4)	21	0	2,601	2,007	(1,167)
Prepaid expenses	3	(1)	0	0	0	(1)	1	0
Provision for retirement plans	1,519	0	393	(77)	0	(415)	1,420	0
Other provisions	1,999	(627)	0	14	0	1,055	3,876	(1,435)
Liabilities	4,007	(440)	1	(71)	0	(1,400)	4,785	(2,688)
Deferred income	98	(74)	0	(7)	0	17	105	(71)
NOLs and tax credit carry forwards	1,849	0	0	(91)	81	(133)	1,706	0
Deferred tax assets (liabilities) before offsetting	**12,716**	**(6,557)**	**380**	**(122)**	**81**	**562**	**16,048**	**(8,988)**
Valuation allowances on deferred tax assets	(600)	0	(22)	(15)	(58)	(100)	(795)	0
Set-off	(5,357)	5,357	0	0	0	0	(7,696)	7,696
Net deferred tax assets (liabilities)	**6,759**	**(1,200)**	**358**	**(137)**	**23**	**462**	**7,557**	**(1,292)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

2

Deferred income taxes as of 31 December 2015 are related to the following assets and liabilities:

	1 January 2015		Other movements		Movement through income statement		31 December 2015	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI / IAS 19	Others(1)	R&D tax credits	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Intangible assets	50	(475)	0	(1)	0	(59)	53	(538)
Property, plant and equipment	490	(1,355)	0	(10)	0	354	832	(1,353)
Investments and other long-term financial assets	332	(167)	(35)	80	0	(181)	186	(157)
Inventories	1,219	(457)	0	(8)	0	(173)	1,333	(752)
Receivables and other assets	397	(2,267)	(115)	(1)	0	208	837	(2,615)
Prepaid expenses	2	0	0	0	0	0	3	(1)
Provision for retirement plans	1,897	0	(235)	13	0	(156)	1,519	0
Other provisions	2,422	(498)	0	(2)	0	(550)	1,999	(627)
Liabilities	2,335	(871)	1,389	1	0	713	4,007	(440)
Deferred income	53	(22)	0	0	0	(7)	98	(74)
NOLs and tax credit carry forwards	2,080	0	0	82	(51)	(262)	1,849	0
Deferred tax assets (liabilities) before offsetting	**11,277**	**(6,112)**	**1,004**	**154**	**(51)**	**(113)**	**12,716**	**(6,557)**
Valuation allowances on deferred tax assets	(578)	0	(127)	8	0	97	(600)	0
Set-off	(4,982)	4,982	0	0	0	0	(5,357)	5,357
Net deferred tax assets (liabilities)	**5,717**	**(1,130)**	**877**	**162**	**(51)**	**(16)**	**6,759**	**(1,200)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

16. Earnings per Share

	2016	2015
Profit for the period attributable to equity owners of the parent (Net income)	€995 million	€2,696 million
Weighted average number of ordinary shares	773,798,837	785,621,099
Basic earnings per share	€1.29	€3.43

Diluted earnings per share – Airbus' categories of dilutive potential ordinary shares are **Stock Option Plan ("SOP")**, share-settled Performance Units relating to **Long-Term Incentive Plans ("LTIP")** and the **convertible bond** issued on 1 July 2015. The last SOP expired in December 2016. During 2016, the average price of the Company's shares exceeded the exercise price of the share-settled Performance Units and therefore 287,807 shares (in 2015: 359,335 shares) were considered in the calculation of diluted earnings per share. The dilutive effect of the convertible bond was also considered in the calculation of diluted earnings per share in 2016, by adding back €7 million of interest expense to the profit for the period attributable to equity owners of the parent (2015: €3 million) and by including 5,022,990 of dilutive potential ordinary shares (2015: 2,511,495 shares).

	2016	2015
Profit for the period attributable to equity owners of the parent (Net income)	€1,002 million	€2,699 million
Weighted average number of ordinary shares (diluted)(1)	779,109,634	788,491,929
Diluted earnings per share	€1.29	€3.42

(1) Dilution assumes conversion of all potential ordinary shares.

2.5 Operational Assets and Liabilities

17. Intangible Assets

Intangible assets comprise (i) goodwill (see "– Note 5: Scope of Consolidation"), (ii) capitalised development costs (see "– Note 2: "Significant Accounting Policies") and (iii) other intangible assets, *e.g.* internally developed software and acquired intangible assets.

Intangible assets with finite useful lives are generally amortised on a straight-line basis over their respective estimated useful lives (3 to 10 years) to their estimated residual values.

Intangible assets as of 31 December 2016 and 2015 comprise the following:

	31 December 2016			1 January 2016		
(In € million)	Gross amount	Amortisation / Impairment	Net book value	Gross amount	Amortisation / Impairment	Net book value
Goodwill	10,498	(1,073)	9,425	10,995	(1,088)	9,907
Capitalised development costs	2,871	(1,164)	1,707	2,686	(1,027)	1,659
Other intangible assets	3,399	(2,463)	936	3,375	(2,386)	989
Total	**16,768**	**(4,700)**	**12,068**	**17,056**	**(4,501)**	**12,555**

Net Book Value

(In € million)	Balance at 1 January 2016	Exchange differences	Additions	Changes in consolidation scope	Reclassification[1]	Disposals[1]	Amortisation / Impairment	**Balance at 31 December 2016**
Goodwill	9,907	(11)	89	52	(102)	(510)	0	9,425
Capitalised development costs	1,659	(38)	311	3	(19)	0	(209)	1,707
Other intangible assets	989	10	199	21	(15)	(26)	(242)	936
Total	**12,555**	**(39)**	**599**	**76**	**(136)**	**(536)**	**(451)**	**12,068**

(1) Includes intangible assets from entities disposed and reclassified to assets of disposal groups classified as held for sale (see "– Note 6: Acquisitions and Disposals").

(In € million)	Balance at 1 January 2015	Exchange differences	Additions	Changes in consolidation scope	Reclassification[1]	Disposals	Amortisation / Impairment	Balance at 31 December 2015
Goodwill	9,979	60	0	0	(107)	(25)	0	9,907
Capitalised development costs	1,688	20	154	0	0	0	(203)	1,659
Other intangible assets	1,091	17	211	0	(37)	(11)	(282)	989
Total	**12,758**	**97**	**365**	**0**	**(144)**	**(36)**	**(485)**	**12,555**

(1) Includes intangible assets from entities reclassified to assets of disposal groups classified as held for sale (see "– Note 6: Acquisitions and Disposals").

Development Costs

Airbus has capitalised development costs in the amount of € 1,707 million as of 31 December 2016 (€ 1,659 million as of 31 December 2015) as internally generated intangible assets mainly for the Airbus Commercial Aircraft A350 XWB (€ 808 million) and A380 (€ 336 million) programmes. The amortisation for the A380 and A350 XWB programmes development costs is performed on a unit of production basis.

Impairment Tests

Airbus assesses at each end of the reporting period whether there is an indication that a non-financial asset or a Cash Generating Unit ("CGU") to which the asset belongs may be impaired. In addition, intangible assets with an indefinite useful life, intangible assets not yet available for use and goodwill are tested for impairment in the fourth quarter of each financial year irrespective of whether there is any indication for impairment. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of impairment testing any goodwill is allocated to the CGU or group of CGUs in a way that reflects the way goodwill is monitored for internal management purposes.

The discounted cash flow method is used to determine the recoverable amount of a CGU or the group of CGUs to which goodwill is allocated. The discounted cash flow method is particularly sensitive to the selected discount rates and estimates of future cash flows by management. Discount rates are based on the weighted average cost of capital ("WACC") for the groups of cash-generating units. The discount rates are calculated based on a risk-free rate of interest and a market risk premium. In addition, the discount rates reflect the current market assessment of the risks specific to each group of cash-generating units by taking into account specific peer group information on beta factors, leverage and cost of debt. Consequently, slight changes to these elements can materially affect the resulting valuation and therefore the amount of a potential impairment charge.

These estimates are influenced by several assumptions including growth assumptions of CGUs, availability and composition of future defence and institutional budgets, foreign exchange fluctuations or implications arising from the volatility of capital markets. Cash flow projections take into account past experience and represent management's best estimate about future developments.

As of 31 December 2016 and 2015, goodwill was allocated to CGUs or group of CGUs, which is summarised in the following schedule:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Other / HQ	Consolidated
Goodwill as of 31 December 2016	6,873	308	2,230	14	9,425
Goodwill as of 31 December 2015	6,759	299	2,835	14	9,907

The goodwill mainly relates to the creation of Airbus in 2000 and the Airbus Combination in 2001.

General Assumptions Applied in the Planning Process

The basis for determining the recoverable amount is the value in use of the CGUs. Generally, cash flow projections used for Airbus' impairment testing are based on operative planning.

The operative planning, which covers a planning horizon of five years, used for the impairment test, is based on the following key assumptions which are relevant for all CGUs:

- increase of expected future labour expenses of 2% (2015: 2%);
- future interest rates projected per geographical market, for the European Monetary Union, the UK and the US;
- future exchange rate of 1.25 US$/€ (2015: 1.25 US$/€) to convert in euro the portion of future US dollar which are not hedged;

Airbus follows an active policy of foreign exchange risk hedging. As of 31 December 2016, the total hedge portfolio with maturities up to 2023 amounts to US$ 102 billion (US$ 102 billion as of 31 December 2015) and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2017 to 2021). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2023 amounts to 1.25 US$/€ (previous year: 1.28 US$/€) and for the US$/£ hedge portfolio until 2022 amounts to 1.49 US$/£ (previous year: 1.58 US$/£).

For the determination of the operative planning in the CGUs, management assumed future exchange rate of 1.25 US$/€ from 2017 onwards to convert in euro the portion of future US dollar which are not hedged.

General economic data derived from external macroeconomic and financial studies has been used to derive the general key assumptions.

In addition to these general planning assumptions, the following additional CGU specific assumptions, which represent management's current best assessment as of the date of these Consolidated Financial Statements, have been applied in the individual CGUs.

Airbus Commercial Aircraft

- The planning takes into account the decision to ramp-up A320 programme deliveries progressively to a maximum of 60 aircraft per month. A330 deliveries are now at rate 6 as Airbus Commercial Aircraft transitions for the introduction of the first A330 Neo from 2018. The A350 XWB delivery rate increases to 10 aircraft per month from the end of 2018 whilst A380 deliveries are expected to reduce to 12 deliveries per year from 2018.

- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on General Market Forecast updated in 2016. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities.
- Due to the huge hedge portfolio, the carrying value and the planned cash flows of the CGU Airbus Commercial Aircraft are materially influenced.
- Cash flows are discounted using a euro weighted WACC of 6.9% (2015: 8.4%).

Airbus Helicopters

- The planning takes into account the ramp-up of our medium segment driven by the H135 which has been certified in 2015 and the H175, the continuing deliveries of NH90 and a continuous growth of our support and services activity.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value. The terminal value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on the helicopter market forecast considering the decrease of last three years in the civil and parapublic market partially driven by decrease of investment in oil and gas, needs of helicopter fleet renewal and growth markers and the increase of Airbus Helicopters market share in this environment. Current market evolutions are considered through sensitivities.
- Cash flows are discounted using a euro weighted WACC of 6.7% (2015: 8.2%).

Airbus Defence and Space

After a successful restructuring and portfolio review, Airbus Defence and Space's focus for the planning period is to increase business and profitability while implementing a growth strategy to pave the way for future upsides.

- The planning period is characterised by a strong forecasted order intake across Military Aircraft and Space Systems.
- The major products driving significant growth are A400M programme, including export contracts, Combat aircraft, Tankers, satellites and Services.
- Airbus Defence and Space assumes a further increase in profitability over the planning period, driven by higher programme performance and cost savings.
- Airbus Defence and Space's Free Cash Flow target is also expected to grow leveraging on a solid cash generation from current contracts and businesses as well as future order intakes (Military Aircraft, Satellites, Communication Intelligence and Security) and improvement on the A400M programme.
- Cash flows are discounted using a euro weighted WACC of 6.5% (2015: 8.0%).

18. Property, Plant and Equipment

Property, plant and equipment is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. Items of property, plant and equipment are generally depreciated on a straight-line basis. The following useful lives are assumed:

Buildings	10 to 50 years
Site improvements	6 to 30 years
Technical equipment and machinery	3 to 20 years
Jigs and tools[1]	5 years
Other equipment, factory and office equipment	2 to 10 years

(1) If more appropriate, jigs and tools are depreciated using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method).

For details on assets related to lease arrangements on sales financing, please see "– Note 25: Sales Financing Transactions".

Property, plant and equipment as of 31 December 2016 and 2015 comprise the following:

(In € million)	31 December 2016			1 January 2016		
	Gross amount	Depreciation / Impairment	Net book value(1)	Gross amount	Depreciation / Impairment	Net book value(1)
Land, leasehold improvements and buildings including buildings on land owned by others	9,444	(4,252)	5,192	9,518	(4,349)	5,169
Technical equipment and machinery	20,331	(12,076)	8,255	20,296	(11,946)	8,350
Other equipment, factory and office equipment(2)	3,933	(2,939)	994	4,324	(3,290)	1,034
Construction in progress	2,472	0	2,472	2,574	0	2,574
Total	**36,180**	**(19,267)**	**16,913**	**36,712**	**(19,585)**	**17,127**

(1) Includes the net book value of aircraft under operating lease (see "– Note 25: Sales Financing Transactions").
(2) Buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts to €356 million (2015: €364 million).

Net Book Value

(In € million)	Balance at 1 January 2016	Exchange differences	Additions	Changes in consolidation scope	Reclassification(1)	Disposals(1)	Depreciation / Impairment	**Balance at 31 December 2016**
Land, leasehold improvements and buildings including buildings on land owned by others	5,169	(61)	67	(3)	349	(37)	(292)	5,192
Technical equipment and machinery	8,350	(263)	531	20	1,059	(137)	(1,305)	8,255
Other equipment, factory and office equipment	1,034	(5)	419	2	109	(351)	(214)	994
Construction in progress	2,574	(88)	1,788	1	(1,615)	(188)	0	2,472
Total	**17,127**	**(417)**	**2,805**	**20**	**(98)**	**(713)**	**(1,811)**	**16,913**

(1) Includes property, plant and equipment from entities disposed and reclassified to assets of disposal groups classified as held for sale (see "– Note 6: Acquisitions and Disposals").

(In € million)	Balance at 1 January 2015	Exchange differences	Additions	Changes in consolidation scope	Reclassification(1)	Disposals(1)	Depreciation / Impairment	Balance at 31 December 2015
Land, leasehold improvements and buildings including buildings on land owned by others	4,808	33	339	0	372	(79)	(304)	5,169
Technical equipment and machinery	8,246	154	508	0	869	(154)	(1,273)	8,350
Other equipment, factory and office equipment	1,162	38	377	0	0	(199)	(344)	1,034
Construction in progress	2,105	24	1,811	0	(1,366)	0	0	2,574
Total	**16,321**	**249**	**3,035**	**0**	**(125)**	**(432)**	**(1,921)**	**17,127**

(1) Includes property, plant and equipment from entities disposed and reclassified to assets of disposal groups classified as held for sale (see "– Note 6: Acquisitions and Disposals").

In 2016, Airbus capitalised €5 million of borrowing cost on the production of qualifying assets (2015: €8 million). Airbus' borrowing rate at the end of 2016 was 1.46% (2015: 2.06%).

Property, Plant and Equipment by Geographical Areas

	31 December	
(In € million)	**2016**	2015
France	7,263	7,035
Germany	4,348	4,294
UK	2,472	3,015
Spain	1,636	1,560
Other countries	1,078	1,105
Property, plant and equipment by geographical areas[(1)]	**16,797**	**17,009**

(1) Property, plant and equipment by geographical areas excludes leased assets of € 116 million (2015: € 118 million).

Off-Balance Sheet Commitments

Commitments related to property, plant and equipment comprise contractual commitments for future capital expenditures and contractual commitments for purchases of "Land, leasehold improvements and buildings including buildings on land owned by others" (€310 million as of 31 December 2016 compared to 2015 of € 320 million).

Future nominal operating lease payments (for Airbus as a lessee) for rental and lease agreements not relating to aircraft sales financing amount to € 768 million as of 31 December 2016 (2015: € 844 million), and relate mainly to procurement operations (*e.g.* facility leases).

Maturities as of 31 December 2016 and 31 December 2015 are as follows:

	31 December	
(In € million)	**2016**	2015
Not later than 1 year	159	158
Later than 1 year and not later than 5 years	397	393
Later than 5 years	212	293
Total	**768**	**844**

19. Other Investments and Other Long-Term Financial Assets

	31 December	
(In € million)	**2016**	2015
Other investments	2,091	1,232
Other long-term financial assets	1,564	1,260
Total non-current other investments and other long-term financial assets	**3,655**	**2,492**
Current portion of other long-term financial assets	**522**	**178**
Total	**4,177**	**2,670**

Other investments mainly comprise Airbus' participations. The increase is mainly due to the reclassification in other investments (see "– Note 6: Acquisitions and Disposals") of the remaining investment in Dassault Aviation (Airbus share: 10%) amounting to €876 million as of 31 December 2016. Other significant participations at 31 December 2016 include AviChina (Airbus share: 5.0%, 2015: 5.0%) amounting to € 180 million (2015: € 199 million) and CARMAT SAS (Airbus share: 22.4%, 2015: 24.2%) amounting to €38 million (2015: € 43 million).

Other long-term financial assets and the **current portion of other long-term financial assets** encompass other loans in the amount of € 1,147 million and € 717 million as of 31 December 2016 and 2015, and the sales finance activities in the form of finance lease receivables and loans from aircraft financing (see "– Note 25: Sales Financing Transactions").

2

20. Inventories

	31 December 2016		
(In € million)	Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	3,288	(508)	2,780
Work in progress	27,304	(6,246)	21,058
Finished goods and parts for resale	3,374	(624)	2,750
Advance payments to suppliers	3,155	(55)	3,100
Total	**37,121**	**(7,433)**	**29,688**

	31 December 2015		
(In € million)	Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	3,229	(476)	2,753
Work in progress	25,585	(5,150)	20,435
Finished goods and parts for resale	3,134	(779)	2,355
Advance payments to suppliers	3,559	(51)	3,508
Total	**35,507**	**(6,456)**	**29,051**

The increase in work in progress of €+623 million is driven by Airbus Commercial Aircraft mainly associated with A350 XWB ramp-up, partly offset by a decrease in Airbus Defence and Space, mainly related to the reclassification of defence electronics entities to disposal groups classified as held for sale and the creation of ASL (see "– Note 6: Acquisitions and Disposals"). It is also related to a decrease in work in progress for the A400M programme reflecting the netting of inventories with the respective portion of the loss making contracts provision (see "– Note 22: Provisions, Contingent Assets and Contingent Liabilities"). Finished goods and parts for resale increased by €+395 million, primarily at Airbus Commercial Aircraft. Advance payments to suppliers decreased at Airbus Defence and Space, mostly due to the creation of ASL.

Write-downs for inventories are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2016, write-downs of inventories in the amount of €-306 million (2015: €-410 million) are recognised in cost of sales, whereas reversal of write-downs amounts to €217 million (2015: €66 million). At 31 December 2016 €9,374 million of work in progress and €2,301 million of finished goods and parts for resale were carried at net realisable value.

21. Trade Receivables and Trade Liabilities

Trade receivables arise when Airbus provides goods or services directly to a customer with no intention of trading the receivable. Trade receivables include claims arising from revenue recognition that are not yet settled by the debtor as well as receivables relating to construction contracts. Trade receivables are initially recognised at their transaction price and are subsequently measured at amortised cost less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statement when the receivables are derecognised or impaired as well as through the amortisation process.

Allowance for doubtful accounts involves significant management judgement and review of individual receivables based on individual customer creditworthiness, current economic trends including potential impacts from the EU sovereign debt crisis and analysis of historical bad debts.

Assets and liabilities relative to constructions contracts — In the construction contract business, an asset or liability is classified as current when the item is realised or settled within Airbus' normal operating cycle for such contracts and as non-current otherwise. As a result, assets and liabilities relating to the construction contract business such as trade receivables and payables and receivables from PoC method, that are settled as part of the normal operating cycle are classified as current even when they are not expected to be realised within 12 months after the reporting period.

Trade Receivables

	31 December	
(In € million)	**2016**	2015
Receivables from sales of goods and services	8,366	8,153
Allowance for doubtful accounts	(265)	(276)
Total	**8,101**	**7,877**
thereof trade receivable not expected to be collected within 1 year	*1,153*	*1,819*

The **trade receivables** increased by €+224 million, mainly in Airbus Commercial Aircraft.

In application of the **PoC method**, as of 31 December 2016 an amount of €2,882 million (in 2015: €2,936 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses) to date** amounts to €73,017 million (in 2015: €71,813 million).

The **gross amount due from customers** for contract work, on construction contracts recognised under the PoC method, is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings. In 2016, it amounts to €7,887 million (in 2015: €9,190 million). Due to the nature of certain contracts and the respective recognition of revenues, these incurred costs also include associated work in progress and respective contract losses.

The **gross amount due to customers** for contract work on construction contracts recognised under the PoC method, is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). In 2016, the **gross amount due to customers** amounts to €87 million (in 2015: €77 million).

The respective movement in the allowance for doubtful accounts in respect of trade receivables during the year was as follows:

(In € million)	**2016**	2015
Allowance balance at beginning of the year	(276)	(289)
Foreign currency translation adjustment	(1)	0
Utilisations / disposals	39	15
(Additions)	(27)	(2)
Allowance balance at 31 December	**(265)**	**(276)**

Trade Liabilities

As of 31 December 2016, trade liabilities amounting to €133 million (2015: €129 million) will mature after more than one year.

22. Provisions, Contingent Assets and Contingent Liabilities

2

Provisions — The determination of provisions, for example for contract losses, warranty costs, restructuring measures and legal proceedings is based on best available estimates.

In general, as the contractual and technical parameters to be considered for provisions in the aerospace sector are rather complex, uncertainty exists with regard to the timing and amounts of expenses to be taken into account.

The majority of other provisions are generally expected to result in cash outflows during the next 1 to 12 years.

	31 December	
(In € million)	**2016**	2015
Provision for pensions (Note 29)	8,656	7,615
Other provisions (Note 22)	8,313	7,465
Total	**16,969**	**15,080**
thereof non-current portion	10,826	9,871
thereof current portion	6,143	5,209

Movements in other provisions during the year were as follows:

(In € million)	Balance at 1 January 2016	Exchange differences	Increase from passage of time	Additions	Reclassification / Change in consolidated group	Used	Released	Balance at 31 December 2016
Contract losses	356	(3)	0	2,787	(1,196)	(674)	(119)	1,151
Outstanding costs	2,431	2	0	1,099	(219)	(967)	(186)	2,160
Aircraft financing risks(1)	618	21	40	50	(14)	(66)	(55)	594
Obligation from services and maintenance agreements	600	8	14	138	0	(134)	(35)	591
Warranties	385	2	2	87	(40)	(73)	(24)	339
Personnel-related provisions(2)	1,145	(1)	1	615	(80)	(538)	(122)	1,020
Litigation and claims(3)	130	0	0	39	3	(14)	(36)	122
Asset retirement	161	(1)	6	2	1	(1)	(2)	166
Other risks and charges	1,639	(4)	2	1,282	(105)	(523)	(121)	2,170
Total	**7,465**	**24**	**65**	**6,099**	**(1,650)**	**(2,990)**	**(700)**	**8,313**

(1) See "– Note 25: Sales Financing Transactions".
(2) See "– Note 28: Personnel-Related Provisions".
(3) See "– Note 36: Litigation and Claims".

