Airbus Group SE

Financial Statements 2015

AIRBUS GROUP

1. AIRBUS GROUP SE – IFRS CONSOLIDATED FINANCIAL STATEMENTS

Airbus Group SE
IFRS Consolidated Income Statements
for the years ended 31 December 2015 and 2014

(In € million)	Note	2015	2014
Revenues	10	**64,450**	**60,713**
Cost of sales	10	(55,599)	(51,776)
Gross margin	10	**8,851**	**8,937**
Selling expenses		(1,065)	(1,063)
Administrative expenses		(1,586)	(1,538)
Research and development expenses	11	(3,460)	(3,391)
Other income	13	474	330
Other expenses	13	(222)	(179)
Share of profit from investments accounted for under the equity method	12	1,016	840
Other income from investments	12	54	55
Profit before finance costs and income taxes		**4,062**	**3,991**
Interest income		183	142
Interest expense		(551)	(462)
Other financial result		(319)	(458)
Total finance costs	14	(687)	(778)
Income taxes	15	(677)	(863)
Profit for the period		**2,698**	**2,350**
Attributable to:			
Equity owners of the parent **(Net income)**		2,696	2,343
Non-controlling interests		2	7
Earnings per share		**€**	**€**
Basic	16	3.43	2.99
Diluted	16	3.42	2.99

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 2015 and 2014

(In € million)	**2015**	**2014**
Profit for the period	**2,698**	**2,350**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement of the defined benefit liability (asset)	761	(2,034)
Remeasurement of the defined benefit liability (asset) from investments using the equity method	(36)	(131)
Related tax on items that will not be reclassified to profit or loss	(235)	577
Items that will be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	222	244
Effective portion of changes in fair value of cash flow hedges	(866)	(6,748)
Net change in fair value of cash flow hedges transferred to profit or loss	(3,833)	358
Net change in fair value of available-for-sale financial assets	366	90
Net change in fair value of available-for-sale financial assets transferred to profit or loss	2	(19)
Changes in other comprehensive income from investments accounted for using the equity method	(142)	(22)
Related tax on income and expense recognized directly in equity	1,112	1,961
Other comprehensive income, net of tax	**(2,649)**	**(5,724)**
Total comprehensive income of the period	**49**	**(3,374)**
Attributable to:		
Equity owners of the parent	76	(3,362)
Non-controlling interests	(27)	(12)

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

Airbus Group SE

IFRS Consolidated Statements of Financial Position

at 31 December 2015 and 2014

(In € million)	Note	2015	2014
Assets			
Non-current assets			
Intangible assets	17	12,555	12,758
Property, plant and equipment	18	17,127	16,321
Investment property		66	67
Investments accounted for under the equity method	7	1,326	3,391
Other investments and other long-term financial assets	19	2,492	1,769
Non-current other financial assets	23	1,096	586
Non-current other assets	24	2,166	1,822
Deferred tax assets	15	6,759	5,717
Non-current securities	34	9,851	5,989
		53,438	**48,420**
Current assets			
Inventories	20	29,051	25,355
Trade receivables	21	7,877	6,798
Current portion of other long-term financial assets	19	178	167
Current other financial assets	23	1,402	1,164
Current other assets	24	2,819	2,389
Current tax assets		860	605
Current securities	34	1,788	3,183
Cash and cash equivalents	34	7,489	7,271
		51,464	**46,932**
Assets and disposal group of assets classified as held for sale	6	1,779	750
Total assets		**106,681**	**96,102**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		785	785
Share premium		3,484	4,500
Retained earnings		6,316	2,989
Accumulated other comprehensive income		(4,316)	(1,205)
Treasury shares		(303)	(8)
		5,966	**7,061**
Non-controlling interests		7	18
Total equity	32	**5,973**	**7,079**
Non-current liabilities			
Non-current provisions	22	9,871	10,400
Long-term financing liabilities	34	6,335	6,278
Non-current other financial liabilities	23	14,038	9,922
Non-current other liabilities	24	14,993	12,849
Deferred tax liabilities	15	1,200	1,130
Non-current deferred income		263	267
		46,700	**40,846**
Current liabilities			
Current provisions	22	5,209	5,712
Short-term financing liabilities	34	2,790	1,073
Trade liabilities	21	11,763	10,183
Current other financial liabilities	23	5,021	3,480
Current other liabilities	24	27,037	25,222
Current tax liabilities		908	738
Current deferred income		1,049	1,089
		53,777	**47,497**
Disposal group of liabilities classified as held for sale	6	231	680
Total liabilities		**100,708**	**89,023**
Total equity and liabilities		**106,681**	**96,102**

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 2015 and 2014

(In € million)	Note	2015	2014
Profit for the period attributable to equity owners of the parent (Net income)		**2,696**	**2,343**
Profit for the period attributable to non-controlling interests		2	7
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(183)	(142)
Interest expense		551	462
Interest received		131	99
Interest paid		(388)	(303)
Income tax expense		677	863
Income tax paid		(595)	(115)
Depreciation and amortization	9	2,466	2,150
Valuation adjustments		487	562
Results on disposals of non-current assets		(234)	(93)
Results of investments accounted for under the equity method		(1,016)	(840)
Change in current and non-current provisions		(54)	415
Reimbursement from / contribution to plan assets		(217)	(462)
Change in other operating assets and liabilities:		**(723)**	**(2,386)**
- Inventories		(4,133)	(3,252)
- Trade receivables		(1,378)	(700)
- Trade liabilities		1,603	130
- Advance payments received		3,752	1,715
- Other assets and liabilities		(417)	(387)
- Customer financing assets		(193)	124
- Customer financing liabilities		43	(16)
Cash provided by operating activities		**3,600**	**2,560**
Investments:			
- Purchases of intangible assets, property, plant and equipment, investment property		(2,924)	(2,548)
- Proceeds from disposals of intangible assets, property, plant and equipment, investment property		78	232
- Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	6	(13)	(47)
- Proceeds from disposals of subsidiaries (net of cash)	6	127	(34)
- Payments for investments in associates, joint ventures, other investments and other long-term financial assets		(258)	(36)
- Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		1,731	1,083
- Dividends paid by companies valued at equity	7	34	143
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated		127	0
Payments for investments in securities		(7,151)	(5,526)
Proceeds from disposals of securities		4,790	3,510
Cash (used for) investing activities		**(3,459)**	**(3,223)**
Increase in financing liabilities	34.3	1,254	2,038
Repayment of financing liabilities	34.3	(262)	(1,108)
Cash distribution to Airbus Group SE shareholders	32	(945)	(587)
Dividends paid to non-controlling interests		(3)	(2)
Changes in capital and non-controlling interests		195	52
Change in treasury shares		0	102
Share buyback	32	(264)	0
Cash (used for) provided by financing activities		**(25)**	**495**
Effect of foreign exchange rate changes on cash and cash equivalents		171	256
Net increase in cash and cash equivalents		**287**	**88**
Cash and cash equivalents at beginning of period		**7,289**	**7,201**
Cash and cash equivalents at end of period	**34.1**	**7,576**	**7,289**
Thereof presented as cash and cash equivalents	34.1	7,489	7,271
Thereof presented as part of disposal groups classified as held for sale	6.3	87	18

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 2015 and 2014

		Equity attributable to equity holders of the parent								Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Accumulated other comprehensive income			Treasury shares	Total		
(In € million)	Note				Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments (1)				
Balance at 1 January 2014		**783**	**5,049**	**2,167**	**625**	**1,101**	**1,189**	**(50)**	**10,864**	**42**	**10,906**
Profit for the period		0	0	2,343	0	0	0	0	2,343	7	2,350
Other comprehensive income		0	0	(1,585)	45	(4,411)	246	0	(5,705)	(19)	(5,724)
Total comprehensive income of the period		0	0	758	45	(4,411)	246	0	(3,362)	(12)	(3,374)
Capital increase	32	2	50	0	0	0	0	0	52	0	52
Capital decrease	32	0	(12)	0	0	0	0	0	(12)	0	(12)
Share-based Payment (IFRS 2)	30	0	0	(5)	0	0	0	0	(5)	0	(5)
Cash distribution to Airbus Group N.V. Shareholders / dividends paid to non-controlling interests		0	(587)	0	0	0	0	0	(587)	(2)	(589)
Equity transaction (IAS 27)		0	0	(3)	0	0	0	0	(3)	7	4
Change in non-controlling interests		0	0	0	0	0	0	0	0	(17)	(17)
Change in treasury shares	32	0	0	72	0	0	0	0	72	0	72
Cancellation of treasury shares	32	0	0	0	0	0	0	42	42	0	42
Balance at 31 December 2014		**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
Capital decrease	32	0	0	0	0	0	0	0	0	0	0
Share-based Payment (IFRS 2)	30	0	0	29	0	0	0	0	29	0	29
Cash distribution to Airbus Group N.V. 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
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**

(1) In 2015, €1 million are reclassified from currency translation adjustments to profit or loss.

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

2. NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS

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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" or "Airbus Group", (formerly Airbus Group N.V.) and its subsidiaries (the "Group"), legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands). On 28 May 2015, the legal form of the Group has changed from a Dutch public limited company (N.V.) to a European company (SE) and is consistently subject to the laws of the Dutch Civil Code. Airbus Group 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 Group's Board of Directors on 23 February 2016. 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 Group's 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 Group 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 the Group will flow to the Group, 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" below). 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, the Group applies IAS 11 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 – The Group 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.
- the Group 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 a Group 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 the Group's revenue is denominated in US dollar ("US$"), while a major portion of its costs is incurred in euro. The Group is significantly exposed to the risk of changes in US$/€ exchange rates. Furthermore, the Group 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, the Group enters into derivative contracts. The Group 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 the Group's 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.
The Group's 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 the Group's 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 the Group's 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 the Group's contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. In particular, the introduction of new 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.

The Group 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. The Group 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 the Group's industry require challenging integration and coordination along the supply chain including an on-going 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 – The Group 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 – Group 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 the Group. 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 Group companies or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

Income taxes – The Group 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, the Group 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 the Group’s ability to utilise future tax benefits. The basis for the recoverability test of deferred tax assets is the same as the Group’s 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

First-time application

The accounting policies applied by the Group for preparing its 2015 year-end Consolidated Financial Statements are the same as last year except for the first time application of IFRIC 21 “Levies” which has not had a material impact on the Group’s Consolidated Financial Statements or on its basic and diluted earnings per share.

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 2015 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	Not yet endorsed
IFRS 15 "Revenue from contracts with customers"	1 January 2018	Not yet endorsed
Amendment to IAS 1 "Disclosure initiative"	1 January 2016	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
Amendments to IFRS 11 "Accounting for acquisition of interests in joint operations"	1 January 2016	Endorsed
Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation"	1 January 2016	Endorsed
Annual improvements to IFRS 2012-2014	1 January 2016	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 the Group’s Financial Statements is currently being performed.

IFRS 15 “Revenue from contracts with customers”

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

IFRS 15 will require the Group 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, the group 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. 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. Furthermore, the standard requires an entity to accrue interest on advance payments if the contract with the customer contains a significant financing component.

The Group is currently assessing the impact of these and other accounting changes that will arise under IFRS 15. It has, however, identified the changes highlighted above as potentially creating a material impact on the Group’s Consolidated Income Statement and Consolidated Statement of Financial Position.

GROUP STRUCTURE

5. Scope of consolidation

Consolidation – The Group's Consolidated Financial Statements include the financial statements of Airbus Group SE and all material subsidiaries controlled by the Group. The Group's subsidiaries prepare their financial statements at the same reporting date as the Group's Consolidated Financial Statements (see Appendix "Group structure chart").
Subsidiaries are entities controlled by the Group 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, the Group 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, the Group assesses which activity is expected to have the most significant impact on the SE's return. Finally, the Group determines which party or parties control this activity.

The Group's 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 the Group's 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 the Group.

Perimeter of consolidation

	31 December	
Number of companies	**2015**	**2014**
Fully consolidated entities	262	286
Investments accounted for using the equity method:		
in joint ventures	53	50
in associates	19	17
Total	**334**	**353**

For more details related to unconsolidated and consolidated SE, please refer to 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 the Group.
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, the Group 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 the Group's 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 the Group 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 the company 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

There were no material acquisitions in 2015 and 2014.

6.2 Disposals

On 14 January 2015, Airbus Group and Safran completed the first phase of the integration process of **Airbus Safran Launchers Joint Venture ("ASL")** enabling the entity to become operational. Coordination and programme management of the civil activities of the launcher business as well as relevant participations have been transferred to ASL during this first phase. The assets and liabilities associated with the first phase were classified as held for sale as at 31 December 2014.
Airbus Group 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.
During the second phase, Safran and Airbus Group intend to integrate within the joint venture all the remaining contracts, assets and industrial resources, related to space launchers and associated propulsion systems.
On 16 June 2015, ASL, the French state and CNES, the French space agency, have reached an agreement to transfer CNES's stake in Arianespace to ASL. On 12 August 2015, ASL was awarded the Ariane 6 development contract by the European Space Agency.
The second phase will be initiated and implemented once all legal and financial terms and conditions are finalised between both partners. The joint venture will then be fully equipped for all design, development, production and commercial activities related to civil and military launchers and associated propulsion systems.

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 Group 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 gain on this disposal which is recognised in other income for €72 million, is reported in Airbus division.

On 28 February 2014, EADS North America, Inc., Herndon (VA, USA) sold 100% of the assets and liabilities of its **Test & Services division** to Astronics Corp., East Aurora (NY, USA), for a total consideration of €51 million, which is reported in Airbus Defence and Space division.

On 7 March 2014, Astrium Services GmbH, Ottobrunn (Germany) disposed of 100% of the shares of **ND Satcom GmbH**, Immenstaad (Germany) to Quantum Industries S.à.r.l., Luxembourg (Luxembourg) with economic effect as of 1 March 2014 leading to a negative consideration of €9 million, which is reported in Airbus Defence and Space division.

On 10 July 2014, Airbus Defence and Space sold its **Test & Services activities** to a consortium consisting of ACE Management S.A., Paris (France) and IRDI S.A., Toulouse (France). The disposal was performed via an acquisition company Test & Mesures Groupe SAS in which Airbus Defence and Space will retain temporarily 33.5%. The total consideration received amounted to €35 million (thereof €28 million consideration received in cash and €7 million for the shares in Test & Mesures Groupe SAS). The amount of net assets sold was €31 million. The Group recognised a €7 million capital gain on the sale of the Test & Services activities reported in other income, which is reported in Airbus Defence and Space division.

On 27 November 2014, Airbus Group in an off-market lock trade sold to Dassault Aviation a total of 810,072 **Dassault Aviation** shares at a price of €980 per share representing a total amount of €794 million pre-transaction costs. The gain recognised in share of profit from investments accounted for under the equity method amounted to €343 million and reported in "Others / HQ / Conso." segment.

On 9 December 2014, Airbus Group signed a share purchase agreement with the State of Finland to sell its entire 26.8% share in **Patria Oyj** to the Finnish defence, security and aviation services provider for a total consideration of €133 million. The transaction was closed on 11 December 2014 and the Group recognised a €47 million capital gain within share of profit from investments accounted for under the equity method. The transaction has been reported in Airbus Defence and Space division.

6.3 Assets and disposal groups classified as held for sale

As of 31 December 2015, Airbus Group accounted for non-current assets / disposal groups classified as held for sale in the amount of €1,779 million (2014: €750 million). The disposal groups in 2015 include liabilities directly associated with non-current assets classified as held for sale amounting to €231 million (2014: €680 million). The assets and disposal groups classified as held for sale comprise the following transactions:

On 25 March 2015, Airbus Group 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 Group 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 has been classified as an asset held for sale (reported in "Others / HQ / Conso." segment) as Airbus Group intends to pursue market opportunities to sell the remainder of this investment. Prior to the reclassification, the carrying amount included the Airbus Group interest in Dassault Aviation's first quarter 2015 result and a negative catch-up on 2014 of €-119 million.
In 2015, Airbus Group has 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.
As of 31 December 2015, Airbus Group holds 23.60% of Dassault Aviation's share capital and 24.71% of associated voting rights and the carrying amount of the assets held for sale amounts to €1,253 million. As of 31 December 2014, the carrying amount of the investment in Dassault Aviation was €2,429 million recognised in investment accounted for under the equity method.

On 17 June 2015, Airbus signed an agreement with Singapore-based ST Aerospace Ltd. (STA) to offer passenger-to-freighter (P2F) conversion solutions for its A320 and A321 aircraft. STA will acquire an additional 20% of the shares of **Elbe Flugzeugwerke (EFW)**, Dresden (Germany) by way of a contribution in kind and a capital increase to EFW. Consequently, 45% of the shares of EFW will be retained and the Group will effectively lose its control over EFW (reported in Airbus division). The transaction has been closed on 4 January 2016.

On 17 December 2015, DS Holding SAS (France) and Astrium International Holdings B.V. (as beneficiaries) and a buyer signed a sale purchase agreement in respect to the companies which form the **business communications perimeter**. The sale is subject to closing conditions. The transaction has been reported in Airbus Defence and Space division.

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

	31 December	
(In € million)	2015	2014
Intangible assets	144	23
Property, plant and equipment	125	0
Non-current financial assets	1,253	0
Inventory	75	447
Trade receivables	84	262
Other assets	11	0
Cash and cash equivalents	87	18
Assets and disposal group of assets classified as held for sale	**1,779**	**750**
Provisions	69	3
Customer advance payments	0	674
Other liabilities	162	3
Disposal group of liabilities classified as held for sale	**231**	**680**

7. Investments accounted for under the equity method

	31 December	
(In € million)	2015	2014
Investments in joint ventures	1,264	885
Investments in associates	62	2,506
Investments accounted for under the equity method	**1,326**	**3,391**

7.1 Investments in joint ventures

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

The Group's material joint ventures are MBDA S.A.S., Paris (France), Atlas Elektronik GmbH ("Atlas"), Bremen (Germany) and GIE ATR, Blagnac (France), as parent companies of their respective groups. Neither of these joint venture companies is publicly listed.

The Group held a 37.5% stake in **MBDA** at 31 December 2015 and 2014, which is a joint venture between the Group, BAE Systems and 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.

Atlas is a joint venture of Thyssen Krupp and the Group (which held a 49% stake at 31 December 2015 and 2014). It provides maritime and naval solutions above and below the ocean surface and holds a leading position in all fields of maritime high technology from command and control systems to coastal surveillance systems and in in-house support.

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

The following table summarises financial information for MBDA, Atlas and GIE ATR based on their consolidated financial statements prepared in accordance with IFRS:

	MBDA		Atlas		GIE ATR	
(In € million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenues	2,875	2,394	405	416	1,760	1,367
Depreciation and amortisation	(86)	(83)	(14)	(14)	(50)	(142)
Interest income	2	16	3	1	1	0
Interest expense	(15)	(1)	(4)	(5)	(2)	(1)
Income tax expense	(74)	(64)	(2)	(9)	0	0
Profit from continuing operations	218	148	(2)	12	340	127
Other comprehensive income	65	(189)	9	(15)	16	29
Total comprehensive income (100%)	**283**	**(41)**	**7**	**(3)**	**356**	**156**
Non-current assets	2,010	1,967	248	197	94	119
Current assets	5,384	5,298	437	555	639	583
thereof cash and cash equivalents	*1,420*	*1,521*	*132*	*255*	*5*	*5*
Non-current liabilities	1,249	1,307	344	297	111	366
thereof non-current financial liabilities (excluding trade and other payables and provisions)	*9*	*13*	*2*	*3*	*0*	*0*
Current liabilities	5,811	5,845	173	293	159	100
thereof current financial liabilities (excluding trade and other payables and provisions)	*26*	*26*	*2*	*2*	*0*	*0*
Total equity (100%)	**334**	**113**	**168**	**162**	**463**	**236**

	MBDA		Atlas		GIE ATR	
(In € million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Group's interest in equity on investee	125	42	82	79	232	118
Goodwill	282	282	257	257	0	0
Fair value adjustments and modifications for differences in accounting policies	(13)	(18)	(9)	(9)	0	0
Carrying amount of the investment at 31 December	**394**	**306**	**330**	**327**	**232**	**118**

The development of these investments is as follows:

	MBDA		Atlas		GIE ATR	
(In € million)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Group's interest in equity on investee at beginning of the year	**306**	**381**	**327**	**351**	**118**	**93**
Result from continuing operations attributable to the Group	84	56	(1)	6	170	64
Other comprehensive income attributable to the Group	28	(74)	4	(7)	8	14
Dividends received during the year	(24)	(57)	0	(23)	(64)	(53)
Carrying amount of the investment at 31 December	**394**	**306**	**330**	**327**	**232**	**118**

The Group's share of contingent liabilities of MBDA and of Atlas as of 31 December 2015 is €399 million (2014: €329 million) and €9 million (2014: €15 million), respectively.

Furthermore, the Group has interests in a number of individually immaterial joint ventures, being accounted for under the equity method. They are stated in aggregate in the following table:

(In € million)	2015	2014
Group's interest in equity on investee at beginning of the year	**134**	**139**
Result from continuing operations attributable to the Group	(10)	(7)
Other comprehensive income attributable to the Group	6	2
Dividends received during the year	(1)	0
New joint ventures	179	0
Carrying amount of the investment at 31 December	**308**	**134**

The Group' share of contingent liabilities of its joint ventures as of 31 December 2015 amounts to €0 million (2014: €2 million).

7.2 Investments in associates

In 2015, the Group has interests in a number of individually immaterial associates, being accounted for under the equity method. They are stated in aggregate in the following table:

(In € million)	2015	2014
Group's interest in equity on investee at beginning of the year	**77**	**147**
Result from continuing operations attributable to the Group	40	76
Other comprehensive income attributable to the Group	(29)	(35)
Dividends received during the year	(10)	(20)
Disposal of shares	(16)	(91)
Carrying amount of the investment at 31 December	**62**	**77**

As of 31 December 2014, the Group's only individually material investment in associates was Dassault Aviation (42.11%) with a carrying amount of €2,429 million. Following the partial sale of Dassault Aviation shares in the financial year 2015 (for more details, please see Note 6 "Acquisitions and disposals"), the remaining equity investment in Dassault Aviation has been reclassified as asset held for sale.

The cumulative unrecognised comprehensive loss amounts for these associates to €-117 million and €-147 million as of 31 December 2015 and 2014, respectively (thereof €+30 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
2015					
Total transactions with associates	7	40	96	4	79
Total transactions with joint ventures	1,771	121	1,850	14	544
2014					
Total transactions with associates	7	116	3	5	79
Total transactions with joint ventures	2,141	122	1,451	13	601

Transactions with unconsolidated subsidiaries are immaterial to the Group's consolidated financial statements.

A part of the shares in Dassault Aviation were sold back to Dassault Aviation during 2015 and 2014 (for more details, please see Note 6 "Acquisitions and disposals").

As of 31 December 2015, the Group granted guarantees of €503 million to Air Tanker group in the UK (2014: €474 million).
For information regarding the funding of the Group's pension plans, which are considered as related parties, please refer to 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".

SEGMENT INFORMATION

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

- **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.

The following table presents information with respect to the Group's 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 and Airbus Defence and Space and between Airbus Helicopters and Airbus. The Group's activities managed in the US, the holding function of the Group's Headquarters, the Airbus Group bank and other activities not allocable to the reportable segments, combined together with consolidation effects, are disclosed in the column "Others / HQ / Conso.".

Airbus Group uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the former EADS merger and the Airbus combination, as well as impairment charges thereon. It also comprises disposal impacts related to goodwill and fair value adjustments from these transactions.

9. Segment information

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

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Total segments	Others / 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**
EBIT pre-goodwill impairment and exceptionals	**2,301**	**427**	**745**	**3,473**	**613**	**4,086**
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*
Impairment and disposal of goodwill	0	0	0	0	0	0
Exceptionals depreciation / disposal	(14)	0	(9)	(23)	(1)	(24)
Profit before finance costs and income taxes	**2,287**	**427**	**736**	**3,450**	**612**	**4,062**
Interest result						(368)
Other financial result						(319)
Income taxes						(677)
Profit for the period						**2,698**

Business segment information for the year ended the 31 December 2014 is as follows:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Total segments	Others / HQ / Conso.	Consolidated
Total revenues	42,280	6,524	13,025	61,829	482	62,311
Internal revenues	(749)	(528)	(297)	(1,574)	(24)	(1,598)
Revenues	**41,531**	**5,996**	**12,728**	**60,255**	**458**	**60,713**
EBIT pre-goodwill impairment and exceptionals	**2,671**	**413**	**409**	**3,493**	**547**	**4,040**
thereof:						
- depreciation and amortisation	*(1,419)*	*(157)*	*(540)*	*(2,116)*	*(34)*	*(2,150)*
- research and development expenses	*(2,667)*	*(325)*	*(360)*	*(3,352)*	*(39)*	*(3,391)*
- share of profit from investments accounted for under the equity method	*62*	*4*	*176*	*242*	*598*	*840*
- additions to other provisions	*1,148*	*523*	*1,580*	*3,251*	*178*	*3,429*
Impairment and disposal of goodwill	0	0	(6)	(6)	0	(6)
Exceptionals depreciation / disposal	(25)	0	(16)	(41)	(2)	(43)
Profit before finance costs and income taxes	**2,646**	**413**	**387**	**3,446**	**545**	**3,991**
Interest result						(320)
Other financial result						(458)
Income taxes						(863)
Profit for the period						**2,350**

Segment capital expenditures (In € million)	2015	2014
Airbus	2,001	1,713
Airbus Helicopters	280	303
Airbus Defence and Space	552	497
Others / HQ / Conso.	91	35
Total capital expenditures (1)	**2,924**	**2,548**

(1) Excluding expenditure for leased assets.

Segment assets (In € million)	2015	2014
Airbus	47,857	41,342
Airbus Helicopters	10,172	10,248
Airbus Defence and Space	19,388	17,660
Others / HQ / Conso.	738	3,337
Total segment assets	**78,155**	**72,587**
Unallocated		
Deferred and current tax assets	7,619	6,322
Securities	11,639	9,172
Cash and cash equivalents	7,489	7,271
Assets classified as held for sale	1,779	750
Total assets	**106,681**	**96,102**

The property, plant and equipment by geographical areas is disclosed in Note 18 "Property, plant and equipment". The revenues by geographical areas are disclosed in Note 10 "Revenues, cost of sales and gross margin".

GROUP 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)	**2015**	**2014**
Revenues from construction contracts	9,860	7,916
Other revenues [(1)]	54,590	52,797
Total [(2)]	**64,450**	**60,713**
Thereof service revenues including sale of spare parts	*8,328*	*8,279*

(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 6.2% mainly at Airbus. The revenue growth in Airbus results from a more favourable foreign exchange impact and an overall increase in deliveries to 635 aircraft (629 in the previous year). Airbus Helicopters contributed also positively mainly due to a higher level of services activity. Airbus Defence and Space revenues were broadly stable and include revenues related to the A400M programme of €1,648 million (2014: €1,561 million).

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

(In € million)	**2015**	**2014**
Europe	20,060	20,254
Asia - Pacific	18,755	19,379
North America	10,217	9,731
Middle East	8,612	6,520
Latin America	4,096	3,844
Other countries	2,710	985
Total	**64,450**	**60,713**

Cost of sales and gross margin

Cost of sales increased by 7.4%. The increase was primarily due to business growth at Airbus, an increase in the A350 XWB programme support costs, and negative foreign exchange revaluation impacts from pre-delivery payments. This was partly offset by a lower net charge related to A400M programme of €290 million (in 2014: €551 million).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of €24 million (2014: €43 million).

Inventories recognised as an expense during the period amount to €45,289 million (in 2014: €41,523 million).

The **gross margin** decreased by €-86 million to €8,851 million compared to €8,937 million in 2014. Included is the net charge on the A400M programme recorded in the second quarter of 2015 and a negative foreign exchange impact in Airbus. The gross margin rate decreased from 14.7% to 13.7%.

The A350 XWB Entry into service occurred at the end of 2014, with the first A350 being delivered to Qatar Airways on 22 December 2014. In 2015, Airbus has delivered fourteen additional aircraft. The industrial ramp-up preparation is underway and associated risks will 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, significant challenges remain with the ramp-up acceleration.

An additional eleven A400M aircraft were delivered in 2015, resulting in twenty-one cumulative deliveries up to 31 December 2015. Industrial efficiency and military capability remain a challenge during the ramp up phase. Management is working with the customers to agree a schedule of military capability enhancement and deliveries as well as reviewing the escalation formulae. Industrial recovery measures have been identified and management is focused on delivery, but risk remains. The mission capability roadmap (including the achievement of the respective milestones) and the delivery plan remain under negotiation with OCCAR/Nations and are expected to be finalised in 2016.

Management reviewed the programme evolution and estimated contract result driven to a large extent from the implications of the accident, as well as the impact of low inflation on the price revision formula, delays in military functionality and deliveries, commercial negotiations, cost reduction targets and challenges in the industrial ramp-up, together with associated mitigation actions. As a result of this review, Airbus Defence and Space recorded an additional net charge of €290 million in the second quarter of 2015. The detailed review continued in the second half of 2015 however no further net charges were deemed necessary.

The A400M SOC 1 and 1.5 milestones remain to be achieved. SOC 1 fell due end October 2013 and SOC 1.5 fell due end December 2014. The associated termination rights became exercisable by OCCAR/Nations on 1 November 2014 and 1 January 2016 respectively. SOC 2 fell due end December 2015 and is still in the 12-month grace period. Management judges that it is highly unlikely that any of these termination rights will be exercised.

The A400M programme remains in a critical phase and the associated risks will continue to be closely monitored.

11. Research and development expenses

Research and development expenses increased by 2.0% primarily reflecting R&D activities on the A350 XWB programme at Airbus. In addition, an amount of €154 million of development costs has been capitalised, mainly related to the H160 and Single Aisle NEO programmes.

12. Share of profit from investments accounted for under the equity method and other income from investments

(In € million)	**2015**	**2014**
Share of profit from investments in associates [(1)]	773	721
Share of profit from investments in joint ventures	243	119
Share of profit from investments accounted for under the equity method	**1,016**	**840**
Other income from investments	**54**	**55**

(1) This 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 €+144 million. This increase is mainly due to the capital gain of €72 million related to the disposal of Cimpa SAS, the net gain of €51 million from the partial sale of Dassault Aviation held for sale shares that occurred in the second quarter and the capital gain of €49 million following the completion of the first phase of the creation of ASL (see Note 6 “Acquisitions and disposals”). It also includes income from rental properties (€50 million in 2015 compared to €67 million in 2014).

Other expenses increased by €-43 million, mainly due to costs associated with disposals in Airbus Defence and Space.

14. Total finance costs

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

(In € million)	2015	2014
Interest on European government refundable advances	(280)	(205)
Others	(88)	(115)
Total interest result [(1)]	**(368)**	**(320)**
Change in fair value measurement of financial instruments	(119)	(240)
Unwinding of discounted provisions	(101)	(117)
Foreign exchange translation of monetary items	(74)	(121)
Others	(25)	20
Total other financial result	**(319)**	**(458)**
Total	**(687)**	**(778)**

(1) In 2015, the total interest income amounts to €183 million (in 2014: €142 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 €-551 million (in 2014: €-462 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)	2015	2014
Current tax expense	(661)	(546)
Deferred tax expense	(16)	(317)
Total	**(677)**	**(863)**

In 2015, €42 million of current tax income and €-56 million of deferred tax expense relate to prior years.

Main income tax rates and main changes impacting the Group:

Countries	2015	2016	> 2016
Netherlands	25.00%	25.00%	25.00%
France	38.00%	34.43%	34.43%
Germany	30.00%	30.00%	30.00%
Spain	28.00%	25.00%	25.00%
UK [(1)]	20.25%	20.00%	18.00%

(1) 20% from 1 April 2015 until 31 March 2017, 19% from 1 April 2017 until 31 March 2020 and 18% 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)	2015	2014
Profit before income taxes	3,375	3,213
* Corporate income tax rate	25.0%	25.0%
Expected (expense) for income taxes	(844)	(803)
Effects from tax rate differentials	(329)	(270)
Capital gain on disposals	328	0
Income from investments / associates	84	265
Tax credit	66	77
Change of tax rate	(90)	(47)
Change in valuation allowances	96	(72)
Non-deductible expenses and tax-free income	0	(25)
Other	12	12
Reported tax (expense)	**(677)**	**(863)**

Changes in valuation allowances represent reassessments of the recoverability of deferred tax assets based on future taxable profits of certain companies mainly for Airbus in Germany and Airbus Defence and Space in the United Kingdom ("UK"). The amount of change in valuation allowances of €96 million in 2015 (2014: €-72 million) excludes a positive impact of €1 million (2014: €4 million) from a change in tax rates which is presented in the line "change of tax rate".