In 2016, provision for contract losses mainly includes the A400M programme (€825 million) and other Airbus Defence and Space programmes (€260 million). The additions to the contract losses provision include the net charge of €2,210 million for the A400M programme before netting with work in progress. Reclassification / Change in consolidated group mainly relates to the offsetting of the A400M programme contract provision to respective inventories (see "– Note 10: Revenues, Costs of Sales and Gross Margin").

The majority of the addition to provisions for outstanding costs relates to Airbus Defence and Space (€529 million) and corresponds among others to the Eurofighter programme and to diverse tasks to complete on construction contracts, as well as to Airbus Helicopters (€501 million), mainly for the NH90 and Tiger programmes.

The agreement on insurance reimbursement that was under negotiation at year-end 2015 was settled during the first half-year 2016.

An additional provision of €160 million related to restructuring measures has been recorded at year-end 2016 following the announcement in September 2016 of the merger of Airbus structure with the commercial aircraft activities of its largest division Airbus Commercial Aircraft to increase future competitiveness. Accordingly, a plan including temporary contract termination, non-replacement of attrition, redeployment, partial and early retirement as well as voluntary leaves in Germany, France, the UK and Spain has been communicated to the employees and the European Works Council in November 2016.

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

In 2016, after reassessing and adjusting the restructuring provision recorded in 2013 in Airbus Defence and Space and Headquarters, €20 million has been released.

An H225 Super Puma helicopter was involved in an accident on 29 April 2016. Management is cooperating fully with the authorities to determine the precise cause of the accident. On the basis of recent developments, an estimate of the related future costs has been prepared and consequently a provision has been recorded in the accounts as of 31 December 2016.

Contingent assets and contingent liabilities — Airbus is exposed to technical and commercial contingent obligations due to the nature of its businesses. To mitigate this exposure, Airbus has subscribed a Global Aviation Insurance Programme ("GAP"). When Airbus has obtained insurance coverage from third parties for these risks, any reimbursement is recognised separately only when it is virtually certain to be received. Information required under IAS 37 "Provisions, contingent liabilities and contingent assets" is not disclosed if Airbus concludes that disclosure can be expected to prejudice seriously its position in a dispute with other parties.

For other contingent liabilities, please see "– Note 36: Litigation and Claims" and "– Note 10: Revenues, Cost of Sales and Gross Margin" (mainly A400M programme).

Other commitments include contractual guarantees and performance bonds to certain customers as well as commitments for future capital expenditures and amounts which may be payable to commercial intermediaries if future sales materialise.

23. Other Financial Assets and Other Financial Liabilities

Other Financial Assets

	31 December	
(In € million)	**2016**	2015
Positive fair values of derivative financial instruments[1]	893	931
Others	83	165
Total non-current other financial assets	**976**	**1,096**
Receivables from related companies	517	616
Positive fair values of derivative financial instruments[1]	258	349
Others	482	437
Total current other financial assets	**1,257**	**1,402**
Total	**2,233**	**2,498**

(1) See "– Note 35: Information about Financial Instruments".

Other Financial Liabilities

	31 December	
(In € million)	**2016**	2015
Liabilities for derivative financial instruments[1]	6,544	6,703
European Governments refundable advances	6,340	6,716
Others	429	619
Total non-current other financial liabilities	**13,313**	**14,038**
Liabilities for derivative financial instruments[1]	4,476	3,884
European Governments refundable advances	730	570
Liabilities to related companies	116	80
Others	439	487
Total current other financial liabilities	**5,761**	**5,021**
Total	**19,074**	**19,059**
thereof other financial liabilities due within 1 year	*5,761*	*5,021*

(1) See "– Note 35: Information about Financial Instruments".

Refundable advances from European Governments are provided to Airbus to finance research and development activities for certain projects on a risk-sharing basis, *i.e.* they have to be repaid to the European Governments subject to the success of the project.

24. Other Assets and Other Liabilities

Other Assets

(In € million)	31 December 2016	2015
Prepaid expenses	2,265	2,051
Others	93	115
Total non-current other assets	**2,358**	**2,166**
Value added tax claims	1,589	1,450
Prepaid expenses	552	663
Others	435	706
Total current other assets	**2,576**	**2,819**
Total	**4,934**	**4,985**

Other Liabilities

(In € million)	31 December 2016	2015
Customer advance payments	15,714	14,472
Others	565	521
Total non-current other liabilities	**16,279**	**14,993**
Customer advance payments(1)	24,115	23,612
Tax liabilities (excluding income tax)	1,047	885
Others	2,373	2,540
Total current other liabilities	**27,535**	**27,037**
Total	**43,814**	**42,030**
thereof other liabilities due within 1 year	*26,562*	*26,313*

(1) Of which €6,318 million (2015: €8,252 million) relate to construction contracts mainly in Airbus Defence and Space (2016: €5,001 million and 2015: €7,007 million) and Airbus Helicopters (2016: €1,317 million and 2015: €1,246 million).

25. Sales Financing Transactions

Sales financing — With a view to facilitating aircraft sales for Airbus Commercial Aircraft and Airbus Helicopters, Airbus may enter into either on-balance sheet or off-balance sheet sales financing transactions.

On-balance sheet transactions where Airbus Commercial Aircraft is lessor are classified as operating leases, finance leases and loans, inventory and to a minor extent, equity investments:

(i) *Operating leases* – Aircraft leased out under operating leases are included in property, plant and equipment at cost less accumulated depreciation (see "– Note 18: Property, Plant and Equipment"). Rental income from operating leases is recorded as revenues on a straight-line basis over the term of the lease.

(ii) *Finance leases and loans* – When, pursuant to a financing transaction, substantially all the risks and rewards of ownership of the financed aircraft reside with a third party, the transaction is characterised as either a finance lease or a loan. In such instances, revenues from the sale of the aircraft are recorded upon delivery, while financial interest is recorded over time as financial income. The outstanding balance of principal is recorded on the statement of financial position (on-balance sheet) in long-term financial assets, net of any accumulated impairments.

(iii) *Inventory* – Second hand aircraft acquired as part of a commercial buyback transaction, returned to Airbus after a payment default or at the end of a lease agreement are classified as inventory held for resale if there is no subsequent lease agreement in force (see "– Note 20: Inventories").

Off-balance sheet commitments — Financing commitments are provided to the customer either as backstop commitments before delivery, asset value guarantees at delivery, operating head-lease commitments or counter guarantees:

(i) *Backstop commitments* are guarantees by Airbus Commercial Aircraft, made when a customer-order is placed, to provide financing to the customer in the event that the customer fails to secure sufficient funding when payment becomes due under the order. Such commitments are not considered to be part of Gross Customer Financing Exposure as (i) the financing is not in place, (ii) commitments may be transferred in full or part to third parties prior to delivery, (iii) past experience suggests it is unlikely that all such proposed financings actually will be implemented and, (iv) Airbus retains the asset until the aircraft is delivered and does not incur an unusual risk in relation thereto. In order to mitigate customer credit risks for Airbus, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

(ii) *Asset value guarantees* are guarantees whereby Airbus guarantees a portion of the value of an aircraft at a specific date after its delivery. Airbus Commercial Aircraft considers the financial risks associated with such guarantees to be acceptable, because (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft, and (ii) the exercise dates of outstanding asset value guarantees are distributed through 2028. It is management policy that the present value of the guarantee given does not exceed 10% of the sales price of the aircraft.

As of 31 December 2016, the nominal value of asset value guarantees provided to beneficiaries amounts to €836 million (2015: €781 million), excluding €51 million (2015: €97 million) where the risk is considered to be remote. The present value of the risk inherent in asset value guarantees where a settlement is being considered probable is fully provided for and included in the total of provisions recognised for asset value risks of €580 million (2015: €550 million) (see "– Note 22: Provisions, Contingent Assets and Contingent Liabilities").

(iii) *Operating head-lease commitments* – Airbus has entered into head-lease sub-lease transactions in which it acts as a lessee under an operating head-lease and lessor under the sub-lease. Airbus' customer financing exposure to operating head-lease commitments, determined as the present value of the future head-lease payments, was €0 million in 2016 (2015: €92 million).

Exposure — In terms of risk management, Airbus manages its gross exposure arising from its sales financing activities ("Gross Customer Financing Exposure") separately for (i) customer's credit risk and (ii) asset value risk.

Gross Customer Financing Exposure is the sum of (i) the book value of operating leases before impairment, (ii) the outstanding principal amount of finance leases or loans due before impairment, (iii) the guaranteed amounts under financial guarantees and the net present value of head-lease commitments, (iv) the book value of second hand aircraft for resale before impairment, and (v) the outstanding value of any other investment in sales financing SEs before impairment. This Gross Customer Financing Exposure may differ from the value of related assets on Airbus' Statement of Financial Position and related off-balance sheet contingent commitments, mainly because (i) assets are recorded in compliance with IFRS, but may relate to transactions that are financed on a limited recourse basis and (ii) the carrying amount of the assets on the Consolidated Statement of Financial Position may have been adjusted for impairment losses.

Gross Customer Financing Exposure amounts to US$ 1.8 billion (€1.7 billion) (2015: US$ 1.5 billion (€1.4 billion)).

Net exposure is the difference between Gross Customer Financing Exposure and the collateral value. Collateral value is assessed using a dynamic model based on the net present value of expected future receivables, expected proceeds from resale and potential cost of default. This valuation model yields results that are typically lower than residual value estimates by independent sources in order to allow for what management believes is its conservative assessment of market conditions and for repossession and transformation costs. The net exposure is fully provided for by way of impairment losses and other provisions.

Impairment losses and provisions — For the purpose of measuring an impairment loss, each transaction is tested individually. Impairment losses relating to aircraft under operating lease and second hand aircraft for resale (included in inventory) are recognised for any excess of the aircraft's carrying amount over the higher of the aircraft's value in use and its fair value less cost to sell. Impairment allowances are recognised for finance leases and loans when their carrying amounts exceed the present value of estimated future cash flows (including cash flows expected to be derived from a sale of the aircraft). Under its provisioning policy for sales financing risk, Airbus records provisions as liabilities for estimated risk relating to off-balance sheet commitments.

Security — Sales financing transactions, including those that are structured through SE, are generally collateralised by the underlying aircraft. Additionally Airbus benefits from protective covenants and from security packages tailored according to the perceived risk and the legal environment.

Airbus endeavours to limit its sales financing exposure by sharing its risk with third parties usually involving the creation of an SE. Apart from investor interest protection, interposing an SE offers advantages such as flexibility, bankruptcy remoteness, liability containment and facilitating sell-downs of the aircraft financed. An aircraft financing SE is typically funded on a non-recourse basis by a senior lender and one or more providers of subordinated financing. When Airbus acts as a lender to such SEs, it may take the role of the senior lender or the provider of subordinated loan. Airbus consolidates an aircraft financing SE if it is exposed to the SE's variable returns and has the ability to direct the relevant remarketing activities. Otherwise, it recognises only its loan to the SE under other long-term financial assets. At 31 December 2016 the carrying amount of its loans from aircraft financing amounts to € 732 million (2015: € 553 million). This amount also represents Airbus' maximum exposure to loss from its interest in unconsolidated aircraft financing SEs.

On-Balance Sheet Operating and Finance Leases

The ***minimum future operating lease payments*** (undiscounted) due from customers to be included in revenues, and the future minimum lease payments (undiscounted) from investments in finance leases to be received in settlement of the outstanding receivable at 31 December 2016 are as follows:

(In € million)	Aircraft under operating lease	Finance lease receivable[1]
Not later than 1 year	25	133
Later than 1 year and not later than 5 years	60	71
Later than 5 years	8	15
31 December 2016	**93**	**219**

(1) Includes € 12 million of unearned finance income.

Off-Balance Sheet Commitments

Operating head-lease commitments comprise operating lease payments due by Airbus Commercial Aircraft as lessee under head-lease transactions. As of 31 December 2016 and as of 31 December 2015, the scheduled payments owed under sales financing head-leases are as follows:

	31 December	
(In € million)	**2016**	2015
Not later than 1 year	52	62
Later than 1 year and not later than 5 years	48	98
Later than 5 years	0	0
Total aircraft lease commitments[1]	**100**	**160**
Of which commitments where the transaction has been sold to third parties	(100)	(149)
Total aircraft lease commitments where Airbus bears the risk (not discounted)	**0**	**11**

(1) Backed by sublease income from customers with an amount of € 75 million in 2016 (2015: € 119 million).

Financing Liabilities

Financing liabilities from sales financing transactions are mainly based on variable interest rates (see "– Note 34.3: Financing Liabilities") and entered into on a non-recourse basis (*i.e.* in a default event, the creditor would only have recourse to the aircraft collateral).

(In € million)	31 December 2016	2015
Loans	45	94
Liabilities to financial institutions	0	0
Total sales financing liabilities	**45**	**94**

Customer Financing Exposure

The on-balance sheet assets relating to sales financing, the off-balance sheet commitments and the related financing exposure (not including asset value guarantees) as of 31 December 2016 and 2015 are as follows:

	31 December 2016			31 December 2015		
(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Total	Airbus Commercial Aircraft	Airbus Helicopters	Total
Operating leases[1]	169	44	213	337	0	337
Finance leases and loans	1,094	54	1,148	779	61	840
Inventory	208	0	208	179	0	179
Other investments	28	0	28	28	0	28
On-balance sheet customer financing	**1,499**	**98**	**1,597**	**1,323**	**61**	**1,384**
Off-balance sheet customer financing	182	21	203	84	8	92
Non-recourse transactions on-balance sheet	(109)	0	(109)	(17)	0	(17)
Off-balance sheet adjustments	0	0	**0**	(24)	0	(24)
Gross Customer Financing Exposure	**1,572**	**119**	**1,691**	**1,366**	**69**	**1,435**
Collateral values	(1,157)	(60)	(1,217)	(922)	(20)	(942)
Net exposure	**415**	**59**	**474**	**444**	**49**	**493**
Operating leases	(89)	(9)	(98)	(220)	0	(220)
Finance leases and loans	(158)	(50)	(208)	(113)	0	(113)
On-balance sheet commitments - provisions[2]	0	0	0	0	(49)	(49)
On-balance sheet commitments - inventories	(154)	0	(154)	(93)	0	(93)
Off-balance sheet commitments - provisions[2]	(14)	0	(14)	(18)	0	(18)
Asset impairments and provisions	**(415)**	**(59)**	**(474)**	**(444)**	**(49)**	**(493)**

(1) For 2016 and 2015, depreciation amounts to €12 million and €27 million respectively and related accumulated depreciation is €84 million and €203 million respectively.
(2) See "– Note 22: Provisions, Contingent Assets and Contingent Liabilities".

2.6 Employees Costs and Benefits

26. Number of Employees

	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ	Consolidated
31 December 2016	73,852	22,507	34,397	130,756	3,026	133,782
31 December 2015	72,816	22,520	38,206	133,542	3,032	136,574

27. Personnel Expenses

(In € million)	**2016**	2015
Wages, salaries and social contributions	12,595	13,022
Net periodic pension cost (Note 29)	533	598
Total	**13,128**	**13,620**

28. Personnel-Related Provisions

Several German Airbus companies provide life-time working account models, being employee benefit plans with a promised return on contributions or notional contributions that qualify as **other long-term employee benefits** under IAS 19. The employees' periodical contributions into their life-time working accounts result in corresponding personnel expense in that period, recognised in **other personnel charges**.

(In € million)	Balance at 1 January 2016	Exchange differences	Increase from passage of time	Additions	Reclassification / Change in consolidated group	Used	Released	**Balance at 31 December 2016**
Restructuring measures / pre-retirement part-time work[1]	265	0	0	247	(11)	(97)	(39)	365
Other personnel charges	880	(1)	1	368	(69)	(441)	(83)	655
Total	**1,145**	**(1)**	**1**	**615**	**(80)**	**(538)**	**(122)**	**1,020**

(1) See "– Note 22: Provisions, Contingent Assets and Contingent Liabilities".

29. Post-Employment Benefits

	31 December	
(In € million)	**2016**	2015
Provision for retirement plans (Note 29.1)	7,749	6,867
Provision for deferred compensation (Note 29.2)	907	748
Total	**8,656**	**7,615**

29.1 Provisions for Retirement Plans

When Airbus employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries in which Airbus operates.

France — The French pension system is operated on a "pay as you go" basis. Besides the basic pension from the French social security system, each employee is entitled to receive a complementary pension from defined contribution schemes *Association pour le régime de retraite complémentaire des salaries* ("ARRCO") and *Association générale des institutions de retraite des cadres* ("AGIRC"). Moreover, French law stipulates that employees are paid retirement indemnities in the form of lump sums on the basis of the length of service, which are considered as defined obligations.

Germany — Airbus has a pension plan (P3) for executive and non-executive employees in place. Under this plan, the employer provides contributions for the services rendered by the employees, which are dependent on their salaries in the respective service period. These contributions are converted into components which become part of the accrued pension liability at the end of the year. Total benefits are calculated as a career average over the entire period of service. Certain employees that are not covered by this plan receive retirement indemnities based on salary earned in the last year or on an average of the last three years of employment. For some executive employees, benefits are dependent on the final salary of the respective individual at the date of retirement and the time period served as an executive.

Parts of the pension obligation in Germany are funded by assets invested in specific funding vehicles. Besides a relief fund ("*Unterstützungskasse*"), Airbus has implemented a Contractual Trust Arrangement. The Contractual Trust Arrangement structure is that of a bilateral trust arrangement. Assets that are transferred to the relief fund and the Contractual Trust Arrangement qualify as plan assets under IAS 19.

UK — The Airbus Group UK Pension Scheme ("the Scheme") was implemented by Airbus Defence and Space Ltd., Stevenage (UK) as the principal employer. This plan comprises all eligible employees of Airbus Defence and Space Ltd. as well as all personnel, who were recruited by one of Airbus companies located in the UK and participating in the scheme. The majority of the Scheme's liabilities relate to Airbus Defence and Space Ltd. The major part of the obligation is funded by scheme assets due to contributions of the participating companies. The Scheme is a registered pension scheme under the Finance Act 2004. The trustee's only formal funding objective is the statutory funding objective under the Pensions Act part 6,2004, which is to have sufficient and appropriate assets to cover the Scheme's obligations. Since 1 November 2013, this plan is generally closed for new joiners, who participate in a separate defined contribution plan.

Moreover, Airbus participates in the UK in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. Airbus' most significant investments in terms of employees participating in these BAE Systems UK pension plans is Airbus Operations Ltd. Participating Airbus Operations Ltd. employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between Airbus and BAE Systems and a change in the UK pensions legislation enacted in April 2006.

For the most significant of these BAE Systems Pension Schemes, the Main Scheme, BAE Systems, Airbus and the scheme Trustees agreed on a sectionalisation, which was implemented on 1 April 2016. Although BAE Systems remains the only principal employer of the Scheme, Airbus has obtained powers in relation to its section which are the same as if it were the principal employer. The deficit of the Main Scheme was allocated between BAE Systems and Airbus based in principle on each Member's last employer, which was done in December 2015. Before, the deficit allocation was based on the relative payroll contributions of active members which amounted to a share of Airbus in BAE Systems' main scheme in 2015 to 20.96%. The impact of this change was mainly reflected in the remeasurements of the previous period.

The other schemes qualify as multi-employer defined benefit pension plans under IAS 19 "Employee benefits". Based on detailed information about the other pension schemes provided by BAE Systems, Airbus is able to appropriately and reliably estimate the share of its participation in the schemes, *i.e.* its share in plan assets, defined benefit obligation ("DBO"), and pension costs. The information enables Airbus to derive keys per plan to allocate for accounting purposes an appropriate proportion in plan assets, DBO and pension costs to its UK investments as of the reporting date, taking into account the impact of contributions as well as future extra contributions agreed by BAE Systems with the trustees. Therefore, Airbus accounts for its participation in BAE Systems' UK defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

Based on the funding situation of the respective pension schemes, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the schemes. The different UK pension plans in which Airbus investments participate are currently underfunded. Airbus Operations Ltd. (for its section of the Main Scheme) and BAE Systems (for the other schemes) have agreed with the trustees various measures designed to make good the underfunding. These include (i) regular contribution payments for active employees well above such which would prevail for funded plans and (ii) extra employers' contributions.

In the event that an employer who participates in the BAE Systems pension schemes fails or cannot be compelled to fulfil its obligations as a participating employer, the remaining participating employers are obliged to collectively take on its obligations. Airbus considers the likelihood of this event as remote. However, for the Main Scheme Airbus considers that its obligation is in principle limited to that related to its section.

Risks

The DBO exposes Airbus to actuarial risks, including the following ones:

Market price risk — The return on plan assets is assumed to be the discount rate derived from AA-rated corporate bonds. If the actual return rate of plan assets is lower than the applied discount rate, the net DBO increases accordingly. Moreover, the market values of the plan assets are subject to volatility, which also impacts the net liability.

Interest rate risk — The level of the DBO is significantly impacted by the applied discount rate. The low interest rates, particular in the euro-denominated market environment, lead to a relatively high net pension liability. If the decline in returns of corporate bonds will continue, the DBO will further increase in future periods, which can only be offset partially by the positive development of market values of those corporate bonds included in plan assets. Generally, the pension obligation is sensitive to movements in the interest rate leading to volatile results in the valuation.

Inflation risk — The pension liabilities can be sensitive to movements in the inflation rate, whereby a higher inflation rate could lead to an increasing liability. Since some pension plans are directly related to salaries, increases in compensations could result in increasing pension obligations. A fixed interest rate has been agreed for the deferred compensation plan P3, which is financed by the employees.

Longevity risk — The pension liabilities are sensitive to the life expectancy of its members. Rising life expectancies lead to an increase in the valuation of the pension liability.

The weighted-average assumptions used in calculating the actuarial values of the most significant retirement plans as of 31 December are as follows:

	Pension plans in							
	Germany		France		UK		Participation in BAE Systems Pension Scheme (UK)	
Assumptions in %	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Discount rate	1.7	2.4	1.9	2.5	2.7	3.9	2.6	3.9
Rate of compensation increase	2.75	2.75	2.5	2.5	2.6	3.0	2.6	3.2
Rate of pension increase	1.7	1.7	- / 1.7	- / 1.7	3.0	2.9	3.1	2.3-3.2
Inflation rate	1.7	1.7	1.7	1.7	3.1	3.0	3.1	3.2

For Germany and France, Airbus derives the discount rate used to determine the DBO from yields on high quality corporate bonds with an AA rating. The determination of the discount rate is based on the iBoxx€ Corporates AA bond data and uses the granularity of single bond data in order to receive more market information from the given bond index. The discount rate for the estimated duration of the respective pension plan is then extrapolated along the yield curve. In the UK it is determined with reference to the full yield curve of AA-rated sterling-denominated corporate bonds of varying maturities. The salary increase rates are based on long-term expectations of the respective employers, derived from the assumed inflation rate and adjusted by promotional or productivity scales.

Rates for pension payment increases are derived from the respective inflation rate for the plan.

Inflation rate for German plans corresponds to the expected increase in cost of living. In the UK, the inflation assumptions are derived by reference to the difference between then yields on index-linked and fixed-interest long-term government bonds.

For the calculation of the German pension obligation, the “2005 G” mortality tables (generation tables) as developed by Professor Dr. Klaus Heubeck are applied. For the UK schemes, the Self-Administered Pensions S1 mortality tables based on year of birth (as published by the Institute of Actuaries) is used in conjunction with the results of an investigation into the actual mortality experience of scheme members. In France, Institute for French Statistics (“INSEE”) tables are applied.