As the Group 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 the Group 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, the Group assesses its ability to control the distribution of dividends based on existing shareholder agreements and recognises deferred tax liabilities accordingly.

As of 31 December 2015, 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 €117 million.

Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of €52 million (in 2014: €115 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 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 2015**	**31 December 2014**
NOL	701	1,945	384	2,984	489	6,503	6,410
Trade tax loss carry forwards	0	1,955	0	0	0	1,955	2,240
Tax credit carry forwards	0	0	317	0	6	323	398
Tax effect	**241**	**560**	**413**	**537**	**98**	**1,849**	**2,080**
Valuation allowances	(3)	(244)	(100)	(65)	(11)	(423)	(440)
Deferred tax assets on NOL's and tax credit carry forwards	**238**	**316**	**313**	**472**	**87**	**1,426**	**1,640**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable in France, Germany, UK and in Spain. In Spain, tax credit carry forwards still expire after 18 years. The first tranche of tax credit carry forwards (€14 million) will expire in 2023.

Roll forward of deferred taxes:

In € million	2015	2014
Net deferred tax asset beginning of the year	**4,587**	**2,279**
Deferred tax (expense) in income statement	(16)	(317)
Deferred tax recognised directly in AOCI (IAS 39)	1,112	1,961
Deferred tax on remeasurement of the net defined benefit liability	(235)	577
Others	111	87
Net deferred tax asset at year-end	**5,559**	**4,587**

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

In € million	2015	2014
Available-for-sale investments	(86)	(51)
Cash flow hedges	2,612	1,465
Deferred tax on remeasurement of the net defined benefit liability	1,313	1,548
Total	**3,839**	**2,962**

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**	**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)
Net operating loss 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.

Deferred income taxes as of 31 December 2014 are related to the following assets and liabilities:

	1 January 2014		Other movements		Movement through income statement		31 December 2014	
(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	146	(456)	0	3	0	(118)	50	(475)
Property, plant and equipment	418	(1,284)	0	24	0	(23)	490	(1,355)
Investments and other long-term financial assets	337	(155)	(30)	0	0	13	332	(167)
Inventories	1,116	(236)	0	(10)	0	(108)	1,219	(457)
Receivables and other assets	246	(2,866)	599	(17)	0	168	397	(2,267)
Prepaid expenses	3	(6)	0	0	0	5	2	0
Provision for retirement plans	1,137	0	577	20	0	163	1,897	0
Other provisions	2,425	(347)	0	1	0	(155)	2,422	(498)
Liabilities	795	(971)	1,392	(10)	0	258	2,335	(871)
Deferred income	82	(46)	0	0	0	(5)	53	(22)
Net operating loss and tax credit carry forwards	2,441	0	0	74	12	(447)	2,080	0
Deferred tax assets / (liabilities) before offsetting	**9,146**	**(6,367)**	**2,538**	**85**	**12**	**(249)**	**11,277**	**(6,112)**
Valuation allowances on deferred tax assets	(500)	0	0	(10)	0	(68)	(578)	0
Set-off	(4,913)	4,913	0	0	0	0	(4,982)	4,982
Net deferred tax assets / (liabilities)	**3,733**	**(1,454)**	**2,538**	**75**	**12**	**(317)**	**5,717**	**(1,130)**

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

16. Earnings per share

Basic earnings per share - The weighted average number of ordinary shares used for the basic earnings per share computation does not include those shares for which a financial liability was recognised, and equity reduced, under the share buyback program (see Note 32.1 "Equity attributable to equity owners of the parent").

	2015	2014
Profit for the period attributable to equity owners of the parent (Net income)	€2,696 million	€2,343 million
Weighted average number of ordinary shares	785,621,099	782,962,385
Basic earnings per share	€ 3.43	€ 2.99

Diluted earnings per share - The Group's categories of dilutive potential ordinary shares are stock option plans ("SOP"), share-settled performance units for Executive Committee members relating to long-term incentive plans ("LTIP") and the convertible bonds issued on 1 July 2015 (see Note 34.3 "Financing liabilities"). In 2015, the average price of Airbus Group shares exceeded the exercise price of the SOP as well as the share-settled performance units and therefore 359,335 shares (in 2014: 1,193,364 shares) were considered in the calculation of diluted earnings per share. The dilutive effect of the convertible bonds was also considered in the calculation of diluted earnings per share in 2015, by adding back €3 million of interest expense to the profit for the period attributable to equity owners of the parent (2014: no adjustment) and by including 2,511,495 of dilutive potential ordinary shares.

	2015	2014
Profit for the period attributable to equity owners of the parent (Net income)	€2,699 million	€2,343 million
Weighted average number of ordinary shares (diluted) [(1)]	788,491,929	784,155,749
Diluted earnings per share	€ 3.42	€ 2.99

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

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 2015 and 2014 comprise the following:

	31 December 2015			1 January 2015		
(In € million)	Gross amount	Amortisation/ Impairment	Net book value	Gross amount	Amortisation/ Impairment	Net book value
Goodwill	10,995	(1,088)	9,907	11,077	(1,098)	9,979
Capitalised development costs	2,686	(1,027)	1,659	2,507	(819)	1,688
Other intangible assets	3,375	(2,386)	989	3,265	(2,174)	1,091
Total	**17,056**	**(4,501)**	**12,555**	**16,849**	**(4,091)**	**12,758**

Net book value

(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**

(In € million)	Balance at 1 January 2014	Exchange differences	Additions	Changes in consolidation scope	Reclassification [(1)]	Disposals	Amortisation/ Impairment	Balance at 31 December 2014
Goodwill	9,872	82	0	54	(23)	(6)	0	9,979
Capitalised development costs	1,597	15	225	(4)	(6)	(2)	(137)	1,688
Other intangible assets	1,031	34	195	94	27	(8)	(282)	1,091
Total	**12,500**	**131**	**420**	**144**	**(2)**	**(16)**	**(419)**	**12,758**

(1) Includes intangible assets reclassified to assets of disposal groups classified as held for sale (see Note 6 "Acquisitions and disposals").

Development costs

The Group has capitalised development costs in the amount of €1,659 million as of 31 December 2015 (€1,688 million as of 31 December 2014) as internally generated intangible assets mainly for the Airbus A380 (€412 million) and A350 XWB (€765 million) programmes. The amortisation for the A380 programme development costs is performed on a unit of production basis. Capitalisation for development costs of the A350 XWB programme started in the second quarter of 2012 when the first aircraft entered the final assembly line.

Impairment tests

The Group 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 2015 and 2014, goodwill was allocated to CGUs or group of CGUs, which is summarized in the following schedule:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Others / HQ	Consolidated
Goodwill as of 31 December 2015	6,759	299	2,835	14	9,907
Goodwill as of 31 December 2014	6,768	310	2,887	14	9,979

The goodwill mainly relates to the creation of the Group 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 the Group's 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% (in 2014: 2%).
- future interest rates projected per geographical market, for the European Monetary Union, the UK and the US.
- future exchange rates of 1.25 US$/€ (in 2014: 1.35 US$/€) to convert in € the portion of future US$ which are not hedged.
- perpetuity growth rate of terminal values of 1% (in 2014: 1%).

The Group follows an active policy of foreign exchange risk hedging. As of 31 December 2015, the total hedge portfolio with maturities up to 2023 amounts to US$102 billion (US$88 billion as of 31 December 2014) and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2016 to 2020). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2023 amounts to 1.28 US$/€ (previous year: 1.33 US$/€) and for the US$/£ hedge portfolio until 2021 amounts to 1.58 US$/£ (previous year: 1.59 US$/£). For the determination of the operative planning in the CGUs, management assumed future exchange rates of 1.25 US$/€ from 2016 onwards to convert in € the portion of future US$ 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

- The planning takes into account the decision to ramp-up progressively A320 Programme deliveries to 60 a/c per month. Long Range deliveries increase progressively throughout the planning period from 64 a/c in 2016 to 92 a/c in 2019 incorporating the introduction of A330 Neo deliveries in 2017. Furthermore A350 delivery rates increase significantly throughout the plan. For A380, Management believes that the programme will remain stable in the foreseeable future.
- 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 General Market Forecast updated in 2015. 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 are materially influenced.
- Cash flows are discounted using a euro weighted WACC of 8.4% (in 2014: 9.4%).

Airbus Helicopters

- The planning takes into account the ramp-up of our medium segment driven by the H145 and the H175 which have been certified in 2014, the continuing deliveries of NH90 and a continuous growth of our support and services activity.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on Helicopter market forecast considering the decrease of last two 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 8.2% (in 2014: 9.0%).

Airbus Defence and Space

Airbus Defence and Space strategy is based on future core activities. The operative planning until 2020 considers a significant change in the portfolio which will be finalized until 2017 after the sale of non-core activities.

- 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, Tankers, light and medium transport aircraft and satellites, along with significant results from the foundation of ASL.
- Airbus Defence and Space assumes a further increase in profitability over the planning period, driven by higher programme performance and cost synergies.
- Airbus Defence and Space 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 A400M programme.
- Cash flows are discounted using a Euro weighted WACC of 8.0% (in 2014: 8.7%).

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 refer to Note 25 "Sales financing transactions".

Property, plant and equipment as of 31 December 2015 and 2014 comprise the following:

(In € million)	31 December 2015 Gross amount	Depreciation/ Impairment	Net book value (2)	1 January 2015 Gross amount	Depreciation/ Impairment	Net book value (2)
Land, leasehold improvements and buildings including buildings on land owned by others	9,518	(4,349)	5,169	8,874	(4,066)	4,808
Technical equipment and machinery	20,296	(11,946)	8,350	18,850	(10,604)	8,246
Other equipment, factory and office equipment (1)	4,324	(3,290)	1,034	4,195	(3,033)	1,162
Construction in progress	2,574	0	2,574	2,105	0	2,105
Total	**36,712**	**(19,585)**	**17,127**	**34,024**	**(17,703)**	**16,321**

(1) Buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts to €364 million (2014: €154 million). Depreciation amounts to €14 million (2014: €10 million) and related accumulated depreciation €94 million (2014: €79 million).
(2) Include the net book value of "aircraft under operating lease" (see Note 25 "Sales financing transactions").

Net book value

(In € million)	Balance at 1 January 2015	Exchange differences	Additions	Changes in consolidation scope	Reclassification (1)	Disposals	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**

(In € million)	Balance at 1 January 2014	Exchange differences	Additions	Changes in consolidation scope	Reclassification (1)	Disposals	Depreciation/ Impairment	Balance at 31 December 2014
Land, leasehold improvements and buildings including buildings on land owned by others	4,559	40	125	98	345	(52)	(307)	4,808
Technical equipment and machinery	7,182	164	405	66	1,518	(4)	(1,085)	8,246
Other equipment, factory and office equipment	1,308	52	183	19	36	(136)	(300)	1,162
Construction in progress	2,536	30	1,500	(7)	(1,935)	(19)	0	2,105
Total	**15,585**	**286**	**2,213**	**176**	**(36)**	**(211)**	**(1,692)**	**16,321**

(1) Includes property, plant and equipment reclassified to assets of disposal groups classified as held for sale (see Note 6 "Acquisitions and disposals").

In 2015, the Group capitalised €8 million of borrowing cost on the production of qualifying assets (2014: €20 million). The Group's borrowing rate at the end of 2015 was 2.06% (2014: 2.12%).

Property, plant and equipment by geographical areas

(In € million)	31 December 2015	31 December 2014
France	7,035	6,438
Germany	4,294	4,428
UK	3,015	2,891
Spain	1,560	1,534
Other countries	1,105	817
Property, plant and equipment by geographical areas (1)	**17,009**	**16,108**

(1) Property, plant and equipment by geographical areas excludes leased assets of €118 million (2014: €213 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" (€320 million as of 31 December 2015 compared to 2014 of €276 million).

Future nominal operating lease payments (for the Group as a lessee) for rental and lease agreements not relating to aircraft sales financing amount to €844 million as of 31 December 2015 (2014: €756 million), and relate mainly to procurement operations (*e.g.* facility leases, car rentals).

Maturities as of 31 December 2015 and 31 December 2014 are as follows:

(In € million)	**2015**	**2014**
Not later than 1 year	158	150
Later than 1 year and not later than 5 years	393	347
Later than 5 years	293	259
Total	**844**	**756**

19. Other investments and other long-term financial assets

(In € million)	31 December 2015	31 December 2014
Other investments	1,232	617
Other long-term financial assets	1,260	1,152
Total non-current other investments and other long-term financial assets	**2,492**	**1,769**
Current portion of other long-term financial assets	**178**	**167**
Total	**2,670**	**1,936**

Other investments mainly comprise the Group's participations, the most significant at 31 December 2015 being the participations in AviChina (Group share: 5.0%) amounting to €199 million (2014: €140 million) and CARMAT SAS (Group share: 24.2%, 2014: 24.2%) amounting to €43 million (2014: €68 million).

Other long-term financial assets and the **current portion of other long-term financial assets** encompass other loans in the amount of €717 million and €876 million as of 31 December 2015 and 2014, and the Group's sales finance activities in the form of finance lease receivables and loans from aircraft financing (see Note 25 "Sales financing transactions").

20. Inventories

In € million	31 December 2015 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**

In € million	31 December 2014 Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	3,219	(502)	2,717
Work in progress	21,667	(4,412)	17,255
Finished goods and parts for resale	2,964	(768)	2,196
Advance payments to suppliers	3,233	(46)	3,187
Total	**31,083**	**(5,728)**	**25,355**

The increase in work in progress of €+3,180 million is mainly driven by Airbus and Airbus Defence and Space programmes, partly offset by Airbus Helicopters programmes. Finished goods and parts for resale increased at Airbus Defence and Space and at Airbus Helicopters, partly compensated by a decrease at Airbus. Advance payments to suppliers increased at Airbus.

Write downs for inventories are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2015, write downs of inventories in the amount of €-410 million (2014: €-501 million) are recognised in cost of sales, whereas reversal of write downs amounts to €66 million (2014: €160 million). At 31 December 2015 €9,246 million of work in progress and €1,863 million of finished goods and parts for resale were carried at net realisable value.

21. Trade receivables and trade liabilities

Trade receivables arise when the Group 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 the Group's 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

In € million	31 December 2015	31 December 2014
Receivables from sales of goods and services	8,153	7,087
Allowance for doubtful accounts	(276)	(289)
Total	**7,877**	**6,798**
Thereof trade receivable not expected to be collected within 1 year	*1,819*	*2,224*

The **trade receivables** increased by €+1,079 million, mainly in Airbus Defence and Space.

In application of the **PoC method**, as of 31 December 2015 an amount of €2,936 million (in 2014: €1,941 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 €71,813 million (in 2014: €68,543 million).

The **gross amount due from customers** for contract work, on construction contracts recognized under the PoC method, is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings. In 2015, it amounts to €9,190 million (in 2014: €3,828 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 recognized 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 2015, the **gross amount due to customers** amounts to €77 million (in 2014: €2,535 million).

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

In € million	2015	2014
Allowance balance at 1 January	(289)	(314)
Foreign currency translation adjustment	0	(1)
Utilisations / disposals	15	34
(Additions)	(2)	(8)
31 December	**(276)**	**(289)**

Based on historic default rates, the Group believes that no allowance for doubtful accounts is necessary in respect of trade receivables not past due in the amount of €5,373 million (in 2014: €4,917 million).

Trade liabilities

As of 31 December 2015, trade liabilities amounting to €129 million (€280 million as of 31 December 2014) will mature after more than one year.

22. Provisions, contingent assets and contingent liabilities

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 the company's other provisions are generally expected to result in cash outflows during the next 1 to 12 years.

	31 December	
(In € million)	2015	2014
Provision for pensions (Note 29)	7,615	8,250
Other provisions (Note 22)	7,465	7,862
Total	**15,080**	**16,112**
Thereof non-current portion	9,871	10,400
Thereof current portion	5,209	5,712

Movements in provisions during the year were as follows:

(In € million)	Balance at 1 January 2015	Exchange differences	Increase from passage of time	Additions	Reclassi-fication/ Change in consolidated group	Used	Released	Balance at 31 December 2015
Contract losses	900	1	0	630	(554)	(303)	(318)	356
Outstanding costs	2,369	32	0	1,553	(14)	(1,330)	(179)	2,431
Aircraft financing risks (1)	687	106	42	22	0	(206)	(33)	618
Obligation from services and maintenance agreements	598	28	11	134	0	(171)	0	600
Warranties	438	2	2	77	(7)	(95)	(32)	385
Personnel-related provisions (2)	1,255	2	5	550	(42)	(483)	(142)	1,145
Litigation and claims (3)	144	5	0	87	2	(63)	(45)	130
Asset retirement	130	0	2	1	28	0	0	161
Other risks and charges	1,341	16	1	731	(168)	(151)	(131)	1,639
Total	**7,862**	**192**	**63**	**3,785**	**(755)**	**(2,802)**	**(880)**	**7,465**

(1) See Note 25 "Sales financing transactions"
(2) See Note 28 "Personnel-related provisions"
(3) See Note 36 "Litigation and claims"

In 2015, provision for contract losses mainly includes A350 XWB programme (€136 million) and several Airbus Defence and Space programmes (€133 million). The additions to the contract losses provision include the net charge of €290 million for the A400M programme before netting with work in progress. "Reclassification/Change in consolidated group" mainly relates to offsetting of A400M programme contract provisions 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 (€1,008 million) and corresponds among others to the Boarder Security business, to the Eurofighter programme and to diverse tasks to complete on construction contracts, as well as to Airbus Helicopters (€490 million), mainly for the NH90 and Tiger programmes.

Contingent assets and contingent liabilities – Airbus Group is exposed to technical and commercial contingent obligations due to the nature of its businesses. To mitigate this exposure, Airbus Group has subscribed a Global Aviation Insurance Programme (GAP). When the Company 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 the Group concludes that disclosure can be expected to prejudice seriously its position in a dispute with other parties. Negotiations concerning an insurance reimbursement relating to an Airbus commercial insurance case are currently ongoing.

For other contingent liabilities, please refer to Note 36 "Litigation and Claims" and Note 10 "Revenues, cost of sales and gross margin" (mainly A400M).

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	**2015**	**2014**
Positive fair values of derivative financial instruments (1)	931	502
Others	165	84
Total non-current other financial assets	**1,096**	**586**
Positive fair values of derivative financial instruments (1)	349	208
Receivables from related companies	616	582
Others	437	374
Total current other financial assets	**1,402**	**1,164**
Total	**2,498**	**1,750**

(1) See Note 35 "Information about financial instruments"

Other financial liabilities

	31 December	
(In € million)	**2015**	**2014**
European Governments refundable advances	6,716	6,020
Liabilities for derivative financial instruments (1)	6,703	3,271
Others	619	631
Total non-current other financial liabilities	**14,038**	**9,922**
European Governments refundable advances	570	508
Liabilities for derivative financial instruments (1)	3,884	2,232
Liabilities to related companies	80	50
Others	487	690
Total current other financial liabilities	**5,021**	**3,480**
Total	**19,059**	**13,402**
Thereof other financial liabilities due within 1 year	*5,021*	*3,470*

(1) See Note 35 "Information about financial instruments".

Refundable advances from European governments are provided to the Group 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 2015	2014
Prepaid expenses	2,051	1,603
Others	115	219
Total non-current other assets	**2,166**	**1,822**
Value added tax claims	1,450	1,371
Prepaid expenses	663	487
Others	706	531
Total current other assets	**2,819**	**2,389**
Total	**4,985**	**4,211**

Other liabilities

(In € million)	31 December 2015	2014
Customer advance payments	14,472	12,231
Others	521	618
Total non-current other liabilities	**14,993**	**12,849**
Customer advance payments (1)	23,612	22,174
Tax liabilities (excluding income tax)	885	675
Others	2,540	2,373
Total current other liabilities	**27,037**	**25,222**
Total	**42,030**	**38,071**
Thereof other liabilities due within 1 year	*26,313*	*24,291*

(1) Of which €8,252 million (2014: €7,840 million) relate to construction contracts mainly in Airbus Defence and Space (2015: €7,007 million and 2014: €6,499 million) and Airbus Helicopters (2015: €1,246 million and 2014: €1,273 million).

25. Sales financing transactions

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

On-balance sheet transactions where Airbus 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 the Group 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, 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 (see below) 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) the Group 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 the Group, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

(ii) Asset value guarantees are guarantees whereby the Group guarantees a portion of the value of an aircraft at a specific date after its delivery. Airbus 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 2025. 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 2015, the nominal value of asset value guarantees provided to beneficiaries amounts to €781 million (2014: €861 million), excluding €97 million (2014: €146 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 €550 million (2014: €618 million) (see Note 22 "Provisions, contingent assets and contingent liabilities").

(iii) Operating head-lease commitments **–** The Group 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. The Group's gross customer financing exposure to operating head-lease commitments, determined as the present value of the future head-lease payments, was €92 million in 2015 (2014: €135 million).

Exposure – In terms of risk management, the Group 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 the Group's 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$1.5 billion (€1.4 billion) (2014: US$1.3 billion (€1.1 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 purposes 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, the Group records provisions as liabilities for estimated risk relating to off-balance sheet commitments.

Security **–** Sales financing transactions, including those that are structured through SE (see below), are generally collateralised by the underlying aircraft. Additionally the Group benefits from protective covenants and from security packages tailored according to the perceived risk and the legal environment.

The Group 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 the Group acts as a lender to such SEs, it may take the role of the senior lender or the provider of subordinated loan. The Group 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 2015 the carrying amount of its loans from aircraft financing amounts to €553 million (2014: €426 million). This amount also represents the Group's 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 2015 are as follows:

In € million	**Aircraft under operating lease**	**Finance lease receivable (1)**
Not later than 1 year	47	32
Later than 1 year and not later than 5 years	87	127
Later than 5 years	5	54
31 December 2015	**139**	**213**

(1) Includes €45 million of unearned finance income.

Off-balance sheet commitments

Operating head-lease commitments comprise operating lease payments due by Airbus as lessee under head-lease transactions. As of 31 December 2015 and as of 31 December 2014, the scheduled payments owed under sales financing head-leases are as follows:

	31 December	
In € million	**2015**	**2014**
Not later than 1 year	62	69
Later than 1 year and not later than 5 years	98	142
Later than 5 years	0	2
Total aircraft lease commitments (1)	**160**	**213**
Of which commitments where the transaction has been sold to third parties	(149)	(191)
Total aircraft lease commitments where the Group bears the risk (not discounted)	**11**	**22**

(1) Backed by sublease income from customers with an amount of €119 million in 2015 (2014: €159 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).

	31 December	
In € million	**2015**	**2014**
Loans	94	46
Liabilities to financial institutions	0	0
Total sales financing liabilities	**94**	**46**

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 2015 and 2014 are as follows:

	31 December 2015			31 December 2014		
(In € million)	Airbus	Airbus Helicopters	Total	Airbus	Airbus Helicopters	Total
Operating leases (1)	337	0	337	327	0	327
Finance leases and loans	779	61	840	546	78	624
Inventory	179	0	179	169	0	169
Other investments	28	0	28	0	0	0
On-balance sheet customer financing	**1,323**	**61**	**1,384**	**1,042**	**78**	**1,120**
Off-balance sheet customer financing	84	8	92	126	9	135
Non-recourse transactions on balance sheet	(17)	0	(17)	(10)	(6)	(16)
Off-balance sheet adjustments	(24)	0	(24)	(55)	0	(55)
Gross customer financing exposure	**1,366**	**69**	**1,435**	**1,103**	**81**	**1,184**
Collateral values	(922)	(20)	(942)	(743)	(37)	(780)
Net exposure	**444**	**49**	**493**	**360**	**44**	**404**
Operating leases	(220)	0	(220)	(114)	0	(114)
Finance leases and loans	(113)	0	(113)	(179)	0	(179)
On-balance sheet commitments - provisions (2)	0	(49)	(49)	(3)	(44)	(47)
On-balance sheet commitments - inventories	(93)	0	(93)	(42)	0	(42)
Off-balance sheet commitments - provisions (2)	(18)	0	(18)	(22)	0	(22)
Asset impairments and provisions	**(444)**	**(49)**	**(493)**	**(360)**	**(44)**	**(404)**

(1) For 2015 and 2014, depreciation amounts to €27 million and €31 million respectively and related accumulated depreciation is €203 million and €162 million respectively.

(2) See Note 22 "Provisions, contingent assets and contingent liabilities".

EMPLOYEES COSTS AND BENEFITS

26. Number of employees

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Total segments	Others / HQ	Consolidated
31 December 2015	72,816	22,520	38,206	133,542	3,032	136,574
31 December 2014	73,958	22,939	38,637	135,534	3,088	138,622

27. Personnel expenses

(In € million)	**2015**	**2014**
Wages, salaries and social contributions	13,022	12,291
Net periodic pension cost (see Note 29 "Post-employment benefits")	598	549
Total	**13,620**	**12,840**

28. Personnel-related provisions

Several German Group 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 2015	Exchange differences	Increase from passage of time	Additions	Reclassi-fication/ Change in consolidated group	Used	Released	Balance at 31 December 2015
Restructuring measures / pre-retirement part-time work	425	1	4	67	(20)	(148)	(64)	265
Other personnel charges	830	1	1	483	(22)	(335)	(78)	880
Total	**1,255**	**2**	**5**	**550**	**(42)**	**(483)**	**(142)**	**1,145**

29. Post-employment benefits

	31 December	
(In € million)	**2015**	**2014**
Provision for retirement plans (see Note 29.1)	6,867	7,567
Provision for deferred compensation (see Note 29.2)	748	683
Total	**7,615**	**8,250**

29.1 Provisions for retirement plans

When Group employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries in which the Group 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 ARRCO (Association pour le régime de retraite complémentaire des salaries) and AGIRC (Association générale des institutions de retraite des cadres). 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 - The Group 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”), the Group 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.

United Kingdom - 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 the Group 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, the Group 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. These plans qualify as multi-employer defined benefit plans under IAS 19 “Employee benefits”. The Group’s 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 the Group and BAE Systems and a change in UK pensions legislation enacted in April 2006.

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 the Group investments participate are currently underfunded. BAE Systems has 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.

Based on detailed information about the different multi-employer pension schemes provided by BAE Systems, the Group is able to appropriately and reliably estimate the share of its participation in the schemes, *i.e.* its share in plan assets, defined benefit obligations (“DBO”) and pension costs. The information enables the Group to derive keys per plan to allocate for accounting purposes an appropriate proportion in plan assets, defined benefit obligations 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, the Group accounts for its participation in BAE Systems’ UK defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

In 2015, the share of Airbus in BAE Systems' main scheme amounts to 20.96% (in 2014: 19.65%). The impact of this change is mainly reflected in the remeasurements of the period.

BAE Systems, Airbus and the trustees agreed to work towards a sectionalisation of the Main Scheme in 2016, which remains subject to Trustee approval. In a first step, in December 2015, BAE Systems, Airbus Operations Ltd. and the scheme trustees agreed on an allocation of the deficit of the BAE Systems Pension Scheme ("Main Scheme") to BAE Systems and Airbus based in principle on each member's last employer. This methodology is considered to represent a better estimate of the deficit allocation than the relative payroll contributions of active members and has been reflected in the allocation of the IAS 19 pension deficit in the Main Scheme at 31 December 2015. The impact of this change on the amounts allocated at 31 December 2015 is a decrease of €106 million in the Group's share of the reported IAS 19 deficit.

In the event that an employer who participates in the BAE 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. The Group considers the likelihood of this event as remote.

Risks

The defined benefit obligation exposes the Group 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 defined benefit liability 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 defined benefit obligation is significantly impacted by the applied discount rate. The low interest rates, particular in the €-denominated market environment, lead to a relatively high net pension liability. If the decline in returns of corporate bonds will continue, the defined benefit obligation 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**		**Multi-employer (UK)**	
Assumptions in %	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Discount rate	2.4	1.9	2.5	2.1	3.9	3.8	3.9	3.6
Rate of compensation increase	2.75	3.25	2.5	2.5	3.0	3.0	3.2	3.2
Rate of pension increase	1.7	1.7	- / 1.7	- / 2.0	2.9	2.8	2.3 - 3.2	2.3 - 3.2
Inflation rate	1.7	1.7	1.7	1.7	3.0	2.9	3.2	3.2

For Germany and France, the Group derives the discount rate used to determine the defined benefit obligation 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 deviated 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, INSEE (Institute for French Statistics) tables are applied.

The development of the defined benefit obligation is set out below:

	Defined benefit obligation			Plan assets			
(In € million)	Pension plans of the Group	Share of multi-employer plan in UK	Total defined benefit obligation	Pension plans of the Group	Share of multi-employer plan in UK	Total plan assets	Total provisions
Balance as of 1 January 2014	**8,822**	**3,460**	**12,282**	**(3,768)**	**(2,705)**	**(6,473)**	**5,809**
Service cost	288	63	351	0	0	0	351
Interest cost and income	309	160	469	(144)	(127)	(271)	198
Settlements	(143)	0	(143)	116	0	116	(27)
Remeasurements: Actuarial and losses arising							
from changes in demographic assumptions	161	65	226	0	0	0	226
from changes in financial assumptions	1,370	584	1,954	0	0	0	1,954
from changes in experience adjustments	165	(134)	31	0	0	0	31
from plan assets			0	(140)	(162)	(302)	(302)
Change in consolidation, transfers and others	(77)	4	(73)	0	0	0	(73)
Benefits paid	(323)	(129)	(452)	130	129	259	(193)
Contributions by employer and other plan participants			0	(380)	(94)	(474)	(474)
Foreign currency translation adjustment	53	264	317	(51)	(199)	(250)	67
Balance as of 31 December 2014 / 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
Settlements	0	0	0	0	0	0	0
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**

Change in net defined benefit liability (asset)

On 1 April 2014, Dutch Space B.V., Leiden (Netherlands) settled its own pension scheme and transferred its obligation and related plan assets to the pension scheme of the industry sector “Electrotechnical and Metal” as managed by its pension fund PME. Considering an additional payment of €2 million, the settlement gain amounted to €25 million. The company pays a yearly premium to the PME without any further obligation for additional contributions. The pension scheme of the PME qualifies as a defined contribution plan.

In 2015, contributions in the amount of €241 million (2014: €372 million) are made into the pension plans of the Group, mainly relating to the Contractual Trust Arrangement with €130 million (2014: €265 million), the Airbus Group UK scheme with €58 million (2014: €50 million) and the relief fund in Germany with €50 million (2014: €50 million).
Contributions of approximately €400 million are expected to be made in 2016.
The weighted average duration of the defined benefit obligation for retirement plans and deferred compensation is 14 years at 31 December 2015 (31 December 2014: 15 years).