The development of the DBO is set out below:

	DBO			Plan assets			
(In € million)	Pension plans of Airbus	Participation in BAE Systems Pension Scheme in the UK	Total	Pension plans of Airbus	Participation in BAE Systems Pension Scheme in the UK	Total	Total provisions
Balance as of 1 January 2015	**10,625**	**4,337**	**14,962**	**(4,237)**	**(3,158)**	**(7,395)**	**7,567**
Service cost	358	81	439	0	0	0	439
Interest cost and income	219	175	394	(105)	(130)	(235)	159
Remeasurements: Actuarial (gains) and losses arising							
▪ from changes in demographic assumptions	(2)	0	(2)	0	0	0	(2)
▪ from changes in financial assumptions	(642)	(1,218)	(1,860)	0	0	0	(1,860)
▪ from changes in experience adjustments	213	(44)	169	0	0	0	169
▪ from plan assets	0	0	0	67	898	965	965
Change in consolidation, transfers and others	(95)	5	(90)	0	0	0	(90)
Benefits paid	(338)	(168)	(506)	139	168	307	(199)
Contributions by employer and other plan participants	0	0	0	(245)	(117)	(362)	(362)
Foreign currency translation adjustment	54	279	333	(50)	(202)	(252)	81
Balance as of 31 December 2015	**10,392**	**3,447**	**13,839**	**(4,431)**	**(2,541)**	**(6,972)**	**6,867**
Service cost	316	63	379	0	0	0	379
Interest cost and income	251	119	370	(126)	(90)	(216)	154
Settlements	(4)	0	(4)	0	0	0	(4)
Remeasurements: Actuarial (gains) and losses arising							
▪ from changes in demographic assumptions	6	0	6	0	0	0	6
▪ from changes in financial assumptions	1,027	786	1,813	0	0	0	1,813
▪ from changes in experience adjustments	158	0	158	0	0	0	158
▪ from plan assets	0	0	0	(179)	(296)	(475)	(475)
Change in consolidation, transfers and others	(530)	2	(528)	44	0	44	(484)
Benefits paid	(348)	(79)	(427)	132	79	211	(216)
Contributions by employer and other plan participants	0	0	0	(104)	(167)	(271)	(271)
Foreign currency translation adjustment	(164)	(530)	(694)	133	383	516	(178)
Balance as of 31 December 2016	**11,104**	**3,808**	**14,912**	**(4,531)**	**(2,632)**	**(7,163)**	**7,749**

The funding of the plans is as follows:

	31 December			
	2016		2015	
(In € million)	DBO	Plan assets	DBO	Plan assets
Unfunded pension plans	1,577	0	1,491	0
Funded pension plans (partial)	13,335	(7,163)	12,348	(6,972)
Total	**14,912**	**(7,163)**	**13,839**	**(6,972)**

In 2016, contributions in the amount of €104 million (2015: €241 million) are made into the pension plans of Airbus, mainly relating to the relief fund in Germany with €50 million (2015: €50 million) and the Airbus Group UK scheme with €50 million (2015: €58 million). Previous year included additionally the Contractual Trust Arrangement of €130 million.

Contributions of approximately €400 million are expected to be made in 2017.

The weighted average duration of the DBO for retirement plans and deferred compensation is 16 years at 31 December 2016 (31 December 2015: 14 years).

The split of the DBO for retirement plans and deferred compensation between active, deferred and pensioner members for the most significant plans is as follows (as of 31 December 2016 unless otherwise noted):

	Active	Deferred	Pensioner
Germany	44%	6%	50%
France	99%	0%	1%
UK[(1)]	67%	16%	17%
Participation in BAE Systems Pension Scheme (Main Scheme)	60%	17%	23%

(1) As of 5 April 2016.

The following table shows how the present value of the DBO of retirement plans and deferred compensation would have been influenced by changes in the actuarial assumptions as set out for 31 December 2016:

	Change in actuarial assumptions	Impact on DBO	
		Change as of 31 December	
		2016	2015
Present value of the obligation		15,930	14,680
Discount rate	Increase by 0.5%-point	(1,197)	(1,007)
	Decrease by 0.5%-point	1,322	1,062
Rate of compensation increase	Increase by 0.25%-point	106	188
	Decrease by 0.25%-point	(279)	(305)
Rate of pension increase	Increase by 0.25%-point	342	256
	Decrease by 0.25%-point	(486)	(369)
Life expectancy	Increase by 1 year	287	283
	Reduction by 1 year	(461)	(411)

Sensitivities are calculated based on the same method (present value of the DBO calculated with the projected unit method) as applied when calculating the post-employment benefit obligations. The sensitivity analyses are based on a change of one assumption while holding all other assumptions constant.

This is unlikely to occur in practice and changes of more than one assumption may be correlated leading to different impacts on the DBO than disclosed above. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

The fair value of the plan assets for retirement plans and deferred compensation can be allocated to the following classes:

	2016			2015		
(In € million)	Quoted prices	Unquoted prices	Total	Quoted prices	Unquoted prices	Total
Equity securities						
Europe	1,112	0	1,112	990	0	990
Rest of the world	5	0	5	0	0	0
Emerging markets	248	0	248	221	0	221
Global	1,474	0	1,474	1,454	0	1,454
Bonds						
Corporates	1,877	0	1,877	1,549	0	1,549
Governments	1,464	0	1,464	1,715	0	1,715
Pooled investment vehicles	17	288	305	273	0	273
Commodities	161	0	161	119	0	119
Hedge funds	236	0	236	251	0	251
Derivatives	0	(60)	(60)	0	(58)	(58)
Property	337	3	340	331	4	335
Cash and money market funds	62	0	62	48	0	48
Others	209	(142)	67	252	(64)	188
Balance as of 31 December	**7,202**	**89**	**7,291**	**7,203**	**(118)**	**7,085**

The majority of funded plans apply broadly an asset-liability matching ("ALM") framework. The strategic asset allocation ("SAA") of the plans takes into account the characteristics of the underlying obligations. Investments are widely diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2016 consists of fixed income instruments, equities, although Airbus also invests in property, commodities and hedge funds. Airbus is reassessing the characteristics of the pension obligations from time to time or as required by the applicable regulation or governance framework. This typically triggers a subsequent review of the SAA.

The amount recorded as provision for retirement plans can be allocated to the significant countries as follows:

	Pension plans of Airbus					
(In € million)	Germany	France	UK	Others	Share of multi-employer plan in the UK	Total
DBO	7,793	1,545	1,044	10	3,447	13,839
Plan assets	3,464	17	950	0	2,541	6,972
Recognised as of 31 December 2015	**4,329**	**1,528**	**94**	**10**	**906**	**6,867**
DBO	8,227	1,643	1,223	11	3,808	14,912
Plan assets	3,514	17	1,000	0	2,632	7,163
Recognised as of 31 December 2016	**4,713**	**1,626**	**223**	**11**	**1,176**	**7,749**

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2016 amount to €703 million (2015: €689 million).

29.2 Provisions for Deferred Compensation

This amount represents obligations that arise if employees elect to convert part of their remuneration or bonus into an equivalent commitment for deferred compensation which is treated as a defined benefit post-employment plan. The development for the DBO and plan assets is as follows:

	2016			2015		
(In € million)	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance as of 1 January	**841**	**(113)**	**728**	**744**	**(81)**	**663**
Service cost	118	0	118	137	0	137
Interest cost	20	0	20	14	0	14
Interest income	0	(3)	(3)	0	(2)	(2)
Remeasurements: Actuarial (gains) and losses arising						
▪ from changes in financial assumptions	0	0	0	(34)	0	(34)
▪ from changes in experience adjustments	35	0	35	0	0	0
▪ from plan assets	91	2	93	0	3	3
Transfer and change in consolidation	(80)	1	(79)	(15)	0	(15)
Benefits paid	(7)	0	(7)	(5)	0	(5)
Contributions	0	(15)	(15)	0	(33)	(33)
Balance as of 31 December	**1,018**	**(128)**	**890**	**841**	**(113)**	**728**

RECOGNISED AS

	31 December	
(In € million)	**2016**	2015
Provision	907	748
Non-current other assets and current other assets	17	20
Total	**890**	**728**

The portion of the obligation, which is not protected by the pension guarantee association or *Pensions-Sicherungs Verein* ("PSV") in case of an insolvency of Airbus companies concerned, is covered by securities. Trust agreements between the trust and the participating companies stipulate that some portions of the obligation must be covered with securities in the same amount, while other portions must be covered by 115% leading to an overfunding of the related part of the obligation. These amounts are recognised as other non-current and current assets.

30. Share-Based Payment

Share-based compensation — In 2007, Airbus introduced a **Performance and Restricted Unit Plan** or **LTIP** which qualifies as a **cash settled share-based payment plan** under IFRS 2. The grant of so called "units" will not physically be settled in shares (except with regard to Airbus Executive Committee Members). For details of the conversion of some Performance Units granted to Executive Committee Members into equity-settled plans please see "– Note 31.1: Remuneration-Executive Committee". In 2016, Airbus implemented a **Performance Units and Performance Share Plan**, which is granted in units as well as in shares.

For plans settled in cash, provisions for associated services received are measured at fair value by multiplying the number of units expected to vest with the fair value of one LTIP unit at the end of each reporting period, taking into account the extent to which the employees have rendered service to date. The fair value of each LTIP unit is determined using a forward pricing model. Changes of the fair value are recognised as personnel expense of the period, leading to a remeasurement of the provision.

Besides the **SOP** that has been granted in the past and the equity settled part of the LTIP 2016, the **Employee Share Ownership Plan ("ESOP")** is an additional equity settled share-based payment plan. Airbus offers its employees under this plan the Company shares at fair value matched with a number of free shares based on a determining ratio. The fair value of shares provided is reflected as personnel expense in Airbus' Consolidated Income Statements with a corresponding increase in equity.

30.1 SOP and LTIP

Based on the authorisation given to it by the Shareholders' Meetings, Airbus' Board of Directors approved a SOP in 2006 (see date below). This plan provides to the Members of the Executive Committee as well as to Airbus' senior management the grant of options for the purchase of the Company's shares.

For the Company's SOP, the granted exercise price exceeded the share price at the grant date.

In the years 2011 to 2015, the Board of Directors of Airbus approved the granting of LTIP Performance and Restricted Units. In 2016, it approved an LTIP Performance Units and Performance Share Plan.

In 2014, Airbus decided to hedge the share price risk inherent in the cash-settled LTIP units by entering equity swaps where the reference price is based on the Airbus share price. To the extent that LTIP units are hedged, compensation expense recognised for these units will effectively reflect the reference price fixed under the equity swaps.

In 2016, compensation expense for LTIPs including the effect of the equity swaps amounted to € 35 million (in 2015: € 175 million). For the SOP, expenses were neither recognised in 2016 nor in 2015.

The fair value of units and shares granted per vesting date is as follows (LTIP plan 2016):

Expected vesting date *(In € per unit / share granted)*	FV of Performance Units and Shares
May 2020 – Performance share	45.15
May 2020 – Performance unit	45.13
May 2021 – Performance unit	44.71

As of 31 December 2016 provisions of € 179 million (2015: € 320 million) relating to LTIP have been recognised.

The lifetime of the Performance and Restricted Units as well as Performance Shares is contractually fixed (see the description of the respective tranche). For the units, the measurement is next to other market data, mainly affected by the share price as of the end of the reporting period (€ 62.84 as of 31 December 2016) and the lifetime of the units.

The principal characteristics of the SOP as at 31 December 2016 are summarised in the table below:

	SOP 2006
Date of Shareholders' Meeting	4 May 2006
Grant date	18 December 2006
Number of options granted	1,747,500
Number of options outstanding	0
Total number of eligible employees	221
Vesting conditions	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations")
Expiry date	16 December 2016
Conversion right	One option for one share
Vested	100%
Exercise price	€ 25.65
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	1,501,000

The following table summarises the development of the number of outstanding stock options:

Tranches	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
	Number of options			
SOP 2006				
2015	511,750	(241,750)	(5,500)	264,500
2016	264,500	(224,500)	(40,000)	0

The weighted average share price at the date of exercise for share options exercised in 2016 was €59.21 (2015: €60.65).

The principal characteristics of the LTIPs as at 31 December 2016 are summarised below:

	LTIP 2011		LTIP 2012		LTIP 2013		LTIP 2014		LTIP 2015		LTIP 2016	
Grant date[1]	9 November 2011		13 December 2012		17 December 2013		13 November 2014		29 October 2015		25 October 2016	
	Performance and Restricted Unit plan										Performance plan	
Units	Performance	Restricted	Performance	Restricted	Performance	Restricted	Performance	Restricted	Performance	Restricted	Units	Shares
Number of units granted[2]	2,606,900	882,591	2,123,892	621,980	1,245,052	359,060	1,114,962	291,420	926,398	240,972	615,792	621,198
Number of units outstanding	0	0	880,095	283,320	1,159,814	346,100	1,068,502	287,442	916,246	239,674	615,792	621,198
Total number of eligible beneficiaries	1,771		1,797		1,709		1,621		1,564		1,671	
Vesting conditions	The Performance and Restricted Units and Performance Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance. Vesting schedule is made up of four payments (from the LTIP 2014 onwards two payments) over two years.											
Share price per unit is limited at the vesting dates to[3]	-		€55.66		€92.34		€94.90		€112.62		€105.34	-
Vesting dates	25% each: in May 2015 in November 2015 in May 2016 in November 2016		25% each: in May 2016 in November 2016 25% each expected: in May 2017 in November 2017		25% each expected: in May 2017 in November 2017 in May 2018 in November 2018		50% each expected: in June 2018 in June 2019		50% each expected: in June 2019 in July 2020		50% each expected: in May 2020 in May 2021	100% expected in May 2020
Number of vested units	3,108,160	823,828	855,388	289,135	3,860	0	2,500	0	2,116	0	0	0

(1) Date, when the vesting conditions were determined.
(2) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).
(3) Corresponds to 200% of the respective reference share price. Overall, the pay-out for Performance Units is limited to a total amount of 250% of the units originally granted, each valued with the respective reference share price of €27.83 (for LTIP 2012), €46.17 (for LTIP 2013), €47.45 (for LTIP 2014), €56.31 (for LTIP 2015) and €52.67 (for LTIP 2016).

30.2 ESOP

In 2016, the Board of Directors approved a new ESOP. Eligible employees were able to purchase a fixed number of previously unissued shares at fair market value (4, 6, 10, 19, 38 or 76 shares). Airbus matched each fixed number of shares with a number of the Company free shares based on a determined ratio (4, 5, 7, 11, 16 and 25 free shares, respectively). During a custody period of at least one year or, provided the purchase took place in the context of a mutual fund (regular savings plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who directly purchased the Company shares have, in addition, the ability to vote at the annual shareholder meetings. The subscription price was equal to the closing price at the Paris stock exchange on 23 February 2016 and amounted to €55.41. Investing through the mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 trading days immediately preceding 23 February 2016, resulting in a price of €54.31. The Company issued and sold 485,048 ordinary shares with a nominal value of € 1.00 each. Compensation expense (excluding social security contributions) of € 27 million was recognised in connection with ESOP.

In 2015, the Board of Directors approved a new ESOP. Eligible employees were able to purchase a fixed number of previously unissued shares at fair value (4, 6, 9, 19, 37, 74 or 148 shares). Airbus matched each fixed number of shares with a number of the Company free shares based on a determined ratio (4, 5, 6, 11, 16, 25 and 39 free shares, respectively). During a lock-up period of at least one year or, provided the purchase took place in the context of a mutual fund (regular savings plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who directly purchased the Company shares have, in addition, the ability to vote at the annual shareholder meetings. The subscription price was equal to the closing price at the Paris stock exchange on 26 February 2015 and amounted to € 51.63. Investing through the mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 trading days immediately preceding 26 February 2015, resulting in a price of € 49.70. The Company issued and sold 477,985 ordinary shares with a nominal value of € 1.00 each. Compensation expense (excluding social security contributions) of € 25 million was recognised in connection with ESOP.

31. Remuneration

31.1 Remuneration – Executive Committee

Airbus' key management personnel consists of Members of the Executive Committee and Non-Executive Board Members. The **Chief Executive Officer ("CEO")**, who chairs the Executive Committee, is the sole Executive Board Member. The annual remuneration and related compensation costs of the key management personnel as expensed in the respective year can be summarised as follows:

(In € million)	**2016**	2015
Executive Committee, including Executive Board Member		
Salaries and other short-term benefits (including bonuses)	28.4	23.2
Post-employment benefit costs	6.1	7.5
Share-based remuneration ("LTIP award", including associated hedge result)	20.5	15.4
Termination benefits	0.0	3.5
Other benefits	0.7	0.8
Social charges	5.5	6.5
Non-Executive Board Members		
Short-term benefits (including social charges)	1.8	1.5
Total expense recognised	**63.0**	**58.4**

For additional information regarding the remuneration of Executive Committee Members (including the CEO), please also refer to the "Report of the Board of Directors – Chapter 4.4: Remuneration Report".

Salaries and Other Short-Term Benefits (Including Bonuses)

The amount of bonuses is based on estimated performance achievement as at the balance sheet date and difference between previous year estimation and actual pay-out in the current year. Outstanding short-term benefits (bonuses) at year-end 2016 for Executive Committee Members based on estimated performance achievement at year-end was € 13.4 million (2015: € 13.4 million).

In 2015, Airbus had to recognise high salary taxes for Executive Committee Members subject to French tax jurisdictions under the "*Taxe sur les hauts revenus*", requiring exceptional 50% charges on individual annual remuneration exceeding € 1 million (2015: € 1 million). For 2016, this surtax has been abolished.

Post-Employment Benefit Cost

The pension DBO of the Executive Committee, including the CEO, at 31 December 2016 amounted to €68.3 million (2015: €61.6 million). The disclosed DBO reflects the total outstanding balance for all Executive Committee Members subject to a defined benefit plan and in charge at the end of the respective balance sheet date.

Share-Based Remuneration ("LTIP Award")

The share-based payment expenses result from not yet forfeited units granted to the Executive Committee Members under the Airbus LTIP which are re-measured to fair value as far as they are cash settled.

In 2016, the Members of the Executive Committee were granted 85,386 Performance Units and 91,082 Performance Shares for LTIP 2016 and 13,674 additional units for LTIP 2015 (2015: 184,652 units), the respective fair value of these Performance Units and Shares at the respective grant dates was €8.76 million (2015: €10.3 million). Fair value of outstanding LTIP balances at the end of 2016 for all Executive Committee Members was €14.5 million (2015: €21.6 million). The total number of outstanding Performance and Restricted Units amounted to 467,245 at 31 December 2016 (2015: 775,744), granted to the current Members of the Executive Committee.

Until and including the plan 2015, based on the intention of the Board of Directors to increase the long-term commitment of Executive Committee Members to the success of Airbus, the Board has authorised the Executive Committee Members to opt for partial conversion of the otherwise cash settled LTIPs into share-settled plans at each grant date of any new LTIP, requiring a minimum conversion rate into equity settlement of 25% of total granted Performance Units. At the conversion date, each Executive Committee Member individually determined the split of equity and cash settlement for the formerly granted LTIP. After overall performance assessment of each of the plans, the vesting dates as determined at the initial grant date apply to all cash settled Performance Units, however, units converted into equity settlement only vest at the last of the vesting dates of the respective plan.

The number of Performance Units granted to Executive Committee Members 31 December 2016 are summarised below:

	LTIP 2011[1]	LTIP 2012[2]	LTIP 2013[3]	LTIP 2014	LTIP 2015[4]
Total number of units granted	337,280	245,551	203,000	199,310	189,476
Number of cash-settled units	227,949	177,933	138,300	147,269	143,217
Number of equity-settled units	109,331	67,718	64,700	52,041	46,259
Date of conversion	31 December 2012	28 February 2013	28 February 2014	28 February 2015	28 February 2016
Share price at date of conversion	€29.50	€39.70	€53.39	€55.33	€59.78

(1) Based on performance achievement of 128% for Performance Units under 2011 LTIP.
(2) Based on performance achievement of 89% for Performance Units under 2012 LTIP.
(3) Based on performance achievement of 75% for Performance Units under 2013 LTIP.

SOP

To the other current Members of the Executive Committee and to Airbus' senior management, there were no outstanding stock options at 31 December 2016 (2015: 264,500). During the year 2016, the Executive Committee Members have exercised 10,000 options (2015: 241,085) granted under the remaining SOP 2006. 97,500 options (2015: 137,500) were exercised and 40,000 options (2015: 0 options) were forfeited by former Executive Committee Members. As all Airbus SOPs vested before 2012 no related personnel expense was recognised in 2016 or in 2015.

Other Benefits

Other benefits include expenses for Executive Committee Members' company cars and accident insurance. There were no outstanding liabilities at 31 December 2016 or 2015 respectively.

31.2 Remuneration – CEO

The total remuneration of the CEO and Executive Member of the Board of Directors, related to the reporting periods 2016 and 2015, can be summarised as follows:

(In €)	**2016**	2015
Base salary	1,500,000	1,400,004
Annual variable pay	2,062,000	1,659,000
Post-employment benefits costs	1,075,888	1,079,861
Share-based remuneration ("LTIP award")(1)	1,528,732	2,401,751
Other benefits	71,755	69,050
Social charges	11,668	11,368

(1) Expense related to share-based payment plans as recognised in the annual period (service period) including the result from the hedge of cash-settled share-based payment: see "– Note 30: Share-Based Payment" for details. The pay-out from vested cash settled LTIP in 2016 was €2,279,689 (2015: €3,148,629).

Annual Variable Pay

The annual variable pay is based on estimated performance achievement as at the balance sheet date and difference between the previous year's estimation and actual pay-out in the current year.

Post-Employment Benefit Costs

Post-employment benefit costs relate to the aggregated amount of current service and interest costs as well as interest costs on employee's contribution to the defined benefit plan.

For the CEO, the pension DBO including deferred compensation amounted to €21,251,788 as of 31 December 2016 (€17,118,048 as of 31 December 2015), whilst the amount of current service and interest cost related to his pension promise accounted for in the fiscal year 2016 represented an expense of €1,075,888 (2015: €1,079,861). This amount has been accrued in the Consolidated Financial Statements.

Share-Based Remuneration

The table below gives an overview of the interests of the CEO, under the various LTIPs of Airbus:

	LTIP					
Granted date	2011	2012	2013	2014	2015	2016
Performance Units	51,400	50,300	30,300	29,500	24,862	28,480
Re-evaluation of PU	128%	89%	75%	100%	100%	100%
PUs re-evaluated	65,792	44,767	22,726	29,500	24,862	28,480
Vested in 2016						
▪ in cash	24,672	16,787	0	0	0	0
▪ in shares	16,448	0	0	0	0	0
Outstanding 2016						
▪ in cash	0	16,788	11,363	22,125	18,647	14,240
▪ in shares	0	11,192	11,363	7,375	6,215	14,240
Vesting schedule						
Cash-settled units	For vesting dates, please see "– Note 30.1: SOP and LTIP"					
Equity-settled units	November 2016	November 2017	November 2018	June 2019	July 2020	May 2020

Vesting of all Performance Units granted to the CEO is subject to performance conditions.

Fair value of outstanding LTIP balances at the end of 2016 for the CEO was €2,353,453 (2015: €3,460,607).

Other Benefits

The CEO is entitled to accident insurance coverage and a company car. In 2016, the total amount expensed was €71,755 (2015: €69,050). Airbus has not provided any loans to / advances to / guarantees on behalf of the CEO.