The split of the defined benefit obligation for retirement plans and deferred compensation between active, deferred and pensioner members for the most significant plans is as follows (as of 31 December 2015 unless otherwise noted):

	Active	Deferred	Pensioner
Germany	46%	6%	48%
France	99%	0%	1%
UK (1)	69%	12%	19%
Share of multi-employer scheme in UK (Main Scheme) (2)	32%	19%	49%

(1) As of 5 April 2013
(2) As of 31 March 2014

The following table shows how the present value of the defined benefit obligations of retirement plans and deferred compensation would have been influenced by changes in the actuarial assumptions as set out for 31 December 2014:

		Impact on defined benefit obligations	
		Change as of 31 December	
	Change in actuarial assumptions	2015	2014
Present value of the obligation		14,680	15,706
Discount rate	Increase by 0.5%-point	(1,007)	(1,333)
	Decrease by 0.5%-point	1,062	1,416
Rate of compensation increase	Increase by 0.25%-point	188	356
	Decrease by 0.25%-point	(305)	(457)
Rate of pension increase	Increase by 0.25%-point	256	345
	Decrease by 0.25%-point	(369)	(452)
Life expectancy	Increase by 1 year	283	421
	Reduction by 1 year	(411)	(537)

Sensitivities are calculated based on the same method (present value of the defined benefit obligation 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 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:

	31 December 2015			31 December 2014		
(In € million)	Quoted prices	Unquoted prices	Total	Quoted prices	Unquoted prices	Total
Equity securities						
Europe	990	0	990	1,086	0	1,086
Rest of the world	0	0	0	102	0	102
Emerging markets	221	0	221	248	0	248
Global	1,454	0	1,454	1,452	0	1,452
Bonds						
Corporates	1,549	0	1,549	2,289	0	2,289
Governments	1,715	0	1,715	1,317	0	1,317
Pooled investment vehicles	273	0	273	310	15	325
Commodities	119	0	119	176	0	176
Hedge funds	251	0	251	121	0	121
Derivatives	0	(58)	(58)	0	(47)	(47)
Property	331	4	335	346	5	351
Cash and money market funds	48	0	48	197	0	197
Others	252	(64)	188	2	(143)	(141)
	7,203	(118)	7,085	7,646	(170)	7,476

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 2014 consists of fixed income instruments, equities, and although the Group also invests in property, commodities and hedge funds. The Group 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 in the Consolidated Statement of Financial Position can be allocated to the significant countries as follows:

Recognised provision for retirement plans

	Pension plans of the Group				Share of multiemployer plan in the UK	
(In € million)	Germany	France	UK	Others		Total
Defined benefit obligation	8,144	1,561	909	11	4,337	14,962
Plan assets	3,392	17	828	0	3,158	7,395
Recognised in the statements of financial position as of 31 December 2014	**4,752**	**1,544**	**81**	**11**	**1,179**	**7,567**
Defined benefit obligation	7,793	1,545	1,044	10	3,447	13,839
Plan assets	3,464	17	950	0	2,541	6,972
Recognised in the statements of financial position as of 31 December 2015	**4,329**	**1,528**	**94**	**10**	**906**	**6,867**

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2015 amount to €689 million (in 2014: €674 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 ("PA") is as follows:

Change in net defined benefit liabilities (assets):

	2015			2014		
(In € million)	**DBO**	**PA**	**Total**	**DBO**	**PA**	**Total**
Balance as of 1 January	**744**	**(81)**	**663**	**529**	**(74)**	**455**
Service cost	137	0	137	85	0	85
Interest cost	14	0	14	18	0	18
Interest income	0	(2)	(2)	0	(3)	(3)
Remeasurements: Actuarial and losses arising						
from changes in financial assumptions	(34)	0	(34)	121	0	121
from changes in experience adjustments	0	0	0	6	0	6
from plan assets	0	3	3	0	(1)	(1)
Transfer and change in consolidation	(15)	0	(15)	(12)	0	(12)
Benefits paid	(5)	0	(5)	(3)	0	(3)
Additions	0	0	0	0	(3)	(3)
Contributions	0	(33)	(33)	0	0	0
Balance as of 31 December	**841**	**(113)**	**728**	**744**	**(81)**	**663**

Recognised as:

(In € million)	**2015**	**2014**
Provision	748	683
Other non-current and current assets	20	20
Total	**728**	**663**

The portion of the obligation, which is not protected by the pension guarantee association or PSV ("Pensions-Sicherungs Verein") in case of an insolvency of the Group 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, the Group 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 Group Executive Committee members). For details of the conversion of some performance units granted to Executive Committee members into equity-settled plans please refer to Note 31.1 "Remuneration-Executive Committee".

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 **equity settled SOP** that have been granted in the past, the Group offers its employees under the **employee share ownership plan** ("ESOP"), which is an additional equity settled share-based payment plan, Airbus Group 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 the Group's Consolidated Income Statements with a corresponding increase in equity.

30.1 Stock option plans ("SOP") and long-term incentive plan ("LTIP")

Based on the authorisation given to it by the Shareholders' meetings, the Group's Board of Directors approved SOPs in 2006 and 2005 (see dates below). These plans provide to the members of the Executive Committee as well as to the Group's senior management the grant of options for the purchase of the Group's shares.

For all of the Group's SOPs, the granted exercise price exceeded the share price at the grant date.

In 2015, 2014, 2013, 2012, 2011 and 2010, the Board of Directors of the Company approved the granting of LTIP performance and restricted units.

In 2014, the Group decided to hedge the share price risk inherent in the cash-settled LTIP units by entering in equity swaps where the reference price is based on the Airbus Group 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 2015, compensation expense for LTIPs including the effect of the equity swaps amounted to €175 million (in 2014: €156 million). For the SOPs, expenses were neither recognised in 2015 nor in 2014.

The fair value of units granted per vesting date is as follows (LTIP plan 2015):

Expected vesting date (In € per unit granted)	**FV of restricted and performance units to be settled in cash**
July 2019	56.92
July 2020	53.90

As of 31 December 2015 provisions of €320 million (2014: €314 million) relating to LTIP have been recognised.

The lifetime of the performance and restricted units is contractually fixed (see the description of the respective tranche). The measurement is next to other market data, mainly affected by the share price as of the end of the reporting period (€62.00 as of 31 December 2015) and the lifetime of the units.

The principal characteristics of the SOPs as at 31 December 2015 are summarized in the table below:

	SOP 2005	**SOP 2006**
Date of Shareholders' meeting	11 May 2005	4 May 2006
Grant date	9 December 2005	18 December 2006
Number of options granted	7,981,760	1,747,500
Number of options outstanding	0	264,500
Total number of eligible employees	1,608	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	8 December 2015	16 December 2016
Conversion right	One option for one share	
Vested	100%	100%
Exercise price	€ 33.91	€ 25.65
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	5,205,471	1,276,500

(1) As regards the SOP 2005, part of the options granted to the Group's top executives were performance related.

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

Tranches	Number of options			
	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
SOP 2005				
2014	2,449,997	(700,696)	(20,160)	1,729,141
2015	1,729,141	(1,668,678)	(60,463)	0
SOP 2006				
2014	706,125	(194,375)	0	511,750
2015	511,750	(241,750)	(5,500)	264,500
Total options for all tranches	**2,240,891**	**(1,910,428)**	**(65,963)**	**264,500**

The weighted average share price at the date of exercise for share options exercised in 2015 was €60.65 (2014: €50.06).

The principal characteristics of the performance and restricted units of the LTIPs as at 31 December 2015 are summarized below:

	LTIP 2010		LTIP 2011		LTIP 2012		LTIP 2013		LTIP 2014		LTIP 2015	
Grant date	10 November 2010		9 November 2011		13 December 2012		17 December 2013 (3)		13 November 2014		29 October 2015	
	Performance and restricted unit plan											
Units	Performance	Restricted	Performance	Restricted	Performance	Restricted	Performance	Restricted	Performance	Restricted	Performance	Restricted
Number of units granted (1)	2,891,540	977,780	2,606,900	880,225	2,119,160	621,980	1,241,020	359,760	1,110,230	291,420	926,416	239,604
Number of units outstanding	0	0	1,621,252	430,509	2,024,076	601,800	1,202,576	355,120	1,109,650	290,840	926,416	239,604
Total number of eligible beneficiaries	1,711		1,771		1,797		1,709		1,621		1,564	
Vesting conditions	The performance and restricted units will vest if the participant is still employed by a Group company at the respective vesting dates and, in the case of performance units, 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 (2)	-		-		€55.66		€92.34		€94.90		€112.62	
Vesting dates	25% each: in May 2014 in November 2014 in May 2015 in November 2015		25% each: in May 2015 in November 2015 25% each expected: in May 2016 in November 2016		25% each expected: in May 2016 in November 2016 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	
Number of vested units	3,693,272	916,700	1,524,034	417,472	2,000	2,800	600	0	0	0	0	0

(1) 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 the Group) 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).

(2) 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) and €56.31 (for LTIP 2015).

(3) Date, when the vesting conditions were determined.

30.2 Employee share ownership plan ("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). The Group matched each fixed number of shares with a number of free Airbus Group shares based on a determined ratio (4, 5, 6, 11, 16, 25 and 39 free shares, respectively). During a lockup 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 Airbus Group 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 Group 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.
An ESOP 2014 was not implemented.

31. Remuneration

31.1 Remuneration – Executive Committee

The Group's key management personnel consist 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)	2015 Total	2014 Total
Executive Committee, incl. Executive Board Member		
Salaries and other short term benefits (including bonuses)	23.2	23.2
Post-employment benefit costs	7.5	8.7
Share-based remuneration ("LTIP award", including associated hedge result)	15.4	16.7
Termination benefits	3.5	4.1
Other benefits	0.8	0.6
Social charges	6.5	4.9
Non-Executive Board Members		
Short-term benefits (including social charges)	1.5	1.5
Total expense recognised	**58.4**	**59.7**

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 2015 for Executive Committee members based on estimated performance achievement at year-end was €13.4 million (2014: €14.9 million).
In 2015, the Company does not recognise any high salary taxes for Executive Committee members subject to French tax jurisdictions under the "Taxe sur les hauts revenus", requiring for 2014 and 2015 exceptional 50% charges on individual annual remuneration exceeding €1 million (2014: €3.6 million).

Post-employment benefit cost

The pension defined benefit obligation of the Executive Committee, including the CEO, at 31 December 2015 amounted to €61.6 million (2014: €81.6 million). The disclosed defined benefit obligation 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 Group LTIP which are re-measured to fair value as far as they are cash settled.

In 2015, the members of the Executive Committee were granted 175,802 performance units for LTIP 2015 and 8,850 additional units for LTIP 2014 (2014: 190,460 units) the respective share price of these performance units at grant date was €10.3 million (2014: €9.1 million). Fair value of outstanding LTIP balances at the end of 2015 for all Executive Committee Members was €21.6 million (2014: €18.8 million). The total number of outstanding performance and restricted units amounted to 775,744 at 31 December 2015 (2014: 823,493), granted to the current members of the Executive Committee.

Also basing on the intention of the Board of Directors to increase the long-term commitment of Executive Committee members to the success of the company the Board has authorized the Executive Committee members to opt for partial conversion of the otherwise cash settled LTIP plans 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 plan. By the end of February 2016, Executive Committee members will accordingly decide on the split for the 2015 LTIP plan. 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.

Number of performance units granted to Executive Committee Members

	LTIP 2010 (1)	LTIP 2011 (2)	LTIP 2012 (3)	LTIP 2013	LTIP 2014
Total number of units granted	413,984	337,280	275,900	203,000	199,310
Number of cash-settled units	263,228	227,949	199,925	138,300	147,269
Number of equity-settled units	150,756	109,331	75,975	64,700	52,041
Date of conversion	31 December 2012	31 December 2012	28 February 2013	28 February 2014	28 February 2015
Share price at date of conversion	€ 29.50	€ 29.50	€ 39.70	€ 53.39	€ 55.33

(1) Based on performance achievement of 136% for performance units under 2010 LTIP.
(2) Based on performance achievement of 128% for performance units under 2011 LTIP.
(3) Based on performance achievement of 100% for performance units under 2012 LTIP.

SOPs

To the other current members of the Executive Committee and to the Group's senior management, the number of outstanding stock options amounted to 264,500 at 31 December 2015 (2014: 2,240,891). During the year 2015, the Executive Committee members have exercised 241,085 options (2014: 188,128) granted under the various SOP's. 137,500 options (2014: 118,000) were exercised by former Executive Committee Members. As all Airbus Group SOPs vested before 2012 no related personnel expense was recognised in 2015 or in 2014.

Other benefits

Other benefits include expenses for Executive Committee members' company cars and accident insurance. There were no outstanding liabilities at 31 December 2015 or 2014 respectively.

31.2 Remuneration – Chief Executive Officer ("CEO")

The total **remuneration** of the CEO and Executive member of the Board of Directors related to the reporting periods 2015 and 2014 can be summarized as follows:

CEO (Tom Enders):

(In € million)	**2015**	**2014**
Base salary	1,400,004	1,400,004
Annual variable pay	1,659,000	1,750,000
Post-employment benefits costs	1,079,861	1,043,679
Share based remuneration ("LTIP award") (1)	2,401,751	2,798,039
Other benefits	69,050	68,415
Social charges	11,368	11,172

(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: refer to Note 30 "Share-based payment" for details. The pay-out from vested cash settled LTIP in 2015 was €3,148,629 (2014: €2,374,997).

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, Tom Enders, the pension defined benefit obligation including deferred compensation amounted to €17,118,048 as of 31 December 2015 (€18,584,426 as of 31 December 2014), whilst the amount of current service and interest cost related to his pension promise accounted for in the fiscal year 2015 represented an expense of €1,079,861 (2014: €1,043,679). This amount has been accrued in the Consolidated Financial Statements.

Share-based remuneration

The tables below gives an overview of the interests of the current executive members of the Board of Directors, Tom Enders as CEO, under the various LTIP's of the Group:

Performance units plan (LTIP)

	LTIP					
Granted date	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Performance units	54,400	51,400	50,300	30,300	29,500	24,862
Re-evaluation of PU	136%	128%	100%	100%	100%	100%
PUs re-evaluated	73,984	65,792	50,300	30,300	29,500	24,862
Vested in 2015						
in cash	27,744	24,672	0	0	0	0
in shares	18,496	0	0	0	0	0
Outstanding 2015						
in cash	0	24,672	37,725	15,150	29,500	24,862
in shares	0	16,448	12,575	15,150	0	0
Vesting schedule						
Cash-settled units	For vesting dates, please refer to Note 30.1 "SOP and LTIP"					
Equity-settled units	0	November 2016	November 2017	November 2018	June 2019	July 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 2015 for the CEO was €3,460,607 (2014: €3,287,645).

Other benefits

The CEO, Tom Enders, is entitled to accident insurance coverage and a company car. In 2015, the total amount expensed was €69,050 (2014: €68,415). The company 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:

	2015 (1)			2014 (1)		
(In €)	Fixum	Attendance fees	Total	Fixum	Attendance fees	Total
Denis Ranque	180,000	70,000	250,000	180,000	70,000	250,000
Manfred Bischoff	80,000	25,000	105,000	80,000	25,000	105,000
Ralph D. Crosby	80,000	35,000	115,000	80,000	35,000	115,000
Hans-Peter Keitel	100,000	35,000	135,000	100,000	30,000	130,000
Hermann-Josef Lamberti	110,000	30,000	140,000	110,000	35,000	145,000
Anne Lauvergeon	100,000	30,000	130,000	100,000	30,000	130,000
Lakshmi N. Mittal	100,000	35,000	135,000	100,000	30,000	130,000
María Amparo Moraleda Morales	50,000	20,000	70,000	0	0	0
Sir John Parker	110,000	30,000	140,000	110,000	35,000	145,000
Michel Pébereau	100,000	25,000	125,000	100,000	30,000	130,000
Josep Piqué i Camps	41,668	0	41,668	100,000	15,000	115,000
Jean-Claude Trichet	100,000	35,000	135,000	100,000	35,000	135,000
Total	1,151,668	370,000	1,521,668	1,160,000	370,000	1,530,000

(1) The Fixum related to 2014 was paid in 2015. The Fixum and the attendance fees for the last six months of 2015 will be paid in 2016.

CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

32. Total equity

32.1 Equity attributable to equity owners of the parent

Airbus Group'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)	2015	2014
Issued as at 1 January	**784,780,585**	**783,157,635**
Issued for ESOP	1,539,014	0
Issued for exercised options	1,910,428	1,871,419
Cancelled	-2,885,243	-248,469
Issued as at 31 December	**785,344,784**	**784,780,585**
Treasury shares as at 31 December	-1,474,057	-431,832
Outstanding as at 31 December	**783,870,727**	**784,348,753**
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 €1,910,428 (in 2014: €1,871,419) in compliance with the implemented SOP's and by employees of €1,539,014 million (in 2014: €0) under the ESOPs.

Share premium mainly results from contributions in kind in the course of the creation of Airbus Group, cash contributions from the Group's initial public offering, capital increases and reductions due to the issuance and cancellation of shares as well as cash dividend payments to Airbus Group SE shareholders.

On 27 May 2015, the shareholders' general meeting decided to distribute a gross amount of €1.20 per share, which was paid on 3 June 2015. For the fiscal year 2015, the Group's Board of Directors proposes a cash distribution payment of €1.30 per share.

Retained earnings include mainly the profit of the period and the changes in other comprehensive income from remeasurements of the defined benefit liability net of tax which amounts to €491 million in 2015 (in 2014: €-1,585 million).

On 1 July 2015, Airbus Group issued a convertible bond for €500 million with a 7-year maturity (see Note 34.3 Financing liabilities).

Treasury shares represent the amount paid or payable for own shares held in treasury and relates to the share buyback in 2015.

On 27 May 2015, the Annual General Meeting (AGM) of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2016, to issue shares and grant rights to subscribe for shares in the Company's share capital for the purpose of:

- employee share ownership plans in the limit of 0.1% of the Company's authorised share capital (see Note 30 "Share-based payment")
- 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")

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 27 May 2015, 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 €85 per share.