31.3 Remuneration – Board of Directors

The remuneration of the Non-Executive Members of the Board of Directors was as follows:

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

(1) The fixum related to 2016 was paid 50% in December 2016 and the other 50% will be paid in July 2017. The fixum related to 2015 was paid in 2016.
(2) The attendance fees are paid at the end of each semester.
(3) Member of the Company Board of Directors and Audit Committee as of 28 April 2016.
(4) Member of the Company Board of Directors as of 28 April 2016.

2.7 Capital Structure and Financial Instruments

32. Total Equity

32.1 Equity Attributable to Equity Owners of the Parent

The Company's shares are exclusively ordinary shares with a par value of € 1.00. The following table shows the development of the number of shares issued and fully paid:

(In number of shares)	**2016**	2015
Issued as at 1 January	**785,344,784**	**784,780,585**
Issued for ESOP	1,474,716	1,539,014
Issued for exercised options	224,500	1,910,428
Cancelled	(14,131,131)	(2,885,243)
Issued as at 31 December	**772,912,869**	**785,344,784**
Treasury shares as at 31 December	(184,170)	(1,474,057)
Outstanding as at 31 December	**772,728,699**	**783,870,727**
Authorised shares	**3,000,000,000**	**3,000,000,000**

Holders of ordinary shares are entitled to dividends and are entitled to one vote per share at general meetings of the Company.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of € 224,500 (in 2015: € 1,910,428) in compliance with the implemented SOP and by employees of € 1,474,716 (in 2015: € 1,539,014) under the ESOPs.

Share premium mainly results from contributions in kind in the course of the creation of Airbus, cash contributions from the Company's initial public offering, capital increases and reductions due to the issuance and cancellation of shares.

Retained earnings include mainly the profit of the period and the changes in other comprehensive income from remeasurements of the defined benefit pension plans net of tax which amounts to € -1,383 million in 2016 (2015: € +491 million), and cash dividend payments to Airbus Group SE shareholders.

On 28 April 2016, the Shareholders' General Meeting decided to distribute a gross amount of € 1.30 per share, which was paid on 4 May 2016. For the fiscal year 2016, Airbus' Board of Directors proposes a cash distribution payment of € 1.35 per share.

Treasury shares represent the amount paid or payable for own shares held in treasury and relates to the share buyback which took place between 2 November 2015 and 30 June 2016. As of 31 December 2015, the Company bought back € 264 million of shares and recognised a financial liability of € 223 million for its irrevocable share buyback commitment at that date. Recognition of the financial liability led to a corresponding reduction of equity. In 2016, the Company bought back € 736 million of shares of which € 223 million were recognised in financial liability which led to a reduction of equity by € -513 million. The share buyback has been completed for a total amount of € 1 billion.

On 28 April 2016, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2017, to issue shares and grant rights to subscribe for shares in the Company's share capital for the purpose of:

- ESOPs and share-related LTIPs in the limit of 0.14% of the Company's authorised share capital (see "– Note 30: Share-Based Payment");
- funding the Company and its subsidiaries, provided that such powers shall be limited to an aggregate of 0.3% of the Company's authorised share capital (see "– Note 34.3: Financing Liabilities").

For each operation, such powers shall not extend to issuing shares or granting rights to subscribe for shares if there is no preferential subscription right and for an aggregate issue price in excess of € 500 million per share issuance.

Also on 28 April 2016, the AGM authorised the Board of Directors for an 18-month period to repurchase up to 10% of the Company's issued and outstanding share capital (*i.e.* issued share capital excluding shares held by the Company or its subsidiaries) at a price not exceeding the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

Furthermore, the AGM authorised both the Board of Directors and the CEO, with powers of substitution, that the number of shares repurchased by the Company pursuant to the share buyback programme are cancelled.

32.2 Non-Controlling Interests

The non-controlling interests ("NCI") from non-wholly owned subsidiaries amount to €-5 million as of 31 December 2016 (2015: €7 million). These NCI do not have a material interest in Airbus' activities and cash flows.

Subsidiaries with NCI that are material to their stand-alone financial information are:

	GEW Technologies (Pty) Ltd.		Airbus DS Optronics (Pty) Ltd		Alestis Aerospace S.L.		PFW Aerospace GmbH	
Principal place of business	Pretoria (South Africa)		Irene (South Africa)		La Rinconada (Spain)		Speyer (Germany)	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Ownership interest held by NCI	25%	25%	30%	30%	38.09%	38.09%	25.10%	25.10%
NCI *(in € million)*	13	9	10	7	(34)	(25)	(28)	(28)
Profit (loss) allocated to NCI *(in € million)*	1	2	1	1	(5)	(7)	0	0

33. Capital Management

Airbus seeks to maintain a strong financial profile to safeguard its going concern, financial flexibility as well as shareholders', credit investors' and other stakeholders' confidence in Airbus. Consequently, operating liquidity is of great importance.

As part of its capital management, it is one of Airbus' objectives to maintain a strong credit rating by institutional rating agencies. This enables Airbus to contain its cost of capital which positively impacts its stakeholder value (entity value). Next to other non-financial parameters, the credit rating is based on factors such as, cash flow ratios, profitability and liquidity ratios. Airbus monitors these ratios to keep them in a range compatible with a strong rating.

Rating agency	Long-term rating	Outlook	Short-term rating
Standard and Poor's(1)	A+	Stable	A-1+
Moody's Investors Services	A2	Stable	P-1
Fitch Ratings (unsolicited)	A-	Stable	F-2

(1) The long-term rating with Standard and Poor's has been upgraded to A+ from A in September 2016.

Airbus' stand-alone ratings reflect the strong backlog providing revenue visibility and Airbus Commercial Aircraft leading market position, Airbus' strong liquidity and improving credit metrics as well as management's focus on programmes execution, profitability and cash generation improvement. The rating is constrained by Airbus' exposure to structural currency risk.

In accordance with Airbus' conservative financial policy, a strong rating is key to maintain a wide array of funding sources at attractive conditions, to have broad access to long-term hedging and to strengthen Airbus Commercial Aircraft's position as a solid counterparty for its customers and suppliers.

Among other indicators, Airbus uses a Value Based Management approach in order to guide the Company towards sustainable value creation by generating financial returns above the cost of capital.

The key elements of the Value Based Management concept are:

- the definition of financial returns;
- the definition of the Company's capital base; and
- the measurement of value creation derived from the two above.

Airbus uses Return on Capital Employed ("RoCE") to measure the value created by financial returns relative to its capital base. RoCE, as defined by Airbus, uses EBIT for the numerator and Average Capital Employed for the denominator. The Average Capital Employed for Airbus is defined as the average of the annual opening and closing positions of Fixed Assets plus Net Operating Working Capital plus Operating Cash less Other Provisions.

Financial value is created if profits relative to Airbus' Capital Employed exceed the Company's cost of capital. Value can be measured by comparing RoCE to the WACC. A five year plan for a value creation ambition is constructed annually, and is composed of (i) RoCE, (ii) EBIT, and (iii) Free Cash Flow, which is defined as Cash provided by operating activities and Cash used for investing activities less Change of securities, Contribution to plan assets for pensions and realised Treasury swaps. The Company's long-term aspiration is to reach the first quartile of RoCE performance among our aerospace and defence peers.

Airbus also monitors the level of dividends paid to its shareholders.

The Company generally satisfies its obligations arising from share-based payment plans by issuing new shares. In order to avoid any dilution of its current shareholders out of these share-based payment plans, the Company performs share buybacks and cancels its own shares following the decisions of the Board of Directors and approval of the AGM. Apart from this purpose, the Company generally does not trade with treasury shares.

The Company complies with the capital requirements under applicable law and its Articles of Association.

34. Net Cash

The net cash-position provides financial flexibility to fund Airbus' operations, to react to business needs and risk profile and to return capital to the shareholders.

	31 December	
(In € million)	**2016**	2015
Cash and cash equivalents[1]	10,143	6,590
Current securities	1,551	1,788
Non-current securities	9,897	9,851
Short-term financing liabilities	(1,687)	(2,790)
Long-term financing liabilities	(8,791)	(6,335)
Total[1]	**11,113**	**9,104**

(1) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted by € -899 million.

Derivative instruments recognised on Airbus' Statement of Financial Position consist of (i) instruments that are entered into as hedges of Airbus' operating activities or interest result, and (ii) embedded foreign currency derivatives that arise from separating the foreign currency component from certain operating contracts. Cash flows resulting from the settlement of these derivatives are therefore recorded as part of cash flow from operations. Similarly, financial assets and liabilities arising from customer financing activities and refundable advances from European Governments are considered part of operating activities and related cash flows are hence recognised as cash flows from operating activities.

34.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2016**	2015
Bank account and petty cash	3,100	1,504
Short-term securities (at fair value through profit and loss)	5,513	3,220
Short-term securities (available-for-sale)[1]	1,535	1,952
Others	12	1
Total cash and cash equivalents[1]	**10,160**	**6,677**
Recognised in disposal groups classified as held for sale	17	87
Recognised in cash and cash equivalents[1]	**10,143**	**6,590**

(1) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted by € -899 million.

Only securities with a maturity of three months or less from the date of the acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, are recognised in cash equivalents.

34.2 Securities

The majority of Airbus' securities consists of debt securities and are classified as available-for-sale financial assets and carried at their fair values (see "– Note 35.2: Carrying Amounts and Fair Values of Financial Instruments" for more details on how available-for-sale assets are accounted for).

Airbus' security portfolio amounts to € 11,448 million and € 11,639 million as of 31 December 2016 and 2015, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of € 9,897 million (in 2015: € 9,848 million), no amount of securities designated at fair value through profit and loss (in 2015: € 3 million), and a **current portion** of available-for-sale-securities of € 1,551 million (in 2015: € 1,788 million).

Included in the securities portfolio as of 31 December 2016 and 2015, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 10,736 million nominal value; comparably in 2015: € 10,956 million) or floating rate coupons (€ 360 million nominal value; comparably in 2015: € 397 million) and foreign currency funds of hedge funds (€ 6 million nominal value; 2015: € 8 million).

When Airbus enters into securities lending activities, the securities pledged as collateral continue to be recognised on the balance sheet. There were no such securities pledged as of 31 December 2016 and 2015.

34.3 Financing Liabilities

Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, deposits made by customers of Airbus Group Bank, borrowings received from joint ventures and other parties as well as finance lease liabilities. Financing liabilities are recorded initially at the fair value of the proceeds received, net of transaction costs incurred. Subsequently, financing liabilities are measured at amortised cost, using the effective interest rate method with any difference between proceeds (net of transaction costs) and redemption amount being recognised in total finance income (cost) over the period of the financing liability.

Financing liabilities to financial institutions include liabilities from securities lending transactions. In securities lending transactions, Airbus receives cash from its counterparty and transfers the securities subject to the lending transaction as collateral. The amount of cash received is recognised as a financing liability. The securities lent are not derecognised, but remain on Airbus' Statement of Financial Position.

The Company has issued several euro-denominated bonds under its Euro Medium Term Note programme ("EMTN") and a stand-alone US dollar-denominated bond on the US institutional market under Rule 144A. It has also issued an euro-denominated convertible bond and euro-denominated exchangeable bonds into Dassault Aviation shares. Furthermore, the Company has long-term US dollar-denominated loans outstanding with the European Investment Bank ("EIB") and the Development Bank of Japan ("DBJ").

The terms and repayment schedules of these bonds and loans are as follows:

	Principal amount (In million)	Carrying amount (In € million) 31 December 2016	2015	Issuance date	Coupon or interest rate	Effective interest rate	Maturity date	Additional features
EMTN 15 years	€500	533	550	Sep. 2003	5.50%	5.58%	Sep. 2018	Interest rate swapped into 3M Euribor +1.72%
EMTN 7 years	€1,000	0	1,018	Aug. 2009	4.625%	4.68%	Aug. 2016	Interest rate swapped into 3M Euribor +1.57%
US$ Bond 10 years	US$ 1,000	940	917	Apr. 2013	2.70%	2.73%	Apr. 2023	Interest rate swapped into 3M Libor +0.68%
EMTN 10 years	€1,000	1,052	1,021	Apr. 2014	2.375%	2.394%	Apr. 2024	Interest rate swapped into 3M Euribor +1.40%
EMTN 15 years	€500	526	497	Oct. 2014	2.125%	2.194%	Oct. 2029	Interest rate swapped into 3M Euribor +0.84%
US$ Commercial paper programme	US$ 3,000	0	505	Apr. 2015				
Convertible bond 7 years	€500	464	458	Jul. 2015	0.00%	1.386%	Jul. 2022	Convertible into Airbus Group SE shares at €99.54 per share
EMTN 10 years	€600	589	0	May 2016	0.875%	0.951%	May 2026	Interest rate swapped into 3M Euribor
EMTN 15 years	€900	861	0	May 2016	1.375%	1.49%	May 2031	Interest rate swapped into 3M Euribor
Exchangeable bonds 5 years	€1,078	1,048	0	Jun. 2016	0.00%	0.333%	Jun. 2021	Exchangeable into Dassault Aviation shares
Bonds		**6,013**	**4,966**					
DBJ 10 years	US$ 300	285	276	Jan. 2011	3M US-Libor +1.15%		Jan. 2021	Interest rate swapped into 4.76% fixed
EIB 10 years	US$ 721	488	567	Aug. 2011	3M US-Libor +0.85%		Aug. 2021	Interest rate swapped into 3.2% fixed
EIB 7 years	US$ 406	385	373	Feb. 2013	3M US-Libor +0.93%		Feb. 2020	
EIB 10 years	US$ 627	591	576	Dec. 2014	2.52%	2.52%	Dec. 2024	Interest rate swapped into 3M Libor +0.61%
EIB 10 years	US$ 320	304	294	Dec. 2015	6M US-Libor +0.559%		Dec. 2025	
Share buyback commitment		0	223					
Others		370	153					
Liabilities to financial institutions		**2,423**	**2,462**					

The Company can issue commercial paper under the so called "billet de trésorerie" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of €2 billion, increased in 2013 to a maximum volume of €3 billion. As of 31 December 2016, there was no outstanding amount under the programme. The Company established in April 2015 a US$ 2 billion commercial paper programme which has been increased to US$ 3 billion in April 2016.

2

Financing liabilities include outstanding debt of € 85 million (2015: € 129 million) relating to a loan Airbus Commercial Aircraft received from Air 2 US in 1999 by way of a reinvestment note amounting to US$ 800 million, bearing a fixed interest rate of 9.88%, and other liabilities related to sales financing (see "– Note 25: Sales Financing Transactions").

In June 2016, the Company issued € 1,078 million exchangeable bonds into Dassault Aviation shares, with a 5-year maturity. The exchangeable bonds were issued at 103.75% of par with a coupon of 0%. Their effective interest rate, after separation of the equity conversion option related to Dassault Aviation shares, is 0.333%.

(In € million)	Not exceeding 1 year	Over 1 year up to 5 years	More than 5 years	Total
Bonds	0	1,581	4,432	6,013
Liabilities to financial institutions	351	1,573	499	2,423
Loans	332	213	118	663
Liabilities from finance leases	15	154	220	389
Others[1]	989	1	0	990
31 December 2016	**1,687**	**3,522**	**5,269**	**10,478**
Bonds	1,523	550	2,893	4,966
Liabilities to financial institutions	349	1,112	1,001	2,462
Loans	255	163	240	658
Liabilities from finance leases	13	145	230	388
Others[1]	650	1	0	651
31 December 2015	**2,790**	**1,971**	**4,364**	**9,125**

(1) Included in "others" are financing liabilities to joint ventures.

The aggregate amounts of financing liabilities maturing during the next five years and thereafter as of 31 December 2016 and as of 31 December 2015, are as follows:

	31 December	
(In € million)	**2016**	2015
1 year	1,687	2,790
2 years	829	228
3 years	271	835
4 years	703	252
5 years	1,719	656
Thereafter	5,269	4,364
Total	**10,478**	**9,125**

35. Information about Financial Instruments

35.1 Financial Risk Management

By the nature of its activities, Airbus is exposed to a variety of financial risks: (i) market risks, in particular foreign exchange risk, but also interest rate risk, equity price risk and commodity price risk, (ii) liquidity risk and (iii) credit risk. Airbus' overall financial risk management activities focus on mitigating unpredictable financial market risks and their potential adverse effects on Airbus' operational and financial performance.

The financial risk management of Airbus is generally carried out by the Corporate Finance department at Airbus under policies approved by the Board of Directors or by the Chief Financial Officer. The identification, evaluation and hedging of the financial risks is in the joint responsibility of established treasury committees and Airbus' Divisions.

Airbus uses financial derivatives solely for risk mitigating purposes ("hedging") and applies hedge accounting for a significant portion of its hedging portfolio.

Market Risk

Foreign exchange risk — Foreign exchange risk arises when future commercial transactions or firm commitments, recognised monetary assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

Airbus manages a long-term hedge portfolio with maturities of several years covering its net exposure to US dollar sales, mainly from the activities of Airbus Commercial Aircraft. This hedge portfolio covers a large portion of Airbus' firm commitments and highly probable forecast transactions.

Most of Airbus' revenue is denominated in US dollars, while a major portion of its costs is incurred in euro and to some extent in other foreign currencies. Consequently, to the extent that Airbus does not use financial instruments to hedge its exposure resulting from this currency mismatch, its profits will be affected by changes in the €/US$ exchange rate. As Airbus intends to generate profits primarily from its operations rather than through speculation on exchange rate movements, it uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

With respect to its commercial aircraft products, Airbus typically hedges firmly committed sales in US dollars using a "first flow approach". Under that approach, the foreign currency derivatives Airbus enters into are designated as a hedge of the first US dollar inflows received from the customer at aircraft delivery in a given month. The strategy implies that only a portion of the expected monthly customer payments made at aircraft delivery are hedged. For this reason, a reduction of monthly cash inflows as a result of postponements or order cancellations have no impact on the effectiveness of the hedge as long as the actual gross US dollar cash inflows received at aircraft delivery in a particular month exceed the portion designated as being hedged in that month.

Similarly, though to a much lesser extent, Airbus hedges its expected foreign currency exposure arising from US dollar or pound sterling cash outflows in the commercial aircraft business on a first outflow basis.

In military aircraft and non-aircraft businesses, Airbus hedges in and outflows in foreign currencies from firmly committed or highly probable forecast sales and purchase contracts. Here, foreign currency derivatives are typically contracted in lower volumes; they may be accounted for using a first flow approach or are designated as hedges of specific agreed milestone payments. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. The coverage ratio considers the variability in the range of potential outcomes taking into account macroeconomic movements affecting spot rates and interest rates as well as the robustness of the commercial cycle.

In situations where the payment dates for hedged firmly committed cash flows are not fixed and subject to potentially significant delays, Airbus may use rollover strategies, usually involving F/X swaps.

For all foreign currency hedges of future cash flows which qualify for hedge accounting under IAS 39, Airbus uses the cash flow hedge model, which requires (i) recognising the effective portion of the fair value changes of the hedging derivatives in equity (within other comprehensive income) and (ii) recognising the effect of the hedge in profit or loss when the hedged cash flows affect profit or loss.

In addition, Airbus hedges currency risk arising from financial assets or liabilities denominated in currencies other than the euro, including foreign currency receivable and payable accounts, as well as foreign currency denominated funding transactions or securities. Airbus applies hedge accounting if a mismatch in terms of profit or loss recognition of the hedging instrument and hedged item would otherwise occur. Frequently, however, the currency-induced gains or losses of the hedging instrument and the hedged item match in terms of profit or loss recognition ("natural hedge"), so no hedge accounting is required. Sometimes such gains or losses may end up in different sections of the income statement (such as operating profit for the hedged item and financial result for the hedging instrument). If so, Airbus may choose to present the gains or losses of both the hedging instrument and the hedged item in the same income statement line item if certain formal requirements are met.

As hedging instruments, Airbus primarily uses foreign currency forwards, foreign currency options and to a minor extent non-derivative financial instruments.

Airbus also has foreign currency derivative instruments which are embedded in certain purchase contracts denominated in a currency other than the functional currency of any substantial party to the contract, principally in US dollar and pound sterling. If such embedded derivatives are required to be accounted for separately from the host purchase contract, related gains or losses are generally recognised in other financial result. However, if the embedded derivatives qualify for hedge accounting, Airbus might choose to designate them as a hedging instrument in a hedge of foreign currency risk, in which case they are accounted for under the cash flow hedge model as described above.

Interest rate risk — Airbus uses an asset-liability management approach with the objective to limit its interest rate risk. Airbus undertakes to match the risk profile of its interest-bearing assets with those of its interest-bearing liabilities. The remaining net interest rate exposure is managed through several types of interest rate derivatives, such as interest rate swaps and interest rate futures contracts, in order to minimise risks and financial impacts.

The vast majority of related interest rate hedges qualify for hedge accounting, and most of them are accounted for under the fair value hedge model. As a result, both the fair value changes of these derivatives and the portion of the hedged items' fair value change that is attributable to the hedged interest rate risk are recognised in profit and loss, where they offset to the extent the hedge is effective.

A few interest rate swaps that have been entered into as a hedge of certain of Airbus' variable rate debt (see "– Note 34.3: Financing Liabilities") are accounted for under the cash flow hedge model, and related fair value gains are recognised in OCI and reclassified to profit or loss when the hedged interest payments affect profit or loss.

Airbus invests in financial instruments such as overnight deposits, certificates of deposits, commercial papers, other money market instruments and short-term as well as medium-term bonds. For its financial instruments portfolio, Airbus has an Asset Management Committee in place that meets regularly and aims to limit the interest rate risk on a fair value basis through a value-at-risk approach.

Commodity price risk — Airbus is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. Airbus manages these risks in the procurement process and to a certain extent uses derivative instruments in order to mitigate the risks associated with the purchase of raw materials. To the extent that the gains or losses of the derivative and those of the hedged item or transaction do not match in terms of profit or loss, Airbus applies cash flow hedge accounting to the derivative instruments.

Equity price risk — Airbus is to a small extent invested in equity securities mainly for operational reasons. Airbus' exposure to equity price risk is hence limited. Furthermore, Airbus is exposed under its LTIP to the risk of the Company share price increases. Airbus limits these risks through the use of equity derivatives that qualify for hedge accounting and have been designated as hedging instruments in a cash flow hedge.

Sensitivities of market risks — The approach used to measure and control market risk exposure within Airbus' financial instrument portfolio is, amongst other key indicators, the value-at-risk ("VaR"). The VaR of a portfolio is the estimated potential loss that will not be exceeded over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by Airbus is based upon a 95% confidence level and assumes a five-day holding period. The VaR model used is mainly based on the so called "Monte-Carlo-Simulation" method. Deriving the statistical behaviour of the markets relevant for the portfolio out of market data from the previous two years and observed interdependencies between different markets and prices, the model generates a wide range of potential future scenarios for market price movements.

Airbus' VaR computation includes Airbus' financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, commodity contracts, finance lease receivables and liabilities, foreign currency trade payables and receivables, including intra-Airbus payables and receivables affecting Airbus profit and loss.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 5-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% statistical probability that losses could exceed the calculated VaR.
- The use of historical data as a basis for estimating the statistical behaviour of the relevant markets and finally determining the possible range of future outcomes out of this statistical behaviour may not always cover all possible scenarios, especially those of an exceptional nature.

Airbus uses VaR amongst other key figures in order to determine the riskiness of its financial instrument portfolio and in order to optimise the risk-return ratio of its financial asset portfolio. Further, Airbus' investment policy defines a VaR limit for the total portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of Airbus' Asset Management Committee.