Airbus Group has appointed an Investment Services Provider to undertake a share buyback on behalf of the Company for a maximum amount of €1 billion. The buyback will take 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.

Furthermore, the Annual General Meeting 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. As per decisions of the Chief Financial Officer upon delegation of the CEO, on 17 December 2015, a number of 2,885,243 shares have been cancelled.

32.2 Non-controlling interests

The non-controlling interests (NCI) from non-wholly owned subsidiaries amount to €7 million as of 31 December 2015 (in 2014: €18 million). These NCI do not have a material interest in the Group's activities and cash flows.

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

	Elbe Flugzeugwerke GmbH		**GEW Technnologies (Pty) Ltd.**		**Alestis Aerospace S.L.**		**PFW Aerospace GmbH**	
Principal place of business	Dresden (Germany)		Pretoria (South Africa)		La Rinconada (Spain)		Speyer (Germany)	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Ownership interest held by NCI	35%	35%	25%	25%	38.09%	38.84%	25.10%	25.10%
NCI (in € million)	19	21	9	11	(25)	(25)	(28)	(21)
Profit (loss) allocated to NCI (in € million)	2	2	2	1	(7)	(10)	0	1

33. Capital management

The Group 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 the Group. Consequently, operating liquidity is of great importance.

As part of its capital management, it is one of the Group's objectives to maintain a strong credit rating by institutional rating agencies. This enables the Group 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. The Group 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	A	Positive (1)	A-1
Moody's Investors Services	A2	Stable	P-1
Fitch Ratings (unsolicited)	A-	Stable	F-2

(1) The outlook with Standard and Poor's has been changed to positive from stable in September 2015.

The Group's stand-alone ratings reflect the strong backlog providing revenue visibility and Airbus leading market position, the Group's 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 the Group's exposure to structural currency risk.

In accordance with the Group's 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' position as a solid counterparty for its customers and suppliers.

Among other indicators, the Group 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.

The Group uses Return on Capital Employed ("RoCE") to measure the value created by financial returns relative to its capital base. RoCE, as defined by the Group, uses EBIT pre-goodwill impairment and exceptionals for the numerator and Average Capital Employed for the denominator. The Average Capital Employed for the Group 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 the Group's 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 (1) RoCE, (2) EBIT pre-goodwill impairment and exceptionals, and (3) 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 realized Treasury swaps. The Company's long-term aspiration is to reach the first quartile of RoCE performance among our aerospace and defence peers.

The Group also monitors the level of dividends paid to its shareholders.

The Group 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 Group has accordingly decided to buyback and cancel its own shares following the decisions of the Board of Directors and approval of the Annual General Meeting. Apart from this purpose, the Group generally does not trade with treasury shares.

The Group 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 the Group's operations, to react to the Group's business needs and risk profile and to return capital to the shareholders.

	31 December	
(In € million)	**2015**	**2014**
Cash and cash equivalents	7,489	7,271
Current securities	1,788	3,183
Non-current securities	9,851	5,989
Short-term financing liabilities	(2,790)	(1,073)
Long-term financing liabilities	(6,335)	(6,278)
Total	**10,003**	**9,092**

Derivative instruments recognised in the Group's statement of financial position consist of (i) instruments that are entered into as hedges of the Group's 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 Group cash flow from operations. Similarly, financial assets and liabilities arising from customer financing activities and refundable advances from European governments are considered part of the Group's 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)	2015	2014
Bank account and petty cash	1,504	2,280
Short-term securities (at fair value through profit and loss)	3,220	3,261
Short-term securities (available for sale)	2,851	1,744
Others	1	4
Total cash and cash equivalents	**7,576**	**7,289**
Recognized in disposal groups classified as held for sale	87	18
Recognized in cash and cash equivalents	**7,489**	**7,271**

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 the Group's 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).

The Group's security portfolio amounts to €11,639 million and €9,172 million as of 31 December 2015 and 2014, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of €9,848 million (in 2014: €5,985 million) and securities designated at fair value through profit and loss of €3 million (in 2014: €4 million) as well as a **current portion** of available-for-sale-securities of €1,788 million (in 2014: €3,183 million).

Included in the securities portfolio as of 31 December 2015 and 2014, respectively, are corporate and government bonds bearing either fixed rate coupons (€10,956 million nominal value; comparably in 2014: €8,666 million) or floating rate coupons (€397 million nominal value; comparably in 2014: €250 million) and foreign currency Funds of Hedge Funds (€8 million nominal value; 2014: €8 million).

When the Group 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 2015 and 2014.

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, the Group 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 the Group's balance sheet.

The Group has issued several €-denominated bonds under its Euro Medium Term Note Programme ("EMTN") and placed a US dollar-denominated bond on the US institutional market under Rule 144A. It has also issued a convertible bond in euro. Furthermore, the Group 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:

Bond / Loan	Principal amount	Issuance date	Coupon or interest rate	Effective interest rate	Maturity date	Additional features
EMTN 15 years	€ 500,000,000	Sep-03	5.50%	5.58%	Sep-18	Interest rate swapped into 3M Euribor +1.72%
EMTN 7 years	€ 1,000,000,000	Aug-09	4.625%	4.68%	Aug-16	Interest rate swapped into 3M Euribor +1.57%
EMTN 10 years	€ 1,000,000,000	Apr-14	2.375%	2.394%	Apr-24	Interest rate swapped into 3M Euribor +1.40%
EMTN 15 years	€ 500,000,000	Oct-14	2.125%	2.194%	Oct-29	Interest rate swapped into 3M Euribor +0.84%
USD Bond 10 years	US$1,000,000,000	Apr-13	2.70%	2.73%	Apr-23	Interest rate swapped into 3M Libor +0.68%
CONVERTIBLE Bonds 7 years	€ 500,000,000	Jul-15	0.00%	1.386%	Jul-22	Convertible into Airbus Group SE shares at €99.54 per share
DBJ 10 years	US$300,000,000	Jan-11	3M US-Libor +1.15%		Jan-21	Interest rate swapped into 4.76% fixed
EIB 10 years	US$720,750,000	Aug-11	3M US-Libor +0.85%		Aug-21	Interest rate swapped into 3.2% fixed
EIB 7 years	US$406,110,000	Feb-13	3M US-Libor +0.93%		Feb-20	
EIB 10 years	US$626,850,000	Dec-14	2.52%	2.52%	Dec-24	Interest rate swapped into 3M Libor +0.61%
EIB 10 years	US$320,130,000	Dec-15	6M US-Libor +0.559%		Dec-25	

The Group 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 2015, there was no outstanding amount under the programme. The Group signed in April 2015 the documentation of a $2 billion commercial paper programme. As of 31 December 2015, the outstanding amount was $ 550 million.

Financing liabilities include outstanding debt of €129 million (2014: €147 million) relating to a loan Airbus 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").

On 1 July 2015, the Group issued convertible bonds for €500 million, with a 7-year maturity. The bonds bear a coupon of 0% and were issued at 102% of par. Their effective interest rate, after separation of the equity conversion option, is 1.386%.

In December 2015, the Group entered into a US$320 million loan agreement with the EIB maturing in December 2025.

(In € million)	Not exceeding 1 year	Over 1 year up to 5 years	More than 5 years	**Total**
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)	**2,790**	**1,971**	**4,364**	**9,125**
Bonds	1	1,543	2,374	3,918
Liabilities to financial institutions	22	526	1,225	1,773
Loans	285	243	181	709
Liabilities from finance leases	12	70	116	198
Others (1)	753	0	0	753
31 December 2014 (2)	**1,073**	**2,382**	**3,896**	**7,351**

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

(2) Financing liabilities include non-recourse Airbus debt of €94 million in 2015 (€46 million in 2014).

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2015 and as of 31 December 2014, are as follows:

(In € million)	2015	2014
1 year	2,790	1,073
2 years	228	1,240
3 years	835	196
4 years	252	723
5 years	656	223
Thereafter	4,364	3,896
Total	**9,125**	**7,351**

35. Information about financial instruments

35.1 Financial risk management

By the nature of its activities, the Group 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. The Group's overall financial risk management activities focus on mitigating unpredictable financial market risks and their potential adverse effects on the Group's operational and financial performance.

The financial risk management of the Group is generally carried out by the Corporate Finance department at the Group 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 the Group's Divisions.

The Group 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.

The Group 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. This hedge portfolio covers a large portion of the Group's firm commitments and highly probable forecast transactions.

Most of Group's 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 the Group 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 the Group 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, the Group typically hedges firmly committed sales in US dollars using a "first flow approach". Under that approach, the foreign currency derivatives the Group 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, the Group 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, the Group 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, the Group 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, the Group 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, the Group 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. The Group 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, the Group 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, the Group primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and to a minor extent non-derivative financial instruments.

The Group 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, the Group 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 – The Group uses an asset-liability management approach with the objective to limit its interest rate risk. The Group 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 the Group’s 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.

The Group 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, the Group 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 – The Group is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. The Group 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, the Group applies cash flow hedge accounting to the derivative instruments.

Equity price risk – The Group is to a small extent invested in equity securities mainly for operational reasons. The Group's exposure to equity price risk is hence limited. Furthermore, the Group is exposed under its LTIP to the risk of Airbus Group share price increases. The Group 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 the Group's 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 the Group is based upon a 95% confidence level and assumes a 5-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.

The Group's VaR computation includes the Group's 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-group payables and receivables affecting Group 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 five-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.

The Group 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, the Group's 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 the Group's Asset Management Committee.

A summary of the VaR position of the Group's financial instruments portfolio at 31 December 2015 and 2014 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2015					
FX 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)	210	162	82	0	15
Finance lease receivables and liabilities, foreign currency trade payables and receivables	91	0	24	0	83
Commodity contracts	7	0	3	6	0
Equity swaps	11	11	0	0	0
Diversification effect	(418)	(8)	(172)	0	(92)
All financial instruments	**1,715**	**165**	**1,807**	**6**	**187**
31 December 2014					
FX hedges for forecast transactions or firm commitments	1,052	0	1,135	0	122
Financing liabilities, financial assets (including cash, cash equivalents securities and related hedges)	407	401	33	0	32
Finance lease receivables and liabilities, foreign currency trade payables and receivables	55	0	19	0	57
Commodity contracts	9	0	2	9	0
Equity swaps	17	17	0	0	0
Diversification effect	(489)	(17)	(74)	0	(27)
All financial instruments	**1,051**	**401**	**1,115**	**9**	**184**

The increase of total VaR as of 31 December 2015 is mainly attributable to a strong increase of market volatilities, in particular foreign exchange ("FX") volatility in combination with an increased net foreign exchange portfolio in comparison to year end 2014. The Group uses its derivative instruments entirely for hedging purposes. 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 FX hedging portfolio in the amount of €1,814 million (2014: €1,052 million) cannot be considered as a risk indicator for the Group in the economic sense.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. The Group manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion as of 31 December 2015 and 2014) in addition to the cash inflow generated by its operating business. The Group continues to keep within the asset portfolio the focus on low counterparty risk. In addition, the Group 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 the Group's funding costs and limit its financial flexibility.

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

The contractual maturities of the Group's 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	> 5 years
31 December 2015								
Non-derivative financial liabilities	(22,074)	(23,355)	(15,311)	(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	**(32,661)**	**(36,045)**	**(19,284)**	**(3,579)**	**(4,631)**	**(2,306)**	**(1,268)**	**(4,977)**
31 December 2014								
Non-derivative financial liabilities	(18,905)	(20,008)	(11,625)	(1,786)	(586)	(956)	(353)	(4,702)
Derivative financial liabilities	(5,503)	(6,976)	(2,293)	(1,747)	(1,413)	(895)	(543)	(85)
Total	**(24,408)**	**(26,984)**	**(13,918)**	**(3,533)**	**(1,999)**	**(1,851)**	**(896)**	**(4,787)**

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 €7,286 million at 31 December 2015 (€6,528 at 31 December 2014) are not included.

Credit risk

The Group 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, the Group 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 Group level. In order to ensure sufficient diversification, a credit limit system is used.

The Group 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 and ATR, the Group 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 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 the Group's non-cash loans and receivables including finance leases, separately showing those that are impaired, renegotiated or past due:

(In € million)	2015	2014
Receivables, neither past due nor impaired	7,795	6,592
Not past due following negotiations and not impaired	139	94
Receivables impaired individually	170	405
Receivables not impaired and past due ≤ 3 months	1,062	1,173
Receivables not impaired and past due > 3 and ≤ 6 months	432	271
Receivables not impaired and past due > 6 and ≤ 9 months	157	95
Receivables not impaired and past due > 9 and ≤ 12 months	294	141
Receivables not impaired and past due > 12 months	484	387
Total	**10,533**	**9,158**

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 – The Group's financial assets mainly consist in cash, short to medium-term deposits and securities. The Group's 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. The Group 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 the Group, 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 the Group, only derivatives not designated as hedges are categorized as held for trading. Furthermore, the Group 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.

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

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 2015 and 2014:

31 December 2015	**Fair Value through profit or loss**		**Fair Value for hedge relations**	**Available for Sale**	**Loans and Receivables and Financial liabilities**		**Other[(3)]**	**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 financings [(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						0			
- 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	0	3,220	0	2,851	1,418	1,418	0	7,489	7,489
Total	**317**	**3,223**	**963**	**15,719**	**11,783**	**11,783**	**168**	**32,173**	**32,173**
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	0	0	0	0	(11,763)	(11,763)	0	(11,763)	(11,763)
Total	**(501)**	**0**	**(10,160)**	**0**	**(28,898)**	**(29,074)**	**(388)**	**(39,947)**	**(40,123)**

(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.

31 December 2014	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale	Loans and Receivables and Financial liabilities		Other[3]	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	617	0	0	0	617	617
- Customer financings [3]	0	0	0	0	426	426	17	443	443
- Other loans	0	0	0	0	876	876	0	876	876
Trade receivables	0	0	0	0	6,798	6,798	0	6,798	6,798
Other financial assets									
- Derivative instruments [6]	266	0	444	0	0	0	0	710	710
- Non-derivative instruments	0	0	0	0	1,040	1,040	0	1,040	1,040
Securities	0	4	0	9,168	0	0	0	9,172	9,172
Cash and cash equivalents	0	3,261	0	1,744	2,266	2,266	0	7,271	7,271
Total	**266**	**3,265**	**444**	**11,529**	**11,406**	**11,406**	**17**	**26,927**	**26,927**
Liabilities									
Financing liabilities									
- Issued bonds and commercial papers	0	0	0	0	(3,918)	(4,227)	0	(3,918)	(4,227)
- Liabilities to banks and other financing liabilities	0	0	0	0	(3,235)	(3,291)	0	(3,235)	(3,291)
- Finance lease liabilities [4]	0	0	0	0	0	0	(198)	(198)	(198)
Other financial liabilities									
- Derivative instruments [7]	(370)	0	(5,133)	0	0	0	0	(5,503)	(5,503)
- European Governments refundable advances [5]	0	0	0	0	(6,528)	(6,528)	0	(6,528)	(6,528)
- Other	(137)	0	0	0	(1,234)	(1,234)	0	(1,371)	(1,371)
Trade liabilities	0	0	0	0	(10,183)	(10,183)	0	(10,183)	(10,183)
Total	**(507)**	**0**	**(5,133)**	**0**	**(25,098)**	**(25,463)**	**(198)**	**(30,936)**	**(31,301)**

(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 2014, the aggregate carrying amount of these investments was €409 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 €6,528 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 €-18 million, of which €-7 million is recognised in OCI.

(7) This includes debit value adjustments of €31 million, of which €18 million is recognised in OCI.

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, the Group 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 the Group's net exposure to the credit risk of each particular counterparty and fair value information is provided to the Group's 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 hierarchized 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 the Group's 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 tables present the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2015 and 2014, respectively:

	31 December 2015				**31 December 2014**			
(In € million)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Equity instruments	828	0	0	828	208	0	0	208
Derivative instruments	0	1,234	46	1,280	0	708	2	710
Securities	11,474	165	0	11,639	7,784	1,388	0	9,172
Cash equivalents	3,941	2,130	0	6,071	3,563	1,442	0	5,005
Total	**16,243**	**3,529**	**46**	**19,818**	**11,555**	**3,538**	**2**	**15,095**
Financial liabilities measured at fair value								
Derivative instruments	0	(10,587)	0	(10,587)	0	(5,503)	0	(5,503)
Other liabilities	0	0	(74)	(74)	0	0	(137)	(137)
Total	**0**	**(10,587)**	**(74)**	**(10,661)**	**0**	**(5,503)**	**(137)**	**(5,640)**

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

	Financial Assets			**Financial Liabilities**		
(In € million)	Commodity swap ageements	Other derivative instruments	**Derivative Instruments**	Written put options on NCI interests	Earn-out agreements	**Others Liabilities**
1 January 2014	**26**	**8**	**34**	**(129)**	**(51)**	**(180)**
Total gains or losses in profit or loss	(1)	0	(1)	2	38	40
Settlements	(23)	(8)	(31)	0	3	3
31 December 2014	**2**	**0**	**2**	**(127)**	**(10)**	**(137)**
Total gains or losses in profit or loss	59	0	59	0	0	0
OCI	0	0	0	60	0	60
Settlements	(15)	0	(15)	3	0	3
31 December 2015	**46**	**0**	**46**	**(64)**	**(10)**	**(74)**

The profit of the period impact attributable to Level 3 financial assets and liabilities which are still held by the Group as of 31 December 2015 was a gain of €46 million. The profit of the period impact attributable to Level 3 financial assets and liabilities which are still held by the Group as of 31 December 2014 was a gain of €1 million and €24 million respectively.

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 the Group 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 €5 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 ("NCI puts") of Group 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 five-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 €5 million (€11 million). An increase (decrease) in the growth rates by 50 basis points increases (decreases) the NCI put values by €5 million (€11 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 the Group 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 2015 and 2014, respectively, are designated at fair value through profit or loss:

(In € million)	**Nominal amount at initial recognition as of 31 December 2015**	**Fair value as of 31 December 2015**	**Nominal amount at initial recognition as of 31 December 2014**	**Fair value as of 31 December 2014**
Designated at fair value through profit or loss at recognition:				
- Money market funds (accumulating)	3,220	3,220	3,261	3,261
- Foreign currency funds of hedge funds	8	3	8	4
Total	**3,228**	**3,223**	**3,269**	**3,265**

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

In addition, the Group 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 €720 million (2014: €302 million).

Fair value measurement method

The methods the Group 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 the Group 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$ 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 2015 and 2014:

	€		**US$**		**£**	
(Interest rate in %)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
6 months	-0.08	0.13	0.94	0.50	0.85	0.73
1 year	0.14	0.37	1.12	0.82	1.13	1.02
5 years	0.21	0.24	1.72	1.77	1.59	1.45
10 years	0.89	0.70	2.18	2.27	1.99	1.85

35.3 Potential effect of set-off rights on recognised financial assets and liabilities

The Group 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 the Group's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2015 and 31 December 2014, 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		Net amount
				Financial instruments	Cash collateral received	
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
31 December 2014						
Financial assets	710	0	710	(621)	0	89
Financial liabilities	5,503	0	5,503	(621)	0	4,882

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 the Group 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 2015									
Net forward sales contracts	20,395	21,234	20,041	14,655	4,086	(367)	(445)	2	**79,601**
FX 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**
FX swap contracts	906	0	0	0	0	0	0	0	**906**
31 December 2014									
Net forward sales contracts	19,834	17,852	16,479	9,328	4,556	477	(1,069)	(396)	**67,061**
FX swap contracts	1,274	145	0	0	0	0	0	0	**1,419**

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 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**
31 December 2014									
Interest rate contracts	833	1,376	30	918	853	0	1,070	0	**5,080**
Interest rate future contracts	176	0	0	0	0	0	0	0	**176**

Please also refer to 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 2015	336	129	23	11	1	**500**
31 December 2014	319	161	105	20	10	**615**

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 2015	153	76	52	49	19	**349**
31 December 2014	209	146	75	23	0	**453**

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 2015 and 2014 is as follows:

(In € million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total
1 January 2014	**1,101**	**(2)**	**1,099**
Unrealised gains and losses from valuations, net of tax	(4,658)	(19)	(4,677)
Transferred to profit or loss for the period, net of tax	247	(1)	246
AOCI, net of tax	(4,411)	(20)	(4,431)
31 December 2014 / 1 January 2015	**(3,310)**	**(22)**	**(3,332)**
Unrealised gains and losses from valuations, net of tax	(2,842)	(54)	(2,896)
Transferred to profit or loss for the period, net of tax	(712)	27	(685)
AOCI, net of tax	(3,554)	(27)	(3,581)
31 December 2015	**(6,864)**	**(49)**	**(6,913)**

In the year 2015, an amount of €3,833 million (in 2014: €-358 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 gain of €20 million was recognised in the profit of the period in 2015 (€35 million in 2014) on derivatives that were designated as hedging instruments in a fair value hedge, and a loss of €-18 million (in 2014: €-34 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 2015 and 2014, respectively, is as follows:

	2015		2014	
(In € million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign currency contracts – cash flow hedges	832	(10,017)	327	(4,847)
Foreign currency contracts – not designated in a hedge relationship	182	(82)	154	(103)
Interest rate contracts – cash flow hedges	0	(40)	0	(15)
Interest rate contracts – fair value hedges	101	(8)	117	(26)
Interest rate contracts – not designated in a hedge relationship	80	(87)	105	(141)
Commodity contracts – cash flow hedges	0	(57)	0	(40)
Commodity contracts – not designated in a hedge relationship	46	(73)	2	(64)
Equity swaps – cash flow hedges	30	(7)	0	(94)
Embedded foreign currency derivatives – cash flow hedges	0	(31)	0	(111)
Embedded foreign currency derivatives – not designated in a hedge relationship	9	(185)	5	(62)
Total	**1,280**	**(10,587)**	**710**	**(5,503)**

35.6 Net gains or net losses

The Group’s net gains or net losses recognised in profit or loss in 2015 and 2014, respectively, are as follows:

(In € million)	**2015**	**2014**
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	(178)	(308)
Designated on initial recognition	166	91
Available-for-sale financial assets	183	314
Loans and receivables [(1)]	(182)	(163)
Financial liabilities measured at amortised cost	(192)	0

(1) Contain among others impairment losses.

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 2015 and 2014, respectively:

(In € million)	**2015**	**2014**
Other investments and other long-term financial assets		
Equity instruments	(49)	(14)
Customer financings	(25)	(16)
Other loans	(12)	(17)
Trade receivables	(25)	(28)
Total	**(111)**	**(75)**

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 Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with certainty. The Group 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 Group 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 Group 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 Group 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 the Group's financial position or profitability.

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

WTO

Although Airbus Group is not a party, Airbus Group 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 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 panel 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 panel 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 Group conducted internal audits and retained PricewaterhouseCoopers ("PwC") to conduct an independent review relating to GPT Special Project Management Ltd. ("GPT"), a subsidiary that Airbus Group acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by Airbus Group, relating to activities conducted by GPT in Saudi Arabia. PwC's report was provided by Airbus Group 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 Group is cooperating fully 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 Group 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 Group in December 2013. Airbus Group provided the report to the public prosecutors in Germany. Airbus Group is cooperating fully with the authorities.

Other investigations

Following the announcement of investigations by the Romanian authorities relating to the border surveillance project in Romania in mid-October 2014, Airbus Group confirms that Airbus Defence and Space GmbH has 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 Group is cooperating fully with the authorities.

Public prosecutors in Greece and Germany launched investigations into a current employee and former managing directors and employees of Atlas Elektronik GmbH, a joint company of ThyssenKrupp and Airbus Group, on suspicion of bribing foreign officials and tax evasion. The public prosecutor in Germany has launched an administrative proceeding for alleged organisational and supervisory shortfalls. The authorities in Greece have launched civil claims against Atlas Elektronik GmbH. In 2015 the public prosecutor´s office in Bremen launched another investigation into current and former employees and managing directors of Atlas Elektronik GmbH on suspicion of bribery and tax evasion in connection with projects in Turkey. With the support of its shareholders, the company is cooperating fully with the authorities and in consultation with the public prosecutor is assisting the further clarification of the matter through its own internal investigation.

Commercial disputes

In May 2013, the Group has been notified of a commercial dispute following the decision taken by the Group to cease a partnership for sales support activities in some local markets abroad. The Group 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 is not expected to be completed before the end of 2016.

In the course of another commercial dispute, the Group 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 Group believes that this claim, which goes back many years, should be dismissed in principle. The dispute is currently the subject of arbitration.

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

37. Auditor fees

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

	2015		2014	
	In € thousand	In %	In € thousand	In %
Audit				
Audit process, certification and examination of individual and consolidated accounts	6,008	47.0	5,812	66.5
Additional tasks [1]	6,160	48.2	2,344	26.9
Sub-total	**12,168**	**95.2**	**8,156**	**93.4**
Other services as relevant				
Legal, tax, employment	608	4.8	573	6.6
Sub-total	**608**	**4.8**	**573**	**6.6**
Total	**12,776**	**100.0**	**8,729**	**100.0**

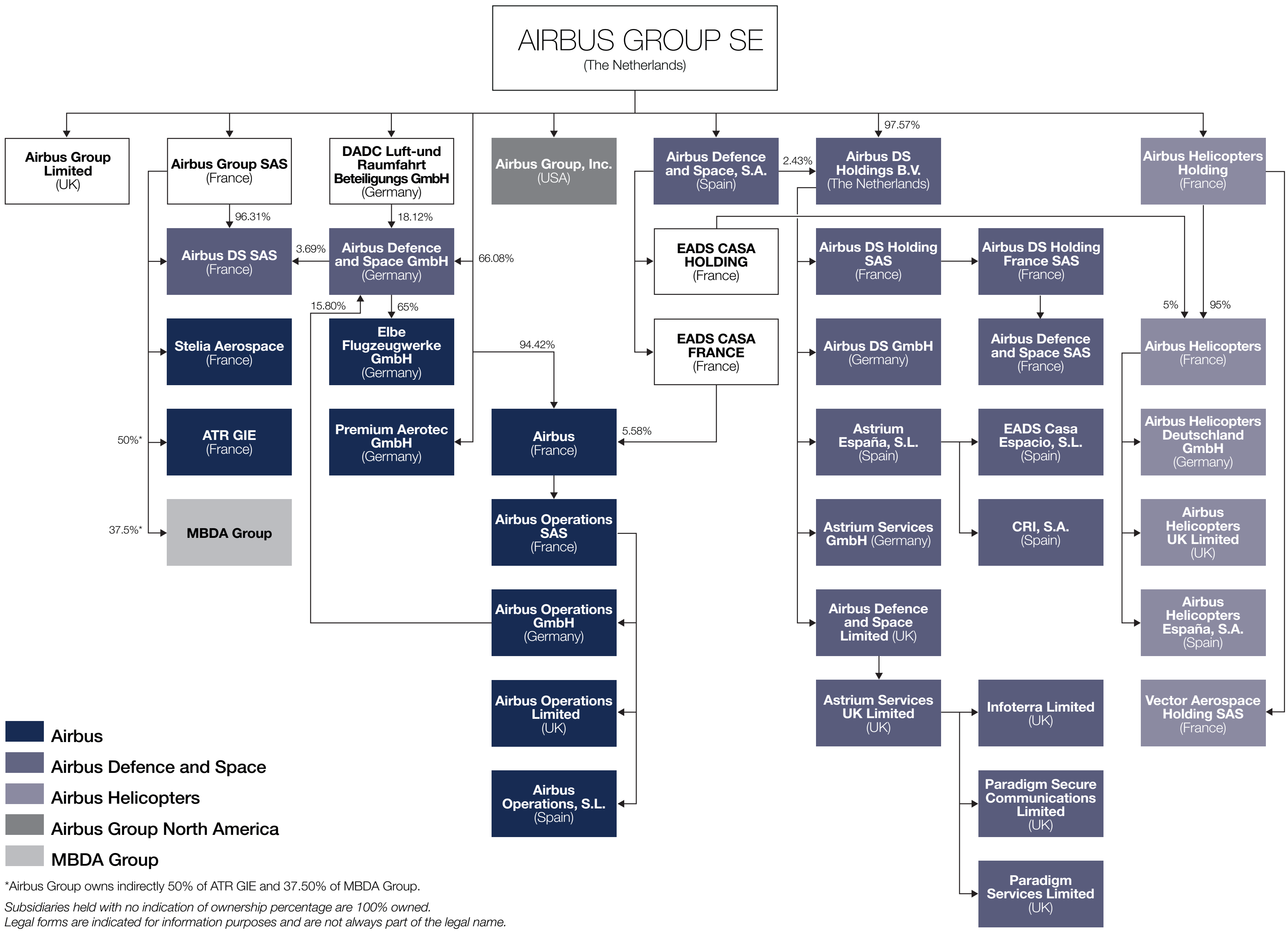
(1) Mainly transaction related work.

In 2015 and 2014, the Airbus Group was audited by KPMG only. Other audit firms have audit fees related to audit process, certification and examination of individual and consolidated accounts of €6 million in 2015 (2014: €6 million).

38. Events after the reporting date

There are no significant events after the reporting date.

These Consolidated Financial Statements have been authorized for issuance by the Board of Directors on 23 February 2016.



*Airbus Group owns indirectly 50% of ATR GIE 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.

3. IFRS COMPANY FINANCIAL STATEMENTS

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IFRS Company Income Statements for the years ended 31 December 2015 and 2014

(In € million)	Note	2015	2014
Operating income		476	457
Operating expenses		(634)	(561)
Income from Investments		9	760
Loss/Impairment of Investments		(5)	(45)
Total Operating Result	4	**(154)**	**611**
Interest income		225	219
Interest expense		(133)	(132)
Other financial result		127	(119)
Total Financial Result	5	**219**	**(32)**
Profit before income taxes		**65**	**579**
Income taxes	6	(11)	44
Profit for the period		**54**	**623**

IFRS Company Statements of Comprehensive Income for the years ended 31 December 2015 and 2014

(In € million)	2015	2014
Profit for the period	**54**	**623**
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Net change in fair value of available-for-sale financial assets	26	84
Net change in fair value of cash flow hedges	0	0
Other comprehensive income, net of tax	**26**	**84**
Total comprehensive income of the period	**80**	**707**

IFRS Company Statements of Financial Position at 31 December 2015 and 2014

(In € million)	Note	**31.12.2015**	**31.12.2014**	**01.01.2014**
Assets				
Non-current assets				
Investments in subsidiaries and associates	7	14,521	14,243	14,379
Long-term financial assets	8	3,594	3,128	3,054
Non-current other financial assets	8	7,979	3,321	2,333
Non-current other assets		5	5	3
Deferred tax assets	6	15	19	0
Non-current securities	12	9,593	5,809	4,179
		35,707	**26,525**	**23,948**
Current assets				
Trade receivables		11	9	146
Current other financial assets	8	4,431	2,502	1,338
Current accounts Group companies	8	8,353	8,856	9,247
Current other assets		149	130	168
Current securities	12	1,683	3,077	2,430
Cash and cash equivalents	12	6,515	6,200	6,126
		21,142	**20,774**	**19,455**
Total assets		**56,849**	**47,299**	**43,403**
Liabilities and stockholders' equity				
Stockholders' equity	11			
Issued and paid up capital		785	785	783
Share premium		3,484	4,500	5,049
Retained earnings		4,939	4,237	4,139
Accumulated other comprehensive income		211	185	101
Treasury shares		(303)	(8)	(50)
Result of the year		54	623	31
		9,170	**10,322**	**10,053**
Non-current liabilities				
Long-term financing liabilities	12	5,394	5,551	3,514
Non current financial liabilities	8	7,960	3,405	2,360
Deferred tax liabilities	6	0	0	5
		13,354	**8,956**	**5,879**
Current liabilities				
Short-term financing liabilities	12	1,823	0	914
Current accounts Group companies	8	28,415	25,649	25,593
Current financial liabilities	8	3,991	2,257	826
Current other liabilities		96	115	138
		34,325	**28,021**	**27,471**
Total liabilities and stockholders' equity		**56,849**	**47,299**	**43,403**

IFRS Company Statements of Cash Flows for the years ended 31 December 2015 and 2014