A summary of the VaR position of Airbus' financial instruments portfolio at 31 December 2016 and 2015 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2016					
Foreign exchange hedges for forecast transactions or firm commitments	1,778	0	1,873	0	180
Financing liabilities, financial assets (including cash, cash equivalents securities and related hedges)	80	57	58	0	19
Finance lease receivables and liabilities, foreign currency trade payables and receivables	81	0	15	0	86
Commodity contracts	4	0	1	4	0
Equity swaps	4	4	0	0	0
Diversification effect	(276)	(1)	(127)	0	(70)
All financial instruments	**1,671**	**60**	**1,820**	**4**	**215**
31 December 2015					
Foreign exchange hedges for forecast transactions or firm commitments	1,814	0	1,870	0	181
Financing liabilities, financial assets (including cash, cash equivalents securities and related hedges)(1)	196	162	61	0	14
Finance lease receivables and liabilities, foreign currency trade payables and receivables(1)	87	0	22	0	83
Commodity contracts	7	0	3	6	0
Equity swaps	11	11	0	0	0
Diversification effect(1)	(403)	(8)	(148)	0	(91)
All financial instruments	**1,712**	**165**	**1,808**	**6**	**187**

(1) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified.

The total VaR as of 31 December 2016 is stable compared to year-end 2015. The market environment, in particular foreign exchange volatility, as well as the size of the net foreign exchange portfolio, is comparable to year-end 2015. As a result, the respective market risks of these hedging instruments are – depending on the hedges' actual effectiveness – offset by corresponding opposite market risks of the underlying forecast transactions, assets or liabilities. Under IFRS 7, the underlying forecast transactions do not qualify as financial instruments and are therefore not included in the tables shown above. Accordingly, the VaR of the foreign exchange hedging portfolio in the amount of €1,778 million (2015: €1,814 million) cannot be considered as a risk indicator for Airbus in the economic sense. When looking at the financial instrument types the noticeable change is within the financial assets coming from the lower equity price VaR related to the decrease of the Dassault Aviation equity portfolio.

Liquidity Risk

Airbus' policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. Airbus manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion as of 31 December 2016 and 2015) in addition to the cash inflow generated by its operating business. Airbus continues to keep within the asset portfolio the focus on low counterparty risk. In addition, Airbus maintains a set of other funding sources, and accordingly may issue bonds, notes and commercial papers or enter into security lending agreements. Adverse changes in the capital markets could increase Airbus' funding costs and limit its financial flexibility.

Further, the management of the vast majority of Airbus' liquidity exposure is centralised by a daily cash concentration process. This process enables Airbus to manage its liquidity surplus as well as its liquidity requirements according to the actual needs of its subsidiaries. In addition, management monitors Airbus' liquidity reserve as well as the expected cash flows from its operations.

The contractual maturities of Airbus' financial liabilities, based on undiscounted cash flows and including interest payments, if applicable, are as follows:

(In € million)	Carrying amount[(1)]	Contractual cash flows[(1)]	< 1 year[(1)]	1 year-2 years	2 years-3 years	3 years-4 years	4 years-5 years	> 5 years
31 December 2016								
Non-derivative financial liabilities	(23,994)	(25,293)	(14,903)	(1,268)	(458)	(886)	(1,923)	(5,856)
Derivative financial liabilities	(11,020)	(13,891)	(4,568)	(3,772)	(2,897)	(1,511)	(831)	(312)
Total	**(35,014)**	**(39,184)**	**(19,471)**	**(5,040)**	**(3,355)**	**(2,397)**	**(2,754)**	**(6,168)**
31 December 2015								
Non-derivative financial liabilities	(21,175)	(22,456)	(14,412)	(832)	(1,113)	(408)	(762)	(4,929)
Derivative financial liabilities	(10,587)	(12,690)	(3,973)	(2,747)	(3,518)	(1,898)	(506)	(48)
Total	**(31,762)**	**(35,146)**	**(18,385)**	**(3,579)**	**(4,631)**	**(2,306)**	**(1,268)**	**(4,977)**

(1) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted by €899 million.

Non-derivative financial liabilities included in the table above comprise financing liabilities and finance lease liabilities as presented in the tables of "– Note 35.2: Carrying Amounts and Fair Values of Financial Instruments". Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments refundable advances, which amount to €7,070 million at 31 December 2016 (€7,286 million at 31 December 2015) are not included.

Credit Risk

Airbus is exposed to credit risk to the extent of non-performance by either its customers (*e.g.* airlines) or its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. However, Airbus has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed on Airbus level. In order to ensure sufficient diversification, a credit limit system is used.

Airbus monitors the performance of the individual financial instruments and the impact of the market developments on their performance and takes appropriate action on foreseeable adverse development based on pre-defined procedures and escalation levels.

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment. In order to support sales, primarily at Airbus Commercial Aircraft and ATR, Airbus may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus Commercial Aircraft and ATR take into account the airline's credit rating and economic factors reflecting the relevant financial market conditions, together with appropriate assumptions as to the anticipated future value of the financed asset.

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' (such as airlines') creditworthiness by way of internal risk pricing methods.

The following table breaks down the carrying amounts of non-cash loans and receivables including finance leases, separately showing those that are impaired, renegotiated or past due:

(In € million)	Not past due	Renegotiated / not past due / not impaired	Impaired	Past due ≤ 3 months	Past due > 3 and ≤ 6 months	Past due > 6 and ≤ 9 months	Past due > 9 and ≤ 12 months	Past due > 12 months	Total
31 December 2016									
Customer financing	846	0	0	4	3	86	0	0	939
Trade receivables	5,976	27	42	1,035	232	281	77	431	8,101
Others	1,313	9	78	111	48	182	22	466	2,229
Total	**8,135**	**36**	**120**	**1,150**	**283**	**549**	**99**	**897**	**11,269**
31 December 2015									
Customer financing	721	0	0	0	0	0	0	0	721
Trade receivables	5,823	115	162	866	402	112	96	301	7,877
Others	1,251	24	8	196	30	45	198	183	1,935
Total	**7,795**	**139**	**170**	**1,062**	**432**	**157**	**294**	**484**	**10,533**

The management believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings if they are available.

At year-end there was no indication that any financial assets carried at fair value were impaired.

35.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments — Airbus' financial assets mainly consist in cash, short to medium-term deposits and securities. Airbus' financial liabilities include trade liabilities, obligations towards financial institutions, issued bonds and refundable advances from European Governments. All purchases and sales of financial assets are recognised on the settlement date according to market conventions. Airbus classifies its financial assets in the following three categories: (i) at fair value through profit or loss, (ii) loans and receivables and (iii) available-for-sale financial assets. Their classification is determined by management when first recognised and depends on the purpose for their acquisition.

Within Airbus, all investments in entities which do not qualify for consolidation or equity-method accounting are classified as non-current available-for-sale financial assets. They are included in the line other investments and other long-term financial assets in the Consolidated Statement of Financial Position.

Available-for-sale financial assets — Financial assets classified as available-for-sale are accounted for at fair value. Changes in their fair value other than impairment losses and foreign exchange gains and losses on monetary items are recognised directly within AOCI. As soon as such financial assets are sold or otherwise disposed of, or are determined to be impaired, the cumulative gain or loss previously recognised in equity is recorded as part of other income (other expense) from investments in the Consolidated Income Statement for the period. Interest earned on the investment is presented as interest income in the Consolidated Income Statement using the effective interest method. Dividends earned on investment are recognised as other income (other expense) from investments in the Consolidated Income Statement when the right to the payment has been established.

In case of the impairment of debt instruments classified as available-for-sale, interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded in financial result. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Consolidated Income Statement, the impairment loss is reversed through the Consolidated Income Statement.

Financial assets at fair value through profit or loss — Within Airbus, only derivatives not designated as hedges are categorised as held for trading. Furthermore, Airbus designates certain financial assets (such as investments in accumulated money market funds) at fair value through profit or loss at initial recognition if they are part of a group of financial assets that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Airbus assigns its financial instruments into classes based on their balance sheet category.

The following table presents the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2016:

(In € million)	Fair value through profit or loss – Held for trading	Fair value through profit or loss – Designated	Fair value for hedge relations – Fair value	Available-for-sale – Fair value	Loans and receivables and financial liabilities at amortised cost – Amortised cost	Loans and receivables and financial liabilities at amortised cost – Fair value	Other	Financial instruments total – Book value	Financial instruments total – Fair value
Assets									
Other investments and other long-term financial assets									
▪ Equity investments[(1)(2)]	0	0	0	2,091	0	0	0	2,091	2,091
▪ Customer financing[(3)]	0	0	0	0	732	735	207	939	942
▪ Other loans	0	0	0	0	1,147	1,147	0	1,147	1,147
Trade receivables	0	0	0	0	8,101	8,101	0	8,101	8,101
Other financial assets									
▪ Derivative instruments[(6)]	66	0	1,085	0	0	0	0	1,151	1,151
▪ Non-derivative instruments	0	0	0	0	1,082	1,082	0	1,082	1,082
Securities	0	0	0	11,448	0	0	0	11,448	11,448
Cash and cash equivalents	0	5,513	0	1,535	3,095	3,095	0	10,143	10,143
Total	**66**	**5,513**	**1,085**	**15,074**	**14,157**	**14,160**	**207**	**36,102**	**36,105**
Liabilities									
Financing liabilities									
▪ Issued bonds and commercial papers	0	0	0	0	(6,013)	(6,217)	0	(6,013)	(6,217)
▪ Liabilities to banks and other financing liabilities	0	0	0	0	(4,076)	(4,086)	0	(4,076)	(4,086)
▪ Finance lease liabilities[(4)]	0	0	0	0	0	0	(389)	(389)	(389)
Other financial liabilities									
▪ Derivative instruments[(7)]	(349)	0	(10,671)	0	0	0	0	(11,020)	(11,020)
▪ European Governments refundable advances[(5)]	0	0	0	0	(7,070)	(7,070)	0	(7,070)	(7,070)
▪ Other	(38)	0	0	0	(946)	(946)	0	(984)	(984)
Trade liabilities	0	0	0	0	(12,532)	(12,532)	0	(12,532)	(12,532)
Total	**(387)**	**0**	**(10,671)**	**0**	**(30,637)**	**(30,851)**	**(389)**	**(42,084)**	**(42,298)**

(1) Other than those accounted for under the equity method.
(2) For certain unlisted equity investments price quotes are not available and fair values may not be reliably measurable using valuation techniques because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2016, the aggregate carrying amount of these investments was €494 million.
(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as "other".
(4) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IAS 39. They are therefore assigned to the category "other".
(5) The European Governments refundable advances of €7,070 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.
(6) This includes credit value adjustments of €-44 million, of which €-42 million is recognised in OCI.
(7) This includes debit value adjustments of €87 million, of which €82 million is recognised in OCI.

The following table presents the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2015:

	Fair value through profit or loss		Fair value for hedge relations	Available-for-sale	Loans and receivables and financial liabilities at amortised cost		Other	Financial instruments total	
(In € million)	Held for trading	Designated	Fair value	Fair value	Amortised cost	Fair value		Book value	Fair value
Assets									
Other investments and other long-term financial assets									
▪ Equity investments[1][2]	0	0	0	1,232	0	0	0	1,232	1,232
▪ Customer financing[3]	0	0	0	0	553	553	168	721	721
▪ Other loans	0	0	0	0	717	717	0	717	717
Trade receivables	0	0	0	0	7,877	7,877	0	7,877	7,877
Other financial assets									
▪ Derivative instruments[6]	317	0	963	0	0	0	0	1,280	1,280
▪ Non-derivative instruments	0	0	0	0	1,218	1,218	0	1,218	1,218
Securities	0	3	0	11,636	0	0	0	11,639	11,639
Cash and cash equivalents[8]	0	3,220	0	1,952	1,418	1,418	0	6,590	6,590
Total[8]	**317**	**3,223**	**963**	**14,820**	**11,783**	**11,783**	**168**	**31,274**	**31,274**
Liabilities									
Financing liabilities									
▪ Issued bonds and commercial papers	0	0	0	0	(4,966)	(5,091)	0	(4,966)	(5,091)
▪ Liabilities to banks and other financing liabilities	0	0	0	0	(3,771)	(3,822)	0	(3,771)	(3,822)
▪ Finance lease liabilities[4]	0	0	0	0	0	0	(388)	(388)	(388)
Other financial liabilities									
▪ Derivative instruments[7]	(427)	0	(10,160)	0	0	0	0	(10,587)	(10,587)
▪ European Governments refundable advances[5]	0	0	0	0	(7,286)	(7,286)	0	(7,286)	(7,286)
▪ Other	(74)	0	0	0	(1,112)	(1,112)	0	(1,186)	(1,186)
Trade liabilities[8]	0	0	0	0	(10,864)	(10,864)	0	(10,864)	(10,864)
Total[8]	**(501)**	**0**	**(10,160)**	**0**	**(27,999)**	**(28,175)**	**(388)**	**(39,048)**	**(39,224)**

(1) Other than those accounted for under the equity method.
(2) For certain unlisted equity investments price quotes are not available and fair values may not be reliably measurable using valuation techniques because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2015, the aggregate carrying amount of these investments was €404 million.
(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as “other”.
(4) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IAS 39. They are therefore assigned to the category “other”.
(5) The European Governments refundable advances of €7,286 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.
(6) This includes credit value adjustments of €-47 million, of which €-28 million is recognised in OCI.
(7) This includes debit value adjustments of €117 million, of which €95 million is recognised in OCI.
(8) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted by €-899 million.

Fair Value Hierarchy

Fair value of financial instruments — The fair value of quoted investments is based on current market prices. If the market for financial assets is not active, or in the case of unlisted financial instruments, Airbus determines fair values by using generally accepted valuation techniques on the basis of market information available at the end of the reporting period. Derivative instruments are generally managed on the basis of Airbus' net exposure to the credit risk of each particular counterparty and fair value information is provided to Airbus' key management personnel on that basis. For these derivative instruments, the fair value is measured based on the price that would be received to sell a net long position, or transfer a net short position, for a particular credit risk exposure as further described below.

Depending on the extent the inputs used to measure fair values rely on observable market data, fair value measurements may be hierarchised according to the following levels of input:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

- Level 2: inputs other than quoted prices that are observable for the asset or liability – fair values measured based on Level 2 input typically rely on observable market data such as interest rates, foreign exchange rates, credit spreads or volatilities;
- Level 3: inputs for the asset or liability that are not based on observable market data – fair values measured based on Level 3 input rely to a significant extent on estimates derived from Airbus' own data and may require the use of assumptions that are inherently judgemental and involve various limitations.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input. Otherwise, fair values are determined mostly based on Level 1 and Level 2 input and to a minor extent on Level 3 input.

The following table presents the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2016 and 2015, respectively:

	31 December 2016				31 December 2015			
(In € million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	1,597	0	0	1,597	828	0	0	828
Derivative instruments	0	1,148	3	1,151	0	1,234	46	1,280
Securities	11,446	2	0	11,448	11,474	165	0	11,639
Cash equivalents[(1)]	5,513	1,535	0	7,048	3,042	2,130	0	5,172
Total[(1)]	**18,556**	**2,685**	**3**	**21,244**	**15,344**	**3,529**	**46**	**18,919**
Financial liabilities measured at fair value								
Derivative instruments	0	(11,009)	(11)	(11,020)	0	(10,587)	0	(10,587)
Other liabilities	0	0	(38)	(38)	0	0	(74)	(74)
Total	**0**	**(11,009)**	**(49)**	**(11,058)**	**0**	**(10,587)**	**(74)**	**(10,661)**

(1) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted by € -899 million.

The development of financial instruments of Level 3 is as follows:

	Financial assets		Financial liabilities			
(In € million)	Commodity swap agreements	Total	Written put options on NCI interests	Commodity swap agreements	Earn-out agreements	Total
1 January 2015	**2**	**2**	**(127)**	**0**	**(10)**	**(137)**
Total gains or losses in profit or loss	59	59	0	0	0	0
OCI	0	0	60	0	0	60
Settlements	(15)	(15)	3	0	0	3
31 December 2015	**46**	**46**	**(64)**	**0**	**(10)**	**(74)**
Total gains or losses in profit or loss	(10)	(10)	(2)	(11)	0	(13)
OCI	0	0	0	0	0	0
Settlements	(33)	(33)	38	0	0	38
31 December 2016	**3**	**3**	**(28)**	**(11)**	**(10)**	**(49)**

The profit of the period impact attributable to Level 3 financial assets and liabilities which are still held by Airbus as of 31 December 2016 was a loss of € -16 million (2015: gain of € 46 million).

Financial Assets Classified as Level 3

The financial assets measured at fair value that are classified as Level 3 mainly consist of short-term commodity contracts whose notional amounts vary with the actual volumes of certain commodity purchases made by Airbus in specific months. For fair value measurement purposes, the notional amounts, being the unobservable input, are set with reference to monthly commodity volumes that management expects to purchase based on planning forecasts. The fair values are otherwise determined using observable market data including quoted interest rates and pricing information obtained from recognised vendors of market data.

A deviation of 10% of actual monthly volumes purchased from expected monthly volumes purchased would increase or decrease (depending on whether actual volumes are 10% more or 10% less than expected volumes) the total Level 3 fair value of these short-term commodity contracts by less than € 1 million.

Financial Liabilities Classified as Level 3

The financial liabilities measured at fair value that are classified as Level 3 consist of several written put options on non-controlling interest of Airbus subsidiaries. The fair values of these NCI puts (*i.e.* the net present value of their redemption amount on exercise) are derived from a discounted cash flow analysis of the latest operating planning figures of the respective entities.

The fair value measurements are performed on an annual basis in line with the operative planning cycle. Apart from the detailed 5-year operating planning figures, there are two unobservable inputs that significantly affect the values of the NCI puts: the WACC used to discount the forecasted cash flows and the growth rate used to determine the terminal value. WACC and growth rates as well as operating planning figures that were used for the determination of the Level 3 fair values are derived from the input perimeters as applied for the impairment test as disclosed in "– Note 17: Intangible Assets – Goodwill Impairment Tests". An increase (decrease) of the discount rates by 50 basis points results in a decrease (increase) of the NCI put values by € 1 million (€ 5 million). An increase (decrease) in the growth rates by 50 basis points increases (decreases) the NCI put values by € 1 million (€ 5 million) respectively.

Another element of financial liabilities measured at fair value classified as Level 3 are earn-out payments that have been agreed with former shareholders of entities acquired by Airbus in business combinations. Fair value measurement is based on the expectation regarding the achievement of defined target figures by the acquired entity or its ability to close identified customer contracts.

Financial Assets Designated at Fair Value through Profit or Loss

The following types of **financial assets** held at 31 December 2016 and 2015, respectively, are designated at fair value through profit or loss:

(In € million)	**Nominal amount at initial recognition as of 31 December 2016**	**Fair value as of 31 December 2016**	Nominal amount at initial recognition as of 31 December 2015	Fair value as of 31 December 2015
Designated at fair value through profit or loss at recognition:				
▪ Money market funds (accumulating)	5,513	5,513	3,220	3,220
▪ Foreign currency funds of hedge funds	6	0	8	3
Total	**5,519**	**5,513**	**3,228**	**3,223**

Airbus manages these assets and measures their performance on a fair value basis.

In addition, Airbus invests in non-accumulating money market funds, which pay interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to € 705 million (2015: € 720 million).

Fair Value Measurement Method

The methods Airbus uses to measure fair values are as follows:

Equity instruments — The fair values of listed equity instruments reflect quoted market prices. The fair values of unlisted equity instruments may not be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. Those instruments are measured at cost, and their carrying amounts used as a proxy for fair value.

Customer financing assets and other loans — The carrying amounts reflected in the annual accounts are used as a proxy for fair value.

Trade receivables and other receivables — The carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the receivables' origination and their maturity.

Securities — The fair values of securities reflect their quoted market price at the end of the reporting period.

Cash and cash equivalents include cash in hand, cash in banks, checks, fixed deposits as well as commercial papers and money market funds. The carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the origination of the instrument and its maturity or due date. The fair value of commercial papers is determined based on Level 2 input by discounting future cash flows using appropriate interest rates. The fair values of money market funds are determined by reference to their quoted market price.

Derivatives — The fair values of derivative instruments reflect quoted market prices, where available, but in most cases are determined using recognised valuation techniques such as option-pricing models and discounted cash flow models. The valuation is based on observable market data such as currency rates, currency forward rates, interest rates and yield curves, commodity forward prices as well as price and rate volatilities obtained from recognised vendors of market data.

Furthermore, to the extent that these instruments are subject to master netting arrangements and similar agreements and managed on the basis of net credit exposure, their fair values reflect credit and debit value adjustments based on the net long or net short position that Airbus has with each counterparty. Except for certain short-term commodity contracts discussed in the Level 3 section above, derivative fair values are measured based on Level 2 input.

Financing liabilities — The fair values disclosed for financing liabilities, other than those of issued bonds and issued commercial papers, are determined based on Level 2 input by discounting scheduled or expected cash flows using appropriate market interest rates. The fair values disclosed for the issued EMTN and US dollar bonds reflect public price quotations that qualify as Level 1 input. For issued commercial papers, the carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the origination of these instruments and their maturity.

Trade liabilities and current other financial liabilities — For the same reason, carrying amounts are used as reasonable fair value approximations for trade liabilities and current other financial liabilities.

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

	31 December					
	2016	2015	**2016**	2015	**2016**	2015
(Interest rate in %)	€		US$		£	
6 months	(0.26)	(0.08)	1.31	0.94	0.60	0.85
1 year	(0.11)	0.14	1.62	1.12	0.81	1.13
5 years	(0.06)	0.21	1.97	1.72	0.87	1.59
10 years	0.54	0.89	2.35	2.18	1.23	1.99

35.3 Potential Effect of Set-Off Rights on Recognised Financial Assets and Liabilities

Airbus reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. Furthermore, securities lending transactions are accounted for as collateralised borrowings. As a result, the securities pledged as collateral continue to be recognised on the balance sheet and the amount of cash received at the outset of the transaction is separately recognised as a financial liability. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements and collateralised borrowings on Airbus' financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2016 and 31 December 2015, respectively:

Derivative instruments *(In € million)*	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral received	Net amount
31 December 2016						
Financial assets	1,363	0	1,363	(1,358)	0	5
Financial liabilities	10,879	0	10,879	(1,358)	0	9,521
31 December 2015						
Financial assets	1,280	0	1,280	(1,280)	0	0
Financial liabilities	10,587	0	10,587	(1,280)	0	9,307

35.4 Notional Amounts of Derivative Financial Instruments

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

The notional amounts of **foreign exchange derivative financial instruments** are as follows, specified by year of expected maturity:

	Remaining period								
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	Total
31 December 2016									
Net forward sales contracts	22,482	22,163	18,416	11,839	5,496	1,291	(11)	0	81,676
Foreign exchange options									
Purchased US-dollar put options	0	0	4,079	4,198	740	0	0	0	9,017
Written US-dollar put options	0	0	4,079	4,198	740	0	0	0	9,017
Foreign exchange swap contracts	(104)	0	0	0	0	0	0	0	(104)
31 December 2015									
Net forward sales contracts	20,395	21,234	20,041	14,655	4,086	(367)	(445)	2	79,601
Foreign exchange options									
Purchased US-dollar put options	0	0	0	3,536	3,399	441	0	0	7,376
Written US-dollar put options	0	0	0	3,536	3,399	441	0	0	7,376
Foreign exchange swap contracts	906	0	0	0	0	0	0	0	906

The notional amounts of **interest rate contracts** are as follows:

	Remaining period								
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	Total
31 December 2016									
Interest rate contracts	36	1,096	989	7	988	4	949	3,771	7,840
Interest rate future contracts	130	0	0	0	0	0	0	0	130
31 December 2015									
Interest rate contracts	1,382	36	1,194	1,152	7	864	4	3,232	7,871
Interest rate future contracts	1,032	0	0	0	0	0	0	0	1,032

Please also see "– Note 34.3: Financing Liabilities".

The notional amounts of **commodity contracts** are as follows:

	Remaining period					
(In € million)	1 year	2 years	3 years	4 years	> 4 years	Total
31 December 2016	270	41	16	6	0	333
31 December 2015	336	129	23	11	1	500

The notional amounts of **equity swaps** are as follows:

	Remaining period					
(In € million)	1 year	2 years	3 years	4 years	> 4 years	Total
31 December 2016	76	52	49	19	0	196
31 December 2015	153	76	52	49	19	349

35.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2016 and 2015 is as follows:

(In € million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total
1 January 2015	**(3,310)**	**(22)**	**(3,332)**
Unrealised gains and losses from valuations, gross[(1)]	(8,421)	(111)	(8,532)
Transferred to profit or loss for the period, gross[(1)]	3,762	71	3,833
Changes in fair values of hedging instruments recorded in AOCI, gross	(4,659)	(40)	(4,699)
Changes in fair values of hedging instruments recorded in AOCI, tax	1,134	13	1,147
Share of changes in fair values of hedging instruments from investments accounted for under the equity method, net	(29)	0	(29)
Changes in fair values of hedging instruments recorded in AOCI, net	(3,554)	(27)	(3,581)
31 December 2015	**(6,864)**	**(49)**	**(6,913)**
Unrealised gains and losses from valuations, gross	(3,462)	(50)	(3,512)
Transferred to profit or loss for the period, gross	3,199	66	3,265
Changes in fair values of hedging instruments recorded in AOCI, gross	(263)	16	(247)
Changes in fair values of hedging instruments recorded in AOCI, tax	12	(8)	4
Share of changes in fair values of hedging instruments from investments accounted for under the equity method, net	(38)	0	(38)
Changes in fair values of hedging instruments recorded in AOCI, net	(289)	8	(281)
31 December 2016	**(7,153)**	**(41)**	**(7,194)**

(1) Previous year figures are adjusted to correct a sign error.

In the year 2016, an amount of € -3,265 million (2015 adjusted: € -3,833 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges. No material ineffectiveness arising from hedging relationship has been determined.

In addition, a loss of € -27 million was recognised in the profit of the period in 2016 (2015: gain of € 20 million) on derivatives that were designated as hedging instruments in a fair value hedge, and a gain of € 12 million (2015: loss of € -18 million) attributable to the hedged risk was recognised in the profit of the period on the corresponding hedged items. Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments as of 31 December 2016 and 2015, respectively, are as follows:

	31 December			
	2016		2015	
(In € million)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – cash flow hedges	946	(10,398)	832	(10,017)
Foreign currency contracts – not designated in a hedge relationship	4	(25)	182	(82)
Interest rate contracts – cash flow hedges	0	(26)	0	(40)
Interest rate contracts – fair value hedges	122	(38)	101	(8)
Interest rate contracts – not designated in a hedge relationship	59	(71)	80	(87)
Commodity contracts – cash flow hedges	2	(27)	0	(57)
Commodity contracts – not designated in a hedge relationship	3	(34)	46	(73)
Equity swaps – cash flow hedges	15	(3)	30	(7)
Embedded bonds conversion option – not designated in a hedge relationship	0	(122)	0	0
Embedded foreign currency derivatives – cash flow hedges	0	(179)	0	(31)
Embedded foreign currency derivatives – not designated in a hedge relationship	0	(97)	9	(185)
Total	**1,151**	**(11,020)**	**1,280**	**(10,587)**

35.6 Net Gains or Net Losses

Airbus' net gains or net losses recognised in profit or loss in 2016 and 2015, respectively, are as follows:

(In € million)	**2016**	2015
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	(451)	(178)
Designated on initial recognition	50	166
Available-for-sale financial assets	15	183
Loans and receivables[1]	(160)	(182)
Financial liabilities measured at amortised cost	(249)	(192)

(1) Contain among others impairment losses.

Net losses of € -50 million (2015: net gain of € 366 million) are recognised directly in equity relating to available-for-sale financial assets.

Interest income from financial assets or financial liabilities through profit or loss is included in net gains or losses.

35.7 Impairment Losses

The following impairment losses on financial assets are recognised in profit or loss in 2016 and 2015, respectively:

(In € million)	**2016**	2015
Other investments and other long-term financial assets:		
Equity instruments	(12)	(49)
Customer financing	(123)	(25)
Other loans	(10)	(12)
Trade receivables	(34)	(25)
Total	**(179)**	**(111)**

2.8 Other Notes

36. Litigation and Claims

Litigation and claims — Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with certainty. The Company believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Company to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term "reasonably possible" is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely.

Airbus is involved from time to time in various legal and arbitration proceedings in the ordinary course of its business, the most significant of which are described below. Other than as described below, Airbus is not aware of any material governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering at least the previous twelve months which may have, or have had in the recent past significant effects on Airbus Group SE's or Airbus' financial position or profitability.

If the Company concludes that the disclosures relative to contingent liabilities can be expected to prejudice seriously its position in a dispute with other parties, the Company limits its disclosures to the nature of the dispute.

WTO

Although Airbus is not a party, Airbus is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing. On 19 December 2014, the European Union requested WTO consultations on the extension until the end of 2040 of subsidies originally granted by the State of Washington to Boeing and other US aerospace firms until 2024.

On 1 June 2011, the WTO adopted the Appellate Body's final report in the case brought by the US assessing funding to Airbus Commercial Aircraft from European Governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the US did not agree, the matter is now under WTO review pursuant to WTO rules.

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

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

GPT

Prompted by a whistleblower's allegations, Airbus conducted internal audits and retained PricewaterhouseCoopers ("PwC") to conduct an independent review relating to GPT Special Project Management Ltd. ("GPT"), a subsidiary that Airbus acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by Airbus, relating to activities conducted by GPT in Saudi Arabia. PwC's report was provided by Airbus to the UK Serious Fraud Office (the "SFO") in March 2012. In the period under review and based on the work it undertook, nothing came to PwC's attention to suggest that improper payments were made by GPT. In August 2012, the SFO announced that it had opened a formal criminal investigation into the matter. Airbus is in continuing engagement with the authorities.

Eurofighter Austria

In March 2012, the German public prosecutor, following a request for assistance by the Austrian public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust by current and former employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH as well as by third parties relating to the sale of Eurofighter aircraft to Austria in 2003. After having been informed of the investigation in 2012, Airbus retained the law firm Clifford Chance to conduct a fact finding independent review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus in December 2013. Airbus provided the report to the public prosecutors in Germany. Airbus' request for access to the prosecutor's file is pending. Airbus Defence and Space GmbH settled with the tax authorities in August 2016 on the question of deductibility of payments made in connection with the Eurofighter Austria campaign. In February 2017, the Austrian Federal Ministry of Defence has raised criminal allegations against Airbus Defence and Space GmbH for wilful deception and fraud in the context of the sale of the Eurofighter aircraft to Austria and respective damage claims. Airbus is cooperating fully with the authorities.

Investigation by the UK SFO into Civil Aviation Business

In the context of review and enhancement of its internal compliance improvement programme, Airbus discovered misstatements and omissions relating to information provided in respect of third party consultants in certain applications for export credit financing for Airbus customers. In early 2016, Airbus informed the UK, German and French Export Credit Agencies ("ECAs") of the irregularities discovered. Airbus made a similar disclosure to the UK Serious Fraud Office ("SFO"). In August 2016, the SFO informed Airbus that it had opened an investigation into allegations of fraud, bribery and corruption in the civil aviation business of Airbus relating to irregularities concerning third party consultants (business partners). Airbus is cooperating fully with the SFO. The SFO investigation and any enforcement action potentially arising as a result could have negative consequences for Airbus. The potential imposition of any monetary penalty (and the amount thereof) arising from the SFO investigation would depend on factual findings, and could have a material impact on the financial statements, however at this stage it is too early to determine the likelihood or extent of any liability. Investigations of this nature could also result in (i) civil claims or claims by shareholders against Airbus (ii) adverse consequences on Airbus' ability to obtain or continue financing for current or future projects (iii) limitations on the eligibility of group companies for certain public sector contracts and/or (iv) damage to Airbus' business or reputation via negative publicity adversely affecting Airbus' prospects in the commercial market place.

ECA Financing

ECA financing continues to be suspended. Airbus is working with the relevant ECAs to re-establish ECA financing.

Other Investigations

In October 2014, the Romanian authorities announced an investigation relating to a border surveillance project in Romania. Airbus confirms that Airbus Defence and Space GmbH had been informed that the German prosecution office is also investigating potential irregularities in relation to this project, a project in Saudi Arabia and a project of Tesat-Spacecom GmbH & Co. KG. The public prosecutor in Germany has launched administrative proceedings in the context of those investigations against Airbus Defence and Space GmbH and Tesat-Spacecom GmbH & Co. KG. Airbus has cooperated fully with the authorities. In October 2016, the German authorities announced that they were dropping their investigations into the Romanian and Saudi projects. The tax authorities may challenge the tax treatment of business expenses in connection with the Romanian and Saudi projects.

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

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

Review of Business Partner Relationships

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

Commercial Disputes

In May 2013, Airbus has been notified of a commercial dispute following the decision taken by Airbus to cease a partnership for sales support activities in some local markets abroad. Airbus believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the outcome of the proceedings cannot be fully assessed at this stage. The arbitration will not be completed until 2018 at the earliest.

In the course of another commercial dispute, Airbus received a statement of claim alleging liability for refunding part of the purchase price of a large contract which the customer claims it was not obliged to pay. The dispute is currently the subject of arbitration.

37. Auditor Fees

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2016 have been charged by EY to the Company (2015: by KPMG), its subsidiaries and other consolidated entities:

(In € thousand)	**2016 - EY**	2015 - KPMG
Audit of the financial statements	6,578	6,008
Other audit engagements	1,226	2,396
Tax services	362	608
Other non-audit services	6,870	3,764
Total	**15,036**	**12,776**

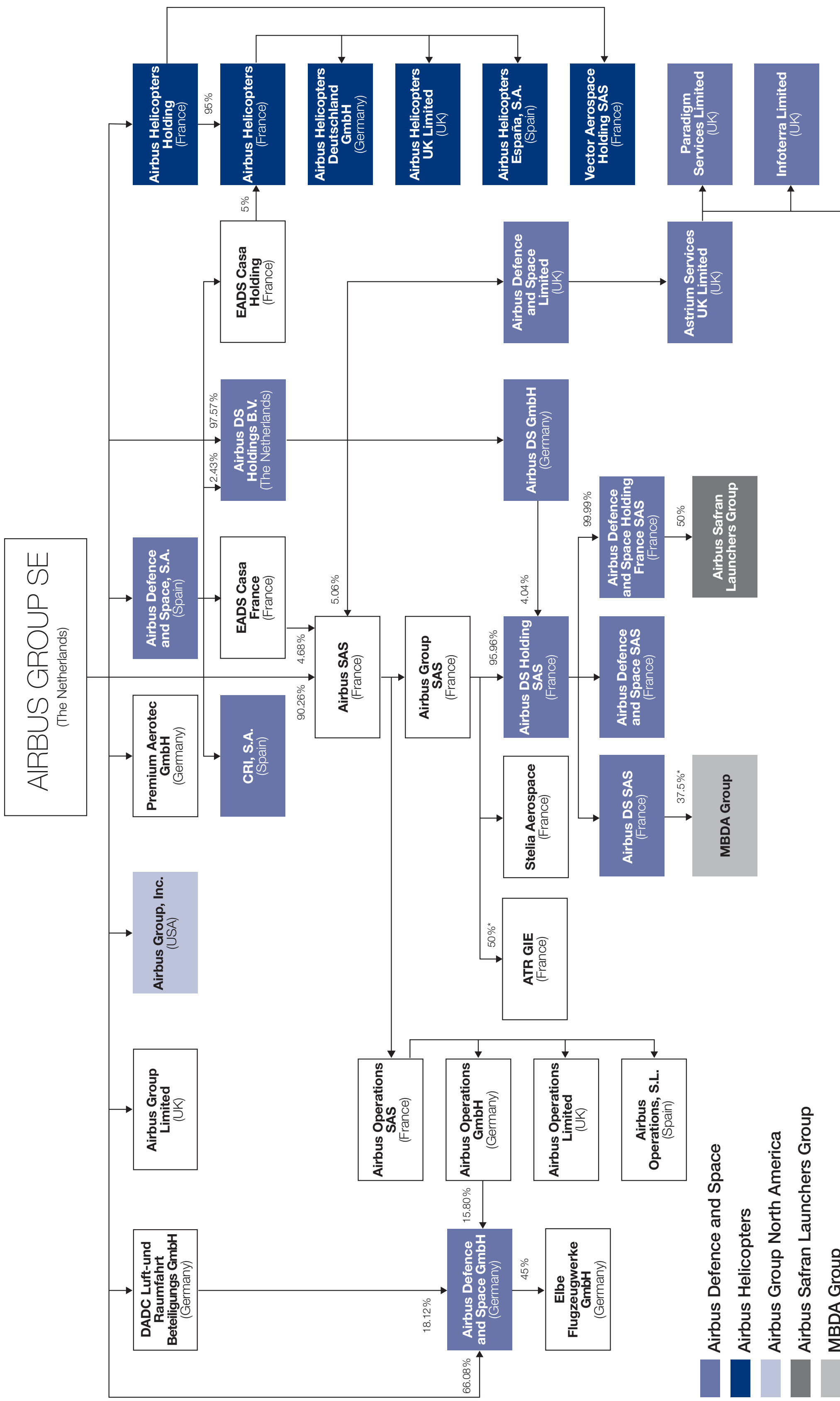
In 2016, Airbus was audited by EY only (2015: by KPMG only). Other audit firms have audit fees related to audit process, certification and examination of individual and consolidated accounts of €4 million in 2016 (2015: €6 million).

38. Events after the Reporting Date

On 1 January 2017, Airbus Group has been further integrated by merging its Group structure with the commercial aircraft activities of Airbus, with associated restructuring measures. In this new set-up, the Company will retain Airbus Defence and Space and Airbus Helicopters as divisions.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 21 February 2017.

2.9 Appendix "Simplified Airbus Structure Chart"



*Airbus owns indirectly 50% of ATR GIE, 50% of Airbus Safran Launchers Group and 37.50% of MBDA Group.
Subsidiaries held with no indication of ownership percentage are 100% owned.
Legal forms are indicated for information purposes and are not always part of the legal name.

2

Chapter

3

Airbus Group SE IFRS Company Financial Statements

IFRS Company Income Statements for the years ended 31 December 2016 and 2015

(In € million)	Note	**2016**	2015
Operating income		531	476
Operating expenses		(652)	(634)
Income from investments		4,021	9
Loss on disposal of investments		0	(5)
Total operating result	4	**3,900**	**(154)**
Interest income		204	225
Interest expense		(120)	(133)
Other financial result		(101)	127
Total financial result	5	**(17)**	**219**
Profit before income taxes		**3,883**	**65**
Tax income (expense)	6	17	(11)
Profit for the period		**3,900**	**54**

IFRS Company Statements of Comprehensive Income for the years ended 31 December 2016 and 2015

(In € million)	**2016**	2015
Profit for the period	**3,900**	**54**
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Net change in fair value of available-for-sale financial assets	138	26
Net change in fair value of cash flow hedges	4	0
Other comprehensive income, net of tax	**142**	**26**
Total comprehensive income of the period	**4,042**	**80**

IFRS Company Statements of Financial Position at 31 December 2016 and 2015

(In € million)	Note	**2016**	2015
Assets			
Non-current assets			
Investments in subsidiaries and associates	7	15,545	14,521
Long-term financial assets	8	3,296	3,594
Non-current other financial assets	8	7,602	7,979
Non-current other assets		4	5
Deferred tax assets	6	9	15
Non-current securities	12	9,670	9,593
		36,126	**35,707**
Current assets			
Trade receivables		102	11
Current other financial assets	8	4,656	4,431
Current accounts Group companies	8	9,409	8,353
Current other assets		160	149
Current securities	12	1,489	1,683
Cash and cash equivalents	12	8,758	6,515
		24,574	**21,142**
Total assets		**60,700**	**56,849**

Equity and liabilities			
Stockholders' equity	11		
Issued and paid up capital		773	785
Share premium		2,745	3,484
Retained earnings		4,014	4,939
Legal reserves		353	211
Treasury shares		(3)	(303)
Result of the year		3,900	54
		11,782	**9,170**
Non-current liabilities			
Long-term financing liabilities	12	7,934	5,394
Non-current financial liabilities	8	7,698	7,960
		15,632	**13,354**
Current liabilities			
Short-term financing liabilities	12	98	1,823
Current accounts Group companies	8	28,557	28,415
Current financial liabilities	8	4,543	3,991
Current other liabilities		88	96
		33,286	**34,325**
Total equity and liabilities		**60,700**	**56,849**

IFRS Company Statements of Cash Flows for the years ended 31 December 2016 and 2015

(In € million)	Note	**2016**	2015
Profit for the period (Net income)		**3,900**	**54**
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(204)	(225)
Interest expense		120	133
Interest received		231	206
Interest paid		(104)	(117)
Income tax received		0	3
Depreciation and amortisation		0	5
Valuation adjustments		(102)	(240)
Deferred tax (income) expense		(17)	11
Change in current and non-current provisions		12	2
Change in other operating assets and liabilities:		**(136)**	**(3)**
▪ Trade receivables		(126)	(2)
▪ Trade liabilities		(9)	0
▪ Other assets and liabilities		(1)	(1)
Cash provided by (used for) operating activities		**3,700**	**(171)**
Investments:			
▪ Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests	7	(921)	(546)
▪ Payments for long-term financial assets		(642)	(670)
▪ Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		11	44
▪ Repayments of other long-term financial assets		1,340	127
Payments for investments in securities		(2,037)	(6,877)
Proceeds from disposals of securities		2,300	4,592
Cash provided by (used for) investing activities		**51**	**(3,330)**
Draw-down in financing liabilities		2,580	788
Repayment of financing liabilities		(1,607)	(136)
Change in current accounts Group companies		(797)	4,056
Cash distribution to Airbus Group SE shareholders		(1,008)	(945)
Changes in capital		60	171
Share buyback		(736)	(264)
Cash (used for) provided by financing activities		**(1,508)**	**3,670**
Effect of foreign exchange rate changes on cash and cash equivalents		0	146
Net increase in cash and cash equivalents		**2,243**	**315**
Cash and cash equivalents at beginning of period		**6,515**	**6,200**
Cash and cash equivalents at end of period	12	**8,758**	**6,515**

IFRS Company Statements of Changes in Equity for the years ended 31 December 2016 and 2015

				Accumulated other comprehensive income			
	Capital stock	Share premium	Retained earnings	Available-for-sale financial assets	Cash flow hedges	Treasury shares	Total equity
Balance at 1 January 2015	**785**	**4,500**	**4,860**	**195**	**(10)**	**(8)**	**10,322**
Profit for the period	0	0	54	0	0	0	54
Other comprehensive income	0	0	0	26	0	0	26
Total comprehensive income of the period	0	0	54	26	0	0	80
Capital increase	3	115	0	0	0	0	118
Share-based payments (IFRS 2)	0	0	29	0	0	0	29
Cash distribution to Airbus Group SE shareholders	0	(945)	0	0	0	0	(945)
Equity component convertible bond	0	0	53	0	0	0	53
Change in treasury shares	0	0	(3)	0	0	(484)	(487)
Cancellation of treasury shares	(3)	(186)	0	0	0	189	0
Balance at 31 December 2015	**785**	**3,484**	**4,993**	**221**	**(10)**	**(303)**	**9,170**
Profit for the period	0	0	3,900	0	0	0	3,900
Other comprehensive income	0	0	0	138	4	0	142
Total comprehensive income of the period	0	0	3,900	138	4	0	4,042
Capital increase	2	58	0	0	0	0	60
Share-based payments (IFRS 2)	0	0	31	0	0	0	31
Cash distribution to Airbus Group SE shareholders	0	0	(1,008)	0	0	0	(1,008)
Change in treasury shares	0	0	(2)	0	0	(511)	(513)
Cancellation of treasury shares	(14)	(797)	0	0	0	811	0
Balance at 31 December 2016	**773**	**2,745**	**7,914**	**359**	**(6)**	**(3)**	**11,782**

3

Chapter

4

Notes to the IFRS Company Financial Statements

CONTENTS

4.1 Basis of Presentation

1. The Company

The Company's principal activity is acting as a holding and management company for the subsidiaries of Airbus Group SE, the "Company", a listed company in the form of a European Company (Societas Europaea), legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands) and registered at the Chamber of Commerce in The Hague under number 24288945. The Company has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Financial Statements were authorised for issue by the Company's Board of Directors on 21 February 2017. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately.

2. Significant Accounting Policies

Basis of preparation — The Company's Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Dutch Civil Code.

In the Company Financial Statements of Airbus Group SE, unless otherwise disclosed, the same accounting principles have been applied as set out in the Notes to the Consolidated Financial Statements, except for the valuation of the investments as presented under investments in subsidiaries and associates in the Company Financial Statements. These policies have been consistently applied to all years presented.

In the Company Financial Statements, the investments in subsidiaries and associates are recorded at acquisition cost less impairments, whereas in prior years, investments in Group companies were stated at net asset value. As a consequence, the determination of the results in the Company Financial Statements changed compared to previous years. In the Company Statement of Income, dividend received from investments is recorded as dividend income.

Due to this application, the Company equity and net result are not equal to the consolidated equity and net result. A reconciliation of the total shareholders' equity and profit for the period is presented in Note 11 "Total Equity" to the Company Financial Statements.

The Company Financial Statements have been prepared on a historical cost basis, unless otherwise indicated.

Regarding the application of new, revised or amended IFRS standards issued but not yet applied please refer to Note 2 "Significant accounting policies" of the Group's Consolidated Financial Statements. Further information about Share-Based Payments and Employee Stock Ownership Plans (ESOP) is presented in Note 30 and information about Remuneration is presented in Note 31 of the Consolidated Financial Statements.

The information with regard to Capital Management is disclosed in Note 33, further information about Litigation and Claims refers to Note 36 and Events after the Reporting Date are disclosed in Note 38 of the Group's Consolidated Financial Statements.

Unless reference is made to the accounting policies described in the Consolidated Financial Statements, the main accounting policies applied in the preparation of these Company Financial Statements are described in each accounting area. These accounting policies have been consistently applied to all financial years presented, unless otherwise stated.

Use of Estimates and Judgements

The preparation of the Company Financial Statements in conformity with EU-IFRS requires the use of estimates and assumptions. In preparing those financial statements, the management exercises its best judgement based upon its experience and the circumstances prevailing at that time. The estimates and assumptions are based on available information and conditions at the end of the financial period presented and are reviewed on an ongoing basis. Actual results could differ from these estimates.

Key accounting estimates and judgements affecting the assessment and measurement of impairment are included in Note 7 "Investments in Subsidiaries, Associates and Participations" of the Company Financial Statements.

3. Related Party Transactions

Key Management Personnel

The details regarding the compensation of key management personnel are described in Note 8 "Related Party Transactions" of the Consolidated Financial Statements.