(In € million)	Note	2015	2014
Profit for the period attributable to equity owners of the parent (Net income)		**54**	**623**
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(225)	(219)
Interest expense		133	132
Interest received		206	257
Interest paid		(117)	(151)
Income tax received		3	0
Depreciation and amortization		5	44
Valuation adjustments		(240)	(83)
Deferred tax expense (income)		11	(44)
Results on disposals of non-current assets		0	(571)
Change in current and non-current provisions		2	(7)
Change in other operating assets and liabilities:		**(3)**	**157**
- Trade receivables		(2)	137
- Other assets and liabilities		(1)	20
Cash (used for) provided by operating activities		**(171)**	**138**
Investments:			
- Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests		(546)	(116)
- Proceeds from disposals of subsidiaries	7	0	708
- Payments for long-term financial assets		(670)	(696)
- Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		44	368
- Repayments of other long term financial assets		127	801
Payments for investments in securities		(6,877)	(5,340)
Proceeds from disposals of securities		4,592	3,307
Cash used for investing activities		**(3,330)**	**(968)**
Draw-down in financing liabilities		788	2,010
Repayment of financing liabilities		(136)	(1,140)
Change in current accounts Group companies		4,056	262
Cash distribution to Airbus Group SE shareholders		(945)	(587)
Changes in capital		171	52
Change in treasury shares		0	102
Share buy-back		(264)	0
Cash provided by financing activities		**3,670**	**699**
Effect of foreign exchange rate changes on cash and cash equivalents		146	205
Net increase in cash and cash equivalents		**315**	**74**
Cash and cash equivalents at beginning of period		**6,200**	**6,126**
Cash and cash equivalents at end of period	**12**	**6,515**	**6,200**

IFRS Company Statements of Changes in Equity for the years ended 31 December 2015 and 2014

(In € million)	Equity attributable to equity holders of the parent						
	Capital stock	Share premium	Retained earnings	Accumulated other comprehensive income		Treasury shares	Total equity
				Available-for-sale financial assets	Cash flow hedges		
Balance at 1 January 2014	**783**	**5,049**	**4,170**	**110**	**(9)**	**(50)**	**10,053**
Profit for the period	0	0	623	0	0	0	623
Other comprehensive income	0	0	0	85	(1)	0	84
Total comprehensive income of the period	0	0	623	85	(1)	0	707
Capital increase	2	50	0	0	0	0	52
Share based payments (IFRS 2)	0	0	(5)	0	0	0	(5)
Cash distribution to Airbus Group SE Shareholders	0	(587)	0	0	0	0	(587)
Change in treasury shares	0	0	0	0	0	(12)	(12)
Sale/Cancellation of treasury shares	0	(12)	72	0	0	54	114
Balance at 31 December 2014	**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**

4. NOTES TO THE IFRS COMPANY FINANCIAL STATEMENTS

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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). On 28 May 2015, the legal form of the Company has changed from a Dutch public limited company (formerly Airbus Group N.V.) to a European company (SE) and is consistently subject to the laws of the Dutch Civil Code. The Company has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Financial Statements were authorised for issue by the Company's Board of Directors on 23 February 2016. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately.

2. Significant accounting policies

Change of accounting framework as of 1 January 2015

Until end of financial year 2014, the Company made use of the option provided in section 2:362 (8) of the Dutch Civil Code, which allows that the principles for the recognition and measurement of assets and liabilities and determination of the result of the Company Financial Statements are the same as those applied for the Consolidated EU-IFRS Financial Statements.

As of 1 January 2015, the Company changed the basis for preparing the Company Financial Statements to IFRS as adopted by the European Union being applicable for Company Financial Statements (a.o. IAS 27), as permitted by section 2:362 (8) of the Dutch Civil Code.

As an internationally operating Company, Airbus Group SE has global institutional and private shareholders as well as other stakeholders who are used to IFRS as internationally accepted and applied accounting standards, rather than to Dutch GAAP requirements under the formerly applied option. Airbus' management considers that the recognition of its investments at cost less impairment in the Company Financial Statements is a more appropriate approach to provide a fair insight into the Company's Financial Position with regards to the determination of distributable equity and provides additional insight relating to the dividend upstream within the Group and therefore complements the Airbus Group's IFRS Consolidated Financial Statements.

As a result of the change in accounting framework in the Company Financial Statements, the following main differences can be identified:

- subsidiaries will now be measured at historic cost less impairment instead of net asset value,
- in the statement of income, dividend income is recognised instead of results from investments in accordance with the equity method, and
- back-to-back hedges with subsidiaries are no longer presented on a net basis in the statement of financial position.

The comparative figures have been adjusted accordingly as from 1 January 2014 (transition date).

Reconciliation from previous GAAP to EU-IFRS

The overview below presents the impact of the change in accounting basis from Dutch GAAP into EU-IFRS **shareholders' equity** in the Company financial statements as per January 1, 2014 and December 31, 2014:

(In € million)	**December 31, 2014**	**January 1, 2014**
Previous GAAP	**7,061**	**10,864**
Restatement of investments from net asset value to EU-IFRS	3,047	(1,068)
Restatement of investments at historical cost	1,487	1,487
Impairment of investments and intercompany financial assets	(1,273)	(1,230)
EU-IFRS	**10,322**	**10,053**

For purposes of an impairment test as of 01.01.2014, management assessed the overall recoverability of its investments and intercompany loans following the principles of IFRS. The impairment test according to IFRS was performed by using the discounted cash flow method (discount rate: pre-tax weighted average cost of capital (WACC) of 8.7%) considering assumptions of the operative planning. Its relevant components are the country specific inflation and interest rates as well as an increase of future labour expenses at a yearly average rate of 2%. For further details regarding the methods applied for impairment testing see also Note 7 of the Company Financial Statements. As a result of the test an impairment of €1,230 million was recorded in the opening balance sheet as of 01.01.2014. The impairment consists of €780 million related to investments and € 450 million in connection with intercompany loans. As at year end 2014, intercompany loans were subject to an additional impairment in the amount of €43 million mainly resulting from FX impacts.

Furthermore we provide a reconciliation of the **Net Income** from Dutch GAAP into EU-IFRS in the Company financial statements for 2014:

(In € million)	**2014**
Previous GAAP	**2,343**
Income from investments according to Dutch GAAP	(2,412)
Income from investments according to EU-IFRS	758
Impairment of intercompany financial assets according to EU-IFRS	(43)
Other valuation differences	(23)
EU-IFRS	**623**

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. When applying IFRS in the Company Financial Statements, Airbus Group SE applied the principles of IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1). According to IFRS 1 a company applying for first time IFRS 1 shall develop accounting policies based on the standards and related interpretations which are effective at the reporting date of its first annual EU-IFRS Financial Statements (31.12.2015). IFRS 1 also requires that those policies be applied as of the date of transition to EU-IFRS (01.01.2014) and throughout all periods presented in the first EU-IFRS Financial Statements.

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 of 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 adopting IFRS for the first time, the company has not exercised the right of applying optional exemptions which are granted to first-time IFRS adopters in the conversion from Dutch GAAP to EU-IFRS.

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 for total shareholders' equity and net income is presented in Note 11 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) are 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 are disclosed in the Note 33, further information about Litigation and Claims refer 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 in 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 2015 and 2014:

(In € million)	Transactions with subsidiaries 2015	Transactions with associates 2015	Transactions with subsidiaries 2014	Transactions with associates 2014
Rendering of services, dividend income and interest income	560	62	754	39
Purchases of services, investment charge and interest expenses	(724)	(4)	(649)	(4)
Intercompany receivables due as of 31 December	12,400	18	12,741	18
Intercompany payables due as of 31 December	(32,414)	(503)	(29,041)	(521)
Hedge relationships receivable as of 31 December	10,482	0	4,943	0
Hedge relationships payable as of 31 December	(1,383)	0	(542)	0

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

COMPANY PERFORMANCE

4. Total Operating Result

(In € million)	2015	2014
Operating Income		
Corporate services rendered to Group companies	**476**	**457**
Operating expenses	**(634)**	**(561)**
Service fees charged by Group companies	(581)	(519)
Administrative expenses	(53)	(42)
Income from investments	**9**	**760**
Dividends received from Group companies	9	189
Result on sale of investments	0	571
Loss/Impairment of Financial Assets	**(5)**	**(45)**
Book loss on investments	(5)	0
Impairment of intercompany financial assets	0	(43)
Impairment of investments	0	(2)
Total Operating Result	**(154)**	**611**

5. Total financial result

(In € million)	2015	2014
Interest result [(1)]	**92**	**87**
Interest income from available-for-sale securities	93	85
Others	(1)	2
Other financial result	**127**	**(119)**
Equity instruments	159	(101)
Interest rate hedging	(11)	(7)
Financing costs	(9)	(7)
FX revaluation	(12)	(4)
Total financial result	**219**	**(32)**

(1) In 2015, the total interest income amounts to €225 million (in 2014: €219 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 €-133 million (in 2014: €-132 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 statement of income, except to the extent that it relates to items recognised directly in Other Comprehensive Income.

The amount of income tax included in the Statement of Income 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)	**2015**	**2014**
Current tax expense	0	0
Deferred tax (expense) income	(11)	44
Total	**(11)**	**44**

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)	**2015**	**2014**
Profit before income taxes	65	579
* Corporate income tax rate	25.0%	25.0%
Expected expense for income taxes	(16)	(145)
Non taxable income from investments	1	179
Income from other companies within the fiscal unity	5	11
Other	(1)	(1)
Reported tax (expense) / income	**(11)**	**44**

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

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**

Deferred income taxes as of 31 December 2014 are related to the following assets and liabilities:

	1 January 2014		Other movements	Movement through income statement	31 December 2014	
(In € million)	Deferred Tax assets	Deferred Tax liabilities	OCI	Deferred tax benefit (expense)	Deferred Tax assets	Deferred Tax liabilities
Securities	0	(11)	(20)	0	0	(31)
Financial instruments	3	0	0	24	27	0
Net operating loss and tax loss carry forwards	3	0	0	20	23	0
Deferred tax assets / (liabilities) before offsetting	**6**	**(11)**	**(20)**	**44**	**50**	**(31)**
Set-off	(6)	6	0	0	(31)	31
Net deferred tax assets / (liabilities)	**0**	**(5)**	**(20)**	**44**	**19**	**0**

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

(In € million)	2015	2014
Available-for-sale investments	(21)	(31)
Cash flow hedges	3	3
Total	**(18)**	**(28)**

OPERATIONAL ASSETS AND LIABILITIES

7. Investment in subsidiaries, associates and participations

(In € million)	Subsidiaries	Associates	Participations	Total
Balance at 1 January 2014	**14,164**	**65**	**150**	**14,379**
Additions	109			109
Disposals / redemptions	(220)	(42)		(262)
Impairments		(2)		(2)
Share based payments (IFRS 2)	(5)			(5)
Fair value changes through equity			24	24
Balance at 31 December 2014	**14,048**	**21**	**174**	**14,243**
Additions	196			196
Book loss on investments	(5)			(5)
Share based payments (IFRS 2)	29			29
Fair value changes through equity			58	58
Balance at 31 December 2015	**14,268**	**21**	**232**	**14,521**

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 € the portion of future US$ and GBP 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 statement of income.

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 June 2015, Airbus Group SE has made a capital contribution of $146 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 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. On 25 November 2015, a first investment of $5 million has been made into this fund.

On 15 December 2015, Airbus Group SE has made a capital increase of €19 million into Aero Ré S.A., thereby acquiring 50.9% of the shares of the company.

On 25 July 2014, Airbus Group SE acquired 100% shares in Salzburg München Bank AG from Raiffeisenverband Salzburg followed by a capital increase in December 2014. The total capital contribution amounted to €100 million.

On 13 November 2014, Airbus Group SE entered into a share purchase agreement with its subsidiary Sogerma S.A.S. to sell its 100% subsidiary Aerolia S.A.S. for a total consideration of €700 million. The transaction was closed on the same date, whereby the Company recognized a €480 million capital gain within income from investments.

Change of investments in associated companies

On 9 December 2014, Airbus Group SE signed a share purchase agreement with the State of Finland to sell its entire 26.8% share in Patria Oyj to the Finnish defence, security and aviation services provider for a total consideration of €133 million. The transaction was closed on 11 December 2014 and the Company recognized a €91 million capital gain within income from investments.

Information on principal investments of the Company

2015	%	2014	%	Company	Head office
	50.90		0.00	Aero Ré S.A.	Bertrange (Luxembourg)
	66.08		78.48	Airbus Defence and Space GmbH	Taufkirchen (Germany)
	100.00		100.00	Airbus Defence and Space S.A.	Madrid (Spain)
	97.57		97.46	Airbus DS Holdings B.V.	Leiden (Netherlands)
	100.00		100.00	Airbus DS Ltd.	Newport (United Kingdom)
	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	AirbusGroup Limited	London (United Kingdom)
	100.00		0.00	Airbus Group Proj B.V.	Leiden (Netherlands)
	100.00		100.00	Airbus Group S.A.S.	Toulouse (France)
	99.00		0.00	Airbus Group Ventures Fund I, L.P.	Mountain View, CA (USA)
	100.00		100.00	Airbus Helicopters Holding S.A.S.	Marignane (France)
	100.00		100.00	Airbus S.A.S.	Toulouse (France)
	100.00		100.00	DADC Luft-und Raumfahrt Beteiligungs GmbH	Ottobrunn (Germany)
	100.00		100.00	Premium Aerotec GmbH	Augsburg (Germany)

Percentages represent share held directly by Airbus Group SE.

With effect of 1 January 2015, Airbus Operation 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%.

8. Financial assets and liabilities

Financial assets and liabilities at 31 December 2015 and 2014 consist of the following:

	31 December	
(In € million)	**2015**	**2014**
Long-term financial assets	**3,594**	**3,128**
Long-term loans Group companies	3,583	3,074
Long-term loans External	11	54
Non-current other financial assets	**7,979**	**3,321**
Positive fair values of derivative financial instruments	7,979	3,321
Current other financial assets	**4,431**	**2,502**
Positive fair values of derivative financial instruments	3,982	2,187
Current portion long-term loans Group companies	449	315
Current accounts Group companies (1)	**(20,062)**	**(16,793)**
Receivables from subsidiaries	8,353	8,856
Liabilities to subsidiaries	(28,415)	(25,649)
Non-current financial liabilities	**(7,960)**	**(3,405)**
Negative fair values of derivative financial instruments	(7,960)	(3,405)
Current financial liabilities	**(3,991)**	**(2,257)**
Negative fair values of derivative financial instruments	(3,991)	(2,257)

(1) The receivables from and liabilities to subsidiaries include mainly transactions in connection with the cash pooling in Airbus Group SE.

9. Commitments and Contingencies

Off-balance sheet commitments

Airbus Group SE issued guarantees on behalf of Group companies in the amount of €6,347 million (2014: €6,409 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” to the Consolidated Financial Statements. In addition, the Company has entered into capital contribution commitments with Group companies in the amount of €54 million (2014: €0 million).

On 15 June 2015, Airbus Group SE announced an industrial partnership with OneWeb Ltd. for the design and manufacturing of microsatellites with a total commitment amount of $166 million. On 26 June 2015, a first investment of $146 million has been made into this partnership.
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 $150 million. On 25 November 2015, a first investment of $5 million has been made into this fund.

EMPLOYEES

10. Number of employees

The average number of the persons employed by the Company in 2015 was 3 (2014: 3).

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)	2015	2014
Issued as at 1 January	**784,780,585**	**783,157,635**
Issued for ESOP	1,539,014	0
Issued for exercised options	1,910,428	1,871,419
Cancelled	-2,885,243	-248,469
Issued as at 31 December	**785,344,784**	**784,780,585**
Treasury shares as at 31 December	-1,474,057	-431,832
Oustanding as at 31 December	**783,870,727**	**784,348,753**
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 €1,910,428 (in 2014: €1,871,419) in compliance with the implemented stock option plans and by employees of €1,539,014 million (in 2014: €0) 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. On 27 May 2015, the Shareholders' General Meeting decided to distribute a gross amount of €1.20 per share, which was paid on 3 June 2015. For the fiscal year 2015, the Group's Board of Directors proposes a cash distribution payment of €1.30 per share.

Accumulated other comprehensive income ("AOCI") includes:

- change from ***available-for-sale financial assets*** (see Note 13 "Information about financial instruments" b);
- change in fair value of derivatives designated as ***cash flow hedges*** (see Note 13 "Information about financial instruments" b);

Treasury shares represent the amount paid or payable for own shares held in treasury.

Authorisations granted by the Shareholders' General Meeting of Airbus Group held on 27 May 2015:

On 27 May 2015, the Annual General Meeting of the Company authorised he Board of Directors, for a period expiring at the Annual General Meeting to be held in 2016, to issue shares and grant rights to subscribe for shares in the Company's share capital for the purpose of:

• employee