Intercompany Transactions

A comprehensive exchange of internal services between the subsidiaries of a multinational corporation like Airbus Group SE is common practice. In its responsibility as holding company to manage its subsidiaries and to assist the business activities conducted by companies of the Airbus Group and its subsidiaries, Airbus Group SE applies transfer prices for its business activities in conformity with market levels and in accordance with national and international tax requirements (arm's length principle).

The following table discloses the related party intercompany transactions in 2016 and 2015:

(In € million)	**Transactions with subsidiaries 2016**	**Transactions with associates 2016**	Transactions with subsidiaries 2015	Transactions with associates 2015
Rendering of services, dividend income and interest income	4,634	33	560	62
Purchases of services, investment charge and interest expenses	(736)	(2)	(724)	(4)
Intercompany receivables due as of 31 December	12,886	83	12,400	18
Intercompany payables due as of 31 December	(32,403)	(666)	(32,414)	(503)
Hedge relationships receivable as of 31 December	10,730	0	10,482	0
Hedge relationships payable as of 31 December	(1,344)	0	(1,383)	0

For further information about granted guarantees to subsidiaries please refer to Note 9 "Commitments and Contingencies" of the Company Financial Statements.

4.2 Company Performance

4. Total Operating Result

(In € million)	**2016**	2015
Operating income		
Corporate services rendered to Group companies	**531**	**476**
Operating expenses	**(652)**	**(634)**
Service fees charged by Group companies	(596)	(581)
Administrative expenses	(56)	(53)
Income from investments	**4,021**	**9**
Dividends received from Group companies	4,021	9
Expense from investments	**0**	**(5)**
Loss on disposal of investments	0	(5)
Total operating result	**3,900**	**(154)**

5. Total Financial Result

(In € million)	**2016**	2015
Interest result(1)	**84**	**92**
Interest income from available-for-sale securities	89	93
Others	(5)	(1)
Other financial result	**(101)**	**127**
Option liability exchangeable bond	(64)	0
Equity instruments	5	159
Interest rate hedging	(16)	(11)
Financing income (expense)	3	(9)
FX revaluation	(29)	(12)
Total financial result	**(17)**	**219**

(1) In 2016, the total interest income amounts to €204 million (in 2015: €225 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss €-120 million (in 2015: €-133 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

The Company is acting as a financial market agent on behalf of its subsidiaries, therefore the fair value changes of derivatives are reported on a net basis.

6. Income Tax

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

Income taxes — The tax expense for the year comprises deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in Other Comprehensive Income.

The amount of income tax included in the Income Statement is determined in accordance with the rules established by the tax authorities in the Netherlands, based on which income taxes are payable or recoverable.

Deferred tax assets and/or liabilities, arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities, are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised.

The expense for income taxes is comprised of the following:

(In € million)	**2016**	2015
Current tax expense	0	0
Deferred tax income (expense)	17	(11)
Total	**17**	**(11)**

The following table shows reconciliation from the theoretical income tax expense using the Dutch corporate tax rate to the reported tax (expense) income:

(In € million)	**2016**	2015
Profit before income taxes	3,883	65
* Corporate income tax rate	25.0%	25.0%
Expected expense for income taxes	(971)	(16)
Non-taxable income from investments	1,005	1
Option liability exchangeable bond	(16)	0
Income from other companies within the fiscal unity	(6)	5
Other	5	(1)
Reported tax income (expense)	**17**	**(11)**

The first tranche of tax loss carry forwards (€20 million) will expire by the end of 2023.

Deferred income taxes as of 31 December 2016 are related to the following assets and liabilities:

	1 January 2016		Other movements		Movement through income statement	**31 December 2016**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Securities	0	(21)	(22)	0	0	0	(43)
Financial instruments	0	(3)	(1)	0	3	0	(1)
Net operating loss and tax loss carry forwards	39	0	0	0	14	53	0
Deferred tax assets (liabilities) before offsetting	**39**	**(24)**	**(23)**	**0**	**17**	**53**	**(44)**
Set-off	(24)	24	0	0	0	(44)	44
Net deferred tax assets (liabilities)	**15**	**0**	**(23)**	**0**	**17**	**9**	**0**

Deferred income taxes as of 31 December 2015 are related to the following assets and liabilities:

	1 January 2015		Other movements		Movement through income statement	31 December 2015	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Securities	0	(31)	10	0	0	0	(21)
Financial instruments	27	0	0	0	(30)	0	(3)
Net operating loss and tax loss carry forwards	23	0	0	(3)	19	39	0
Deferred tax assets (liabilities) before offsetting	**50**	**(31)**	**10**	**(3)**	**(11)**	**39**	**(24)**
Set-off	(31)	31	0	0	0	(24)	24
Net deferred tax assets (liabilities)	**19**	**0**	**10**	**(3)**	**(11)**	**15**	**0**

Details of deferred taxes recognised cumulatively in equity are as follows:

(In € million)	**2016**	2015
Available-for-sale investments	(43)	(21)
Cash flow hedges	2	3
Total	**(41)**	**(18)**

4.3 Operational Assets and Liabilities

7. Investments in Subsidiaries, Associates and Participations

(In € million)	Subsidiaries	Associates	Participations	Total
Balance at 1 January 2015	**14,048**	**21**	**174**	**14,243**
Additions	196	0	0	196
Loss on disposal of investments	(5)	0	0	(5)
Share-based payments (IFRS 2)	29	0	0	29
Fair value changes through AOCI	0	0	58	58
Balance at 31 December 2015	**14,268**	**21**	**232**	**14,521**
Additions	136	0	785	921
Share-based payments (IFRS 2)	31	0	0	31
Fair value changes through AOCI	0	0	72	72
Balance at 31 December 2016	**14,435**	**21**	**1,089**	**15,545**

Investments in Subsidiaries, Associated Companies and Participations

Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from the Company's subsidiaries and associated companies is recognised when the right to receive payment is established.

Available-for-sale participations are stated at fair value with changes in fair value recognised in Other Comprehensive Income.

For the purpose of impairment testing all consolidated subsidiaries are allocated to Cash Generating Units ("CGU") in a way they are monitored for internal management purposes. At each balance sheet date, the Company reviews whether there is an indication that a CGU to which its investments in subsidiaries and associated companies belong to are impaired.

An indication for impairment of the investments in subsidiaries and associated companies may include, respectively, management's downward adjustment of the strategic plan or a significant decrease in the share price of a publicly listed company. Further indications for impairment of its investments may include other areas where observable data indicates that there is a measurable decrease in the estimated future cash flows. These determinations require significant judgement. In making this judgement, management evaluates, among other factors, the financial performance of and business outlook for its investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If any indication for impairment exists, the recoverable amount of the investments is estimated in order to determine the extent, if any, of the impairment loss. An investment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an investment's fair value less costs to sell and its value in use.

The determination of the investment's value in use is based on calculations using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The discounted cash flow method is used to determine the recoverable amount of a CGU to which its investments in subsidiaries and associated companies belongs to. The discounted cash flow method is particularly sensitive to the selected discount rates and estimates of future cash flows by management. Key assumptions used to determine the recoverable value of the CGU are the expected future labour expenses, future interest rates, future exchange rates to convert in euro the portion of future US dollar and pound sterling which are not hedged and the estimated growth rate of terminal values.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. Any impairment loss is recognised immediately in the Income Statement.

Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates or external market information used to determine the investment's recoverable amount since the last impairment loss was recognised.

The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Change of Investments in Subsidiaries

On 26 January 2016, Airbus Group SE made a further capital contribution of € 100 million into Airbus Group Bank GmbH.

On 26 September 2016, Airbus Group SE made a further capital contribution of € 22 million into Airbus Group Proj B.V., a 100% subsidiary, in the frame of the industrial partnership with OneWeb Ltd. for the design and manufacturing of microsatellites.

On 23 December, 2016, Airbus Group SE contributed its 100% subsidiary Airbus Group SAS to its subsidiary Airbus SAS for a total amount of € 1,118 million. In return for this contribution Airbus Group SE received additional shares in Airbus SAS for an equivalent amount.

During the year 2016, Airbus Group SE made further capital contributions into Airbus Group Ventures Fund for a total amount of € 14 million.

With effect of 1 January 2015, Airbus Operations GmbH contributed its A400M "IFA and Cargo Hold System", Bremen business into Airbus Defence and Space GmbH in turn to become a new shareholder. As a consequence Airbus Group SE's participation in Airbus Defence and Space GmbH was diluted from 78.48% to 66.08%.

Change of Investments in Associated Companies and Participations

On 13 September 2016, Airbus Group SE internally acquired 9.05% of the shares in Dassault Aviation SA for a total amount of € 785 million. The acquisition of these shares in Dassault Aviation SA is related to the issuance by the Company of an exchangeable bond in June 2016 (see Note 12 "Cash, Securities and Financing Liabilities"). After a share cancellation by Dassault Aviation SA on 23 December 2016, reducing its capital by 9.6%, the Company's stake in Dassault Aviation SA increased to 10.00% of the total shares.

INFORMATION ON PRINCIPAL INVESTMENTS OF THE COMPANY

2016	2015	Company	Head office
%			
50.90	50.90	Aero Ré S.A.	Bertrange (Luxembourg)
66.08	66.08	Airbus Defence and Space GmbH	Taufkirchen (Germany)
100.00	100.00	Airbus Defence and Space S.A.	Madrid (Spain)
97.57	97.57	Airbus DS Holdings B.V.	Leiden (Netherlands)
100.00	100.00	Airbus Group Bank GmbH	Munich (Germany)
100.00	100.00	Airbus Group Finance B.V.	Leiden (Netherlands)
100.00	100.00	Airbus Group, Inc.	Herndon, VA (USA)
100.00	100.00	Airbus Group Ltd.	London (UK)
100.00	100.00	Airbus Group Proj B.V.	Leiden (Netherlands)
0.00	100.00	Airbus Group S.A.S.	Toulouse (France)
99.00	99.00	Airbus Group Ventures Fund I, L.P.	Mountain View, CA (USA)
100.00	100.00	Airbus Helicopters Holding S.A.S.	Marignane (France)
90.26	94.42	Airbus S.A.S.	Toulouse (France)
100.00	100.00	DADC Luft-und Raumfahrt Beteiligungs GmbH	Taufkirchen (Germany)
10.00	0.00	Dassault Aviation S.A.	Paris (France)
100.00	100.00	Premium Aerotec GmbH	Augsburg (Germany)

Percentages represent share held directly by Airbus Group SE.

8. Financial Assets and Liabilities

Financial assets and liabilities at 31 December 2016 and 2015 consist of the following:

	31 December	
(In € million)	**2016**	2015
Long-term financial assets	**3,296**	**3,594**
Long-term loans Group companies	3,296	3,583
Long-term loans external	0	11
Non-current other financial assets	**7,602**	**7,979**
Positive fair values of derivative financial instruments	7,602	7,979
Current other financial assets	**4,656**	**4,431**
Positive fair values of derivative financial instruments	4,551	3,982
Current portion long-term loans Group companies	105	449
Current accounts Group companies[1]	**(19,148)**	**(20,062)**
Receivables from subsidiaries	9,409	8,353
Liabilities to subsidiaries	(28,557)	(28,415)
Non-current financial liabilities	**(7,698)**	**(7,960)**
Negative fair values of derivative financial instruments	(7,698)	(7,960)
Current financial liabilities	**(4,543)**	**(3,991)**
Negative fair values of derivative financial instruments	(4,543)	(3,991)

(1) The receivables from and liabilities to subsidiaries include mainly transactions in connection with the cash pooling in Airbus Group SE. Terms and conditions are in agreement with the prevailing market environment.

9. Commitments and Contingencies

Off-Balance Sheet Commitments

Airbus Group SE issued guarantees on behalf of Group companies in the amount of €5,849 million (2015: €6,347 million). The commitments of these companies to third parties mainly relate to their operating business as described in Note 18 "Property, Plant and Equipment", Note 25 "Sales Financing Transactions" and Note 35 "Information about Financial Instruments" of the Consolidated Financial Statements. In addition, the Company has entered into capital contribution commitments with Group companies in the amount of €54 million (2015: €54 million).

On 8 December 2015, Airbus Group SE entered into a partnership agreement to establish a corporate venture capital fund, dubbed Airbus Group Ventures, as well as a technology and business innovation center in Silicon Valley with a total commitment amount of US$ 150 million. On 25 November 2015, a first investment of US$ 5 million has been made into this fund. During the year 2016, Airbus Group SE made further capital contributions into Airbus Group Ventures Fund for a total amount of US$ 15 million.

4.4 Employees

10. Number of Employees

The average number of the persons employed by the Company in 2016 was 2 (2015: 3).

4.5 Capital Structure and Financial Instruments

11. Total Equity

Airbus Group's shares are ordinary shares with a par value of €1.00. The following table shows the development of the number of shares outstanding:

(In number of shares)	**2016**	2015
Issued as at 1 January	**785,344,784**	**784,780,585**
Issued for ESOP	1,474,716	1,539,014
Issued for exercised options	224,500	1,910,428
Cancelled	(14,131,131)	(2,885,243)
Issued as at 31 December	**772,912,869**	**785,344,784**
Treasury shares as at 31 December	(184,170)	(1,474,057)
Outstanding as at 31 December	**772,728,699**	**783,870,727**
Authorised shares	**3,000,000,000**	**3,000,000,000**

Holders of ordinary shares are entitled to dividends and are entitled to one vote per share at general meetings of the Company.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of € 224,500 (in 2015: € 1,910,428) in compliance with the implemented stock option plans and by employees of € 1,474,716 (in 2015: € 1,539,014) under the Employee Stock Ownership Plans (“ESOP”).

Share premium mainly results from contributions in kind in the course of the creation of Airbus Group, cash contributions from the Initial Public Offering, capital increases and reductions due to the issuance and cancellation of shares as well as cash distributions to Airbus Group SE shareholders.

Retained earnings include mainly the profit of the period and cash dividend payments to Airbus Group SE shareholders.

On 28 April 2016, the Shareholders’ General Meeting decided to distribute a gross amount of € 1.30 per share, which was paid on 3 May 2016. For the fiscal year 2016, the Group’s Board of Directors proposes a cash distribution payment of € 1.35 per share.

Accumulated Other Comprehensive Income (“AOCI”) includes:

- change from ***available-for-sale financial assets*** (see Note 13.2 “Carrying Amounts and Fair Values of Financial Instruments”);
- change in fair value of derivatives designated as ***cash flow hedges*** (see Note 13.2 “Carrying Amounts and Fair Values of Financial Instruments”).

According to Dutch law, the AOCI is considered to be a Legal Reserve and therefore distribution is restricted.

Treasury shares represent the amount paid or payable for own shares held in treasury and relates to the share buyback which took place between 2 November 2015 and 30 June 2016. As of 31 December 2015, the Group bought back € 264 million of shares and recognised a financial liability of € 223 million for its irrevocable share buyback commitment at that date. Recognition of the financial liability led to a corresponding reduction of equity. In 2016, the Group bought back € 736 million of shares on which € 223 million were recognised in financial liability which led to a reduction of equity by € -513 million. The share buyback has been completed for a total of € 1 billion.

Authorisations Granted by the Shareholders’ General Meeting of Airbus Group SE Held on 28 April 2016

On 28 April 2016, the Annual General Meeting (“AGM”) of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2017, to issue shares and grant rights to subscribe for shares in the Company’s share capital for the purpose of:

- ESOPs and share related LTIPs in the limit of 0.14% of the Company’s authorised share capital (see “– Note 30: Share-Based Payments” of the Group’s Consolidated Financial Statements);
- funding the Company and its Group companies, provided that such powers shall be limited to an aggregate of 0.3% of the Company’s authorised capital (see “– Note 34.3: Financing Liabilities” of the Group’s Consolidated Financial Statements).

For each operation, such powers shall not extend to issuing shares or granting rights to subscribe for shares if there is no preferential subscription right and for an aggregate issue price in excess of € 500 million per share issuance.

Also on 28 April 2016, the AGM authorised the Board of Directors for an 18-month period to repurchase up to 10% of the Company’s issued and outstanding share capital (*i.e.* issued share capital excluding shares held by the Company or its subsidiaries) at a price not exceeding the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

Furthermore, the AGM authorised both the Board of Directors and the CEO, with powers of substitution, that the number of shares repurchased by the Company pursuant to the share buyback programme are cancelled.

Reconciliation Consolidated to Company Equity and Net Income

The difference between the total shareholders' equity according to the Consolidated Financial Statements and Company's Financial Statements as at 31 December 2016 and 2015 is as follows:

	31 December	
(In € million)	**2016**	2015
Consolidated equity	**3,657**	**5,966**
AOCI - Restatement of investments from Consolidated to Company Financial Statements	5,198	4,527
Retained Earnings - Restatement of investments from Consolidated to Company Financial Statements	2,713	(1,537)
Retained Earnings - Valuation investments at historical cost	1,487	1,487
Retained Earnings - Impairment of financial assets	(1,273)	(1,273)
Company's equity	**11,782**	**9,170**

The difference between the net income according to the Consolidated Financial Statements and Company's Financial Statements for the year ended 31 December 2016 and 2015 is as follows:

(In € million)	**2016**	2015
Consolidated net income	**995**	**2,696**
Income from investments according to Consolidated Financial Statements	(1,118)	(2,694)
Income from investments according to Company Financial Statements	4,021	9
Loss on / Impairment of financial assets	0	(5)
Other valuation differences	2	48
Company's net income (Profit for the period)	**3,900**	**54**

12. Cash, Securities and Financing Liabilities

12.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2016**	2015
Bank accounts	1,710	444
Short-term securities (at fair value through profit or loss)	5,513	3,220
Short-term securities (available-for-sale)	1,535	2,851
Total cash and cash equivalents	**8,758**	**6,515**

Only securities with a maturity of three months or less from the date of the acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value are recognised in cash equivalents.

12.2 Securities

	31 December	
(In € million)	**2016**	2015
Current securities (available-for-sale)	1,489	1,683
Non-current securities (available-for-sale)	9,670	9,590
Non-current securities (at fair value through profit or loss)	0	3
Total securities	**11,159**	**11,276**

Included in the securities portfolio as of 31 December 2016 and 2015, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 10,458 million nominal value; comparably in 2015: € 10,604 million) or floating rate coupons (€ 359 million nominal value; comparably in 2015: € 397 million) and foreign currency funds of hedge funds (€ 6 million nominal value; 2015: € 8 million).

12.3 Financing Liabilities

Current and non-current classification – A financial asset or liability is classified as current if it is settled within 12 months after the reporting date, and as non-current otherwise.

Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, and payables due to related parties.

The Company has received several euro-denominated loans and one US dollar-denominated loan from Airbus Group Finance B.V. ("AGFBV"). It has also issued a convertible bond in euro. Furthermore, the Company has long-term US dollar-denominated loans outstanding with the European Investment Bank ("EIB") and the Development Bank of Japan ("DBJ"). The terms and repayment schedules of these bonds and loans are as follows:

	Principal amount *(in million)*	Carrying amount 31 December **2016**	Carrying amount 31 December 2015	Coupon or interest rate	Effective interest rate	Maturity	Additional features
Loans from Airbus Group Finance B.V.							
AGFBV 15 years (EMTN)	€500	€499	€499	3M Euribor +1.85%	at variable rate	Sept. 2018	
AGFBV 7 years (EMTN)	€1,000	€0	€999	3M Euribor +1.59%	at variable rate	Aug. 2016	
AGFBV 10 years (EMTN)	€1,000	€1,052	€1,021	2.40%	2.45%	Apr. 2024	Interest rate swapped into 3M Euribor +1.40%
AGFBV 15 years (EMTN)	€500	€526	€497	2.15%	2.24%	Oct. 2029	Interest rate swapped into 3M Euribor +0.84%
AGFBV 10 years (EMTN)	€600	€589	€0	0.91%	0.95%	May 2026	Interest rate swapped into 3M Euribor
AGFBV 15 years (EMTN)	€900	€861	€0	1.41%	1.49%	May 2031	Interest rate swapped into 3M Euribor
AGFBV USD Loan 10 years	US$ 1,000	€940	€919	2.72%	2.80%	Apr. 2023	Interest rate swapped into 3M US-Libor +0.68%
Billet de trésorerie programme	US$ 0	€0	€505				
Loans from financial institutions							
DBJ 10 years	US$ 300	€285	€276	3M US-Libor +1.15%	4.84%	Jan. 2021	Interest rate swapped into 4.76% fixed
EIB 10 years	US$ 721	€488	€567	3M US-Libor +0.85%	3.20%	Aug. 2021	Interest rate swapped into 3.2% fixed
EIB 7 years	US$ 406	€385	€373	3M US-Libor +0.93%	at variable rate	Feb. 2020	
EIB 10 years	US$ 627	€591	€576	2.52%	2.52%	Dec. 2024	Interest rate swapped into 3M Euribor +0.61%
EIB 10 years	US$ 320	€304	€294	6M US-Libor +0.56%	at variable rate	Dec. 2025	
Share buyback commitment		€0	€223				
Others		€0	€11				
Bond							
Convertible bond 7 years	€500	€464	€457	0.00%	1.39%	July 2022	Convertible into Airbus Group SE shares at €99.54 per share
Exchangeable bond 5 years	€1,078	€1,048	€0	0.00%	0.33%	June 2021	Exchangeable into Dassault Aviation SA shares at €1,306.25 per share
Total		**€8,032**	**€7,217**				
thereof non-current financing liabilities		€7,934	€5,394				
thereof current financing liabilities		€98	€1,823				

The increase in **long-term financing liabilities** is mainly due to the issuance in May 2016 of two bonds under the Company's EMTN-Programme for a total amount of €1.5 billion, maturing in 2026 and 2031, as well as the issuance in June 2016 of an exchangeable bond for an amount of €1.1 billion, maturing in 2021.

The decrease in **short-term financing liabilities** is mainly due to the repayment of a bond under the Company's EMTN-Programme that matured in August 2016 for an amount of €1 billion as well as repayment of the debts related to commercial papers and share buyback commitment for a total amount of €728 million.

The Company can issue commercial paper under the so called "billet de trésorerie" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of €2 billion, increased in 2013 to a maximum volume of €3 billion. As of 31 December 2016, there was no outstanding amount under the programme. The Company established in April 2015 a US$ 2 billion commercial paper programme which has been increased to US$ 3 billion in April 2016.

In June 2016, the Company issued €1,078 million exchangeable bonds into Dassault Aviation shares, with a 5-year maturity. The exchangeable bonds were issued at 103.75% of par with a coupon of 0%. Their effective interest rate, after separation of the equity conversion option related to Dassault Aviation shares, is 0.333%.

13. Information about Financial Instruments

13.1 Financial Risk Management

The Company acts as an intermediary for its subsidiaries when they wish to enter into derivative contracts to hedge against foreign exchange risk or other market risks such as interest rate risk, commodity price risk or equity price risk. The Company's practice is to set up a derivative contract with a subsidiary and at the same time enter into a back-to-back derivative transaction with a bank. Contracts with subsidiaries being thus mirrored (on a one-to-one basis) by contracts with banks, the Company's net exposure is virtually zero. There are, however, a few derivative contracts the Company holds in order to hedge its own market risk exposure.

As the Company's back-to-back hedge contracts are entered into with different counterparties, their fair values are reflected separately in the statement of Financial Position and recognised as other financial assets and financial liabilities as disclosed in Note 8 "Financial assets and liabilities" of the Company Financial Statements.

In the Statement of Income the results of the back-to-back hedge transactions, both realised and unrealised, are presented on a net basis as the Company acts as an agent for its subsidiaries.

The Company's overall financial risk management activities and their objectives are described in detail in Section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

Market Risk

Foreign exchange risk — The Company manages a long-term hedge portfolio with maturities of several years for its subsidiaries, mainly Airbus, and to a small extent for its joint ventures or associates. This hedge portfolio covers a large portion of Airbus Group's firm commitments and highly probable forecast transactions. As explained above, owing to the Company's back-to-back approach, its own exposure to foreign exchange risk is very limited.

Interest rate risk — The Company uses an asset-liability management approach with the objective to limit its interest rate risk. The Company undertakes to match the risk profile of its interest-bearing assets with those of its interest-bearing liabilities, the remaining net interest rate exposure being managed through several types of interest rate derivatives. If the derivative instruments qualify for hedge accounting in the Company Financial Statements the Company applies cash flow hedge accounting or fair value hedge accounting. For more information on the risk management and hedging strategies used by the Group please refer to Section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

Equity price risk — The Company is to a small extent invested in quoted equity securities mainly for strategic reasons. The Company's exposure to equity price risk is hence limited. Furthermore, Airbus Group is exposed under its long-term incentive plan (LTIP) to the risk of Airbus Group share price movements. In order to limit these risks for the Group, the Company enters into equity derivatives that reference the Airbus Group SE share price.

Sensitivities of market risks — The approach used to measure and control market risk exposure within the Group's financial instrument portfolio is amongst other key indicators the value-at-risk ("VaR"). For information about VaR and the approach used by the Company to assess and monitor sensitivities of market risks please refer to Section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

The Company is part of the Group risk management process, which is more fully described in Section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

A summary of the VaR position of the Company's financial instruments portfolio at 31 December 2016 and 2015 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
31 December 2016				
FX hedges	8	0	7	1
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	36	23	6	23
Equity swaps	4	4	0	0
Diversification effect	(14)	(2)	(11)	(1)
All financial instruments	**34**	**25**	**2**	**23**
31 December 2015				
FX hedges	19	0	19	0
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	50	22	29	28
Equity swaps	11	11	0	0
Diversification effect	(39)	(8)	(39)	0
All financial instruments	**41**	**25**	**9**	**28**

The decrease in the total VaR compared to 31 December 2015 is mainly triggered by an improved asset liability match in foreign currencies.The Company enters into derivative instruments mainly for hedging purposes of the Group. The derivative instruments entered into with Group-external counterparties are passed on a 1:1 basis to Airbus Group entities. As a result, the respective market risks of the Group-external derivative instruments are offset by corresponding opposite market risks of intragroup transactions.

Liquidity Risk

The Company's policy is to maintain sufficient cash and cash equivalents at any time to meet its own and the Group's present and future commitments as they fall due. For information on how the Group monitors and manages liquidity risk, please refer to Section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

The contractual maturities of the Company financial liabilities, based on undiscounted cash flows and including interest payments, if applicable, are as follows:

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year- 2 years	2 years- 3 years	3 years- 4 years	4 years- 5 years	More than 5 years
31 December 2016								
Non-derivative financial liabilities	(8,032)	(9,042)	(226)	(809)	(298)	(730)	(1,695)	(5,284)
Derivative financial liabilities	(12,241)	(15,147)	(4,762)	(4,104)	(3,106)	(1,630)	(1,127)	(418)
Total	**(20,273)**	**(24,189)**	**(4,988)**	**(4,913)**	**(3,404)**	**(2,360)**	**(2,822)**	**(5,702)**
31 December 2015								
Non-derivative financial liabilities	(7,217)	(8,064)	(1,946)	(211)	(781)	(269)	(687)	(4,170)
Derivative financial liabilities	(11,951)	(13,698)	(4,100)	(3,635)	(2,992)	(1,976)	(560)	(435)
Total	**(19,168)**	**(21,762)**	**(6,046)**	**(3,846)**	**(3,773)**	**(2,245)**	**(1,247)**	**(4,605)**

Credit Risk

The Company is exposed to credit risk to the extent of non-performance by either the related parties to which it provides financing or its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. Although the Company provides loans to Group companies its credit risk is limited to its direct subsidiaries. For the policies the Company has put in place to avoid concentrations of credit risk and to ensure that credit risk is limited please refer to Section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

In 2016, the total receivables, neither past due nor impaired amount to €4,759 million (in 2015: €4,946 million).

13.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments – The Company's financial assets mainly consist of cash, short to medium-term deposits and securities. The Company's financial liabilities include intragroup liabilities, obligations towards financial institutions and issued bonds. The Company has the same classification and accounting policies as the Group. Please refer to Section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements for more information.

The Company assigns its financial instruments (excluding its at-cost investments, which are outside the scope of IAS 39 "Financial instruments: recognition and measurement") into classes based on their category in the statement of financial position.

The following tables present the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2016 and 2015:

	Fair value through profit or loss		Fair value for hedge relations	Available-for-sale		Loans and receivables and financial liabilities at amortised cost		**Financial instruments total**	
(In € million)	Held for trading	Designated	Fair value	Book value	Fair value	Amortised cost	Fair value	Book value	Fair value
Assets									
Other investments and long-term financial assets									
▪ Equity instruments	0	0	0	1,056	1,056	0	0	1,056	1,056
▪ Loans	0	0	0	0	0	3,401	3,502	3,401	3,502
Trade receivables	0	0	0	0	0	102	102	102	102
Other financial assets									
▪ Derivative instruments	12,031	0	122	0	0	0	0	12,153	12,153
▪ Current account Group companies	0	0	0	0	0	9,409	9,409	9,409	9,409
Securities	0	0	0	11,159	11,159	0	0	11,159	11,159
Cash and cash equivalents	0	5,513	0	1,535	1,535	1,710	1,710	8,758	8,758
Total	**12,031**	**5,513**	**122**	**13,750**	**13,750**	**14,622**	**14,723**	**46,038**	**46,038**
Liabilities									
Financing liabilities									
▪ Issued bonds and commercial papers	0	0	0	0	0	1,512	1,557	1,512	1,557
▪ Liabilities to banks and other financing liabilities	0	0	0	0	0	2,053	2,053	2,053	2,053
▪ Internal loans payable	0	0	0	0	0	4,467	4,660	4,467	4,660
Other financial liabilities									
▪ Derivative instruments	12,196	0	45	0	0	0	0	12,241	12,241
▪ Current accounts Group companies	0	0	0	0	0	28,557	28,557	28,557	28,557
Total	**12,196**	**0**	**45**	**0**	**0**	**36,588**	**36,827**	**48,830**	**49,068**

(In € million)	Fair value through profit or loss		Fair value for hedge relations	Available-for-sale		Loans and receivables and financial liabilities at amortised cost		Financial instruments total	
	Held for trading	Designated	Fair value	Book value	Fair value	Amortised cost	Fair value	Book value	Fair value
Assets									
Other investments and long-term financial assets									
▪ Equity instruments	0	0	0	199	199	0	0	199	199
▪ Loans	0	0	0	0	0	4,043	4,147	4,043	4,147
Trade receivables	0	0	0	0	0	11	11	11	11
Other financial assets								0	0
▪ Derivative instruments	11,899	0	61	0	0	0	0	11,960	11,960
▪ Current account Group companies	0	0	0	0	0	8,353	8,353	8,353	8,353
Securities	0	3	0	11,273	11,273	0	0	11,276	11,276
Cash and cash equivalents	0	3,220	0	2,851	2,851	444	444	6,515	6,515
Total	**11,899**	**3,223**	**61**	**14,323**	**14,323**	**12,851**	**12,955**	**42,357**	**42,461**
Liabilities									
Financing liabilities									
▪ Issued bonds and commercial papers	0	0	0	0	0	962	992	962	992
▪ Liabilities to banks and other financing liabilities	0	0	0	0	0	2,309	2,338	2,309	2,338
▪ Internal loans payable	0	0	0	0	0	3,945	4,070	3,945	4,070
Other financial liabilities									
▪ Derivative instruments	11,901	0	50	0	0	0	0	11,951	11,951
▪ Current accounts Group companies	0	0	0	0	0	28,415	28,415	28,415	28,415
Total	**11,901**	**0**	**50**	**0**	**0**	**35,631**	**35,815**	**47,582**	**47,766**

Fair Value Hierarchy

For further details please refer to Note 35.2 "Carrying Amounts and Fair Values of Financial Instruments" in the Consolidated Financial Statements.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input.

The following table presents the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2016 and 2015, respectively:

(In € million)	**31 December 2016**			31 December 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets measured at fair value						
Equity instruments	1,056	0	1,056	199	0	199
Derivative instruments	0	12,153	12,153	0	11,961	11,961
Securities	11,139	20	11,159	11,112	164	11,276
Cash equivalents	6,218	830	7,048	3,941	2,130	6,071
Total	**18,413**	**13,003**	**31,416**	**15,252**	**14,255**	**29,507**
Financial liabilities measured at fair value						
Derivative instruments	0	12,241	12,241	0	11,951	11,951
Other liabilities	0	0	0	0	0	0
Total	**0**	**12,241**	**12,241**	**0**	**11,951**	**11,951**

13.3 Potential Effect of Set-Off Rights on Recognised Financial Assets and Liabilities

The Company reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements on the Company's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2016 and 31 December 2015, respectively:

Derivative instruments *(In € million)*	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral received	Net amount
31 December 2016						
Financial assets	12,153	0	12,153	(2,561)	0	9,592
Financial liabilities	12,241	0	12,241	(2,561)	0	9,680
31 December 2015						
Financial assets	11,961	0	11,961	(2,754)	0	9,207
Financial liabilities	11,951	0	11,951	(2,754)	0	9,197

13.4 Notional Amounts of Derivative Financial Instruments

The **maturity of hedged interest cash flows** are as follows, specified by year of expected maturity:

	Remaining period								
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	Total
31 December 2016									
Interest rate contracts	30	0	0	0	488	0	949	3,595	5,062
Interest rate future contracts	130	0	0	0	0	0	0	0	130
31 December 2015									
Interest rate contracts	2,549	41	1,021	18	14	1,134	8	3,469	8,254
Interest rate future contracts	1,032	0	0	0	0	0	0	0	1,032

The notional amounts of **equity swaps** are as follows:

	Remaining period					
(In € million)	1 year	2 years	3 years	4 years	> 4 years	Total
31 December 2016	77	52	49	19	0	197
31 December 2015	153	76	52	49	20	350

13.5 Derivative Financial Instruments and Hedge Accounting Disclosure

In addition, a loss of € -27 million was recognised in the profit for the period in 2016 (€ 20 million in 2015) on derivatives that were designated as hedging instruments in a fair value hedge, and a gain of € 12 million (in 2015: € -18 million) attributable to the hedged risk was recognised in the profit for the period on the corresponding hedged items. Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments are as follows:

	31 December			
	2016		2015	
(In € million)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – cash flow hedges	0	0	0	26
Foreign currency contracts – not designated in a hedge relationship	11,941	11,962	11,669	11,671
Interest rate contracts – cash flow hedges	0	7	0	13
Interest rate contracts – fair value hedges	122	38	30	4
Interest rate contracts – not designated in a hedge relationship	23	57	100	100
Commodity contracts - not designated in a hedge relationship	52	52	130	130
Equity swaps – not designated in a hedge relationship	15	3	31	7
Option component of Exchangeable Bond	0	122		
Total	**12,153**	**12,241**	**11,960**	**11,951**

13.6 Net Gains or Net Losses

The Company's net gains or net losses recognised in profit or loss in 2016 and 2015, respectively are as follows:

(In € million)	**2016**	2015
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	(168)	70
Designated on initial recognition	49	165
Available-for-sale financial assets	15	183
Loans and receivables[1]	(93)	375
Financial liabilities measured at amortised cost	123	(631)
Total	**(74)**	**162**

(1) Contain among others impairment losses.

14. Events after the Reporting Date

There are no significant events after the reporting date.

Chapter

5

Other Supplementary Information Including the Independent Auditor's Report

Other Supplementary Information

1. Appropriation of Result

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The General Meeting of Shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the Company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the Profit for the period of €3,900 million as shown in the income statements for the financial year 2016 is to be added to retained earnings and that a payment of a gross amount of €1.35 per share shall be made to the shareholders out of retained earnings.

2. Independent auditor's report

To: the shareholders and board of directors of Airbus Group SE

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

Our opinion

We have audited the financial statements 2016 of Airbus Group SE (the Company), based in Amsterdam.

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

The financial statements comprise:

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

Basis for our opinion

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

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

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

Materiality

Materiality	€ 198 million
Benchmark applied	5% of the EBIT adjusted
Explanation	We consider EBIT adjusted as the most appropriate benchmark given the nature of the business

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

We agreed with the Board of Directors that misstatements in excess of € 10 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Airbus Group SE is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Airbus Group SE. The Company is structured along the divisions: Airbus, Airbus Helicopters and Airbus Defence and Space, each comprising of multiple entities in various countries.

We are responsible for directing, supervising and performing the group audit. In this context, we have determined the nature and extent of the audit procedures to be carried out for the Group entities, based on their size and/or risk profile.

We scope entities into the group audit where they are of significant size, have significant risks to the Company associated with them or are considered for other reasons. This resulted in coverage of 86% of total consolidated revenue and 99% of total consolidated assets. The remaining 14% of revenues, and 1% of total assets results from entities, none of which individually represents more than 1% of revenues. For remaining entities, we performed, amongst others, analytical procedures or specific audit procedures on certain account balances to corroborate our assessment that there are no significant risks of material misstatements.

We executed a program that includes participation in risk assessment and planning discussions, setting the direction of the group audit work (including instructions to the divisional and entity auditors), review and discussion of the planned audit approach, obtaining an understanding of the financial reporting process and performing procedures on the group consolidation, participating in the evaluation of key accounting topics, reviewing the financial statements and participating in meetings with the management of the Company and its divisions. As part of our audit instructions, we also included questions on key programmes (A380, A350 XWB and A400M) and the risk of non-compliance with laws and regulations. We involved several EY specialists to assist the audit team, including specialists from our tax, valuations, actuarial, treasury and compliance departments.

The audit of the three Airbus Divisions is performed jointly by EY network firms and other non-EY audit firms. Meetings were held with the divisional auditors and divisional management to discuss the findings reported to the group audit team, as well as file reviews.

By performing the procedures mentioned above at group entities, together with additional procedures at consolidation level, we have been able to obtain sufficient and appropriate audit evidence about the Company's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

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

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

Risk	Our audit approach
Litigation and claims and risk of non-compliance with laws and regulation	
Description A part of the Company's business is characterised by competition for individual significant contracts with customers which are often directly or indirectly associated with governments. The process associated with these activities is susceptible to the risk of non-compliance with laws and regulations. In addition the Company operates in a number of territories where the use of commercial intermediaries is normal practice. Subsidiaries of Airbus Group SE remain under investigation by various law enforcement agencies in Germany, Greece, UK, Romania and Austria. In August 2016, the Company announced that it had been informed by the Serious Fraud Office in the UK that it had commenced a formal investigation into allegations of fraud, bribery and corruption in the civil aviation business of the Company. These allegations relate to irregularities concerning third party consultants. Breaches of laws and regulations in this area can lead to fines, penalties, criminal prosecution, commercial litigation and restrictions on future business. Litigation and claims involve amounts that are potentially significant and the estimate of the amount to be provided as a liability, if any, is inherently subjective. The outcome of these matters may have a material effect on the Company's result and financial position. Reference is made to disclosure on Note 3 'Key estimates and judgements', and Note 36 'Litigations and claims' of the financial statements.	**Our audit approach** We evaluated and tested the Company's policies, procedures and controls over the selection of intermediaries, contracting arrangements, ongoing management, payments and responses to suspected breaches of policy. We sought to identify and tested payments made to intermediaries during the year, made enquiries of appropriate personnel and evaluated the tone set by management and the Board of Directors and the Company's approach to managing this risk. Having enquired of management, the Audit Committee and the Board of Directors as to whether the Company is in compliance with laws and regulations relating to bribery and corruption, we made written enquiries of and met with the Company's legal advisers to cross check the results of those enquiries with third parties and maintained a high level of vigilance to possible indications of significant non-compliance with laws and regulations relating to bribery and corruption whilst carrying out our other audit procedures. We discussed the areas of potential or suspected breaches of law, including the ongoing investigations, with the Audit Committee and the Board of Directors as well as the Company's legal advisers and assessed related documentation. We assessed whether the disclosure in note 36 to the financial statements of the Company's exposure to the financial effects of potential or suspected breaches of law or regulation complies with accounting standards and in particular whether it is the case that the investigations remain at too early a stage to assess the consequences (if any), including in particular the size of any possible fines.
Accounting for construction contracts, including revenue recognition and loss provision	
Description The amount of revenue and profit recognised in a year is dependent on the assessment of the stage of completion of construction contracts as well as estimated total revenues and estimated total cost. Significant estimates are made to assess the stage of completion based on milestones, estimated revenue and costs for key programmes such as A400M and A350 XWB (contracts with launch customers only). Depending on these assessments, the stage of completion is determined, revenue is recognised and loss provisions are recorded when the contract margin is negative. Provisions for contract losses relate mainly to the A400M and A350 XWB launch customers and are recorded when it becomes probable that estimated total contract costs will exceed estimated total contract revenues. Updates to these provisions can have a significant impact on the Company's result and financial position. The determination of these provisions is based on best available estimates and requires significant management's judgement and assumptions associated with the technical development achievement and certification schedules, production plan (including assumptions on ramp up), performance guarantees as well as expected outcome from ongoing negotiations with customers. A key risk is the A400M programme which remains in a critical phase. Negotiations with OCCAR/Nations on military capabilities, price revision formula and commercial compensation remain ongoing. Reference is made to the disclosure on Note 3 'Key estimates and judgements', Note 10 'Revenues, cost of sales and gross margin' and Note 22 'Provisions, contingent assets and contingent liabilities' of the financial statements.	**Our audit approach** We evaluated the design and implementation of internal controls for accounting for construction contracts. We also performed detailed procedures on individually significant programmes, including discussions with the individual Head of Programme, and evaluated management's assumptions in the determination of amongst others the stage of completion of a project, estimates to complete for both revenue and costs, and any provisions for loss making contracts. We focused on management's assessment of key contract risks and opportunities to determine whether these are appropriately reflected in the cost to complete forecasts, and paid specific attention for example to technical development, delivery plan and certification schedules. We challenged management's assumptions by discussing and reviewing correspondence with customers, considered the accuracy and consistency of similar estimates made in previous years and corroborated the assumptions with the latest contractual information. We paid particular attention to the loss provision for the A400M programme, including the €(2,210) million additional net charge in 2016, as well as related disclosures.

Risk	Our audit approach
Valuation of inventories for contracts accounted for under IAS 18 and completeness of provision for contract losses and customer service obligations	
Description Inventories amount in total to €30 billion, including work in progress of €21 billion. Key programmes (which are accounted for under IAS 18 Revenue recognition, for which revenue and cost of sales are recognised as each aircraft is delivered) in light of the risks mentioned below are the A380 and the A350 XWB contracts with non-launch customers. With respect to the A380, a key challenge is securing the order flow. Estimates of total contract costs and selling price per aircraft are necessary to determine if the net realisable value impairment or provision for contract losses is required. In addition to the risk of contract cancellations, significant costs or loss of revenue may be incurred in connection with remedial action required to correct any performance issues detected. Due to the inherent uncertainty involved in forecasting future costs and interpreting contractual and commercial positions in determining impairments and provisions, this is a key audit area. Updates to these provisions can have a significant impact on the Company's result and financial position. Reference is made to the disclosures on Note 3 'Key estimates and judgements', and notes 20 'Inventories' and 22 'Provisions, contingent assets and contingent liabilities' of the financial statements.	**Our audit approach** We evaluated the design and implementation of internal controls for identifying and recording impairments and provisions and performed detailed procedures including inquiry of the Head of Programmes and corroboration with other audit evidence. We evaluated management's assumptions in the determination of the forecast revenue to be received, cost to be incurred (including any contractual penalties) and gross margin. Our evaluation was based on our assessment of the historical accuracy of the Company's estimates in previous periods and included an analysis of contingencies and impact of known technical issues on cost forecasts and provisions. Particular attention was paid to the commercial status of the A380 programme, including discussions with Airbus management on the status and their ongoing commitment to the A380 programme.
Goodwill impairment	
Description Goodwill amounts to €9.4 billion (2015: €9.9 billion) and represents 8% (2015: 9%) of the balance sheet total and 255% (2015: 166%) of total equity. There is a risk of irrecoverability of the Company's significant goodwill balance due to weak demand in certain markets and aircraft market cyclicality. In its impairment calculations the company uses assumptions such as growth rates, weighted average costs of capital and underlying foreign exchange rates. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgmental areas. Reference is made to the disclosure on Note 17 'Intangible assets' of the financial statements.	**Our audit approach** In this area our audit procedures included, amongst others, testing of the Company's budgeting procedures upon which the forecasts are based and the principles and integrity of the Company's discounted cash flow model. We used our own valuation specialists to assist us in evaluating the assumptions and methodologies used by the Company, in particular relating to the discount rate used. We also evaluated management's sensitivity analyses on the assumptions for each cash generating unit. We compared the sum of the discounted cash flows to the Company's market capitalisation to assess the reasonableness of those cash flows.
Derivative financial instruments, including impact on capitalization of Airbus Group SE	
Description The Company operates in a business environment that is exposed to currency and interest rate volatility. A significant portion of the Company's revenue is dominated in US dollars, while a major part of its costs is incurred in Euro and, to a lesser extent, in pounds Sterling. In response to these risks the Company uses financial instruments (mainly currency forwards) to mitigate the exposure to changes in market rates. There is a high inherent risk of error in the Company financial statements, both in valuation of the financial instruments and in the presentation and disclosure in the financial statements. The magnitude of the Company's hedge portfolio and potential significant changes in the exchange rate of the US dollar versus the Euro could have a negative impact on the equity of the Company via the 'mark to market' valuation of the hedge portfolio. It therefore also has a major impact on the capitalisation of Airbus Group SE, with net equity (as percentage of total assets) amounting to 3.1% per 31 December 2016 (2015: 5.6%). Reference is made to Note 35 'Information about financial instruments' of the financial statements.	**Our audit approach** For the audit of financial instruments we used specialists who tested the controls around the Company's central treasury system, independently calculated the valuation of the treasury portfolio and tested the application of the hedge accounting rules and the resulting accounting treatment. We also obtained counterparty confirmation of the outstanding financial instruments to verify the existence and ownership. Finally we evaluated whether appropriate disclosures relating to financial instruments were made in the financial statements.
Independence matter	
Description In 2016, few EY staff from The Netherlands were seconded for non-audit services contracted and allowed outside the Netherlands. This secondment abroad caused a formal breach of independence under Dutch law.	**Our audit response** After this breach was discovered by EY it was, together with the mitigating and corrective measures taken, reported to the Airbus Audit Committee and the Dutch regulator. Our independence has not been compromised and thus does not affect our opinion as an independent auditor.

Report on other information included in the annual report

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

- the Report of the Board of Directors (we refer to **www.airbusgroup.com** for the Report of the Board of Directors);
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

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

Report on other legal and regulatory requirements

Engagement

We were appointed by the Annual General Meeting of Shareholders as auditor of Airbus Group SE on 28 April 2016, as of the audit for the year 2016.

Description of responsibilities for the financial statements

Responsibilities of the Board of Directors and Audit Committee for the financial statements

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

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

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

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the Company's entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

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

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

Amsterdam, 21 February 2017

Ernst & Young Accountants LLP

Signed by: A.A. van Eimeren

Designed & published by LABRADOR +33 (0)1 53 06 30 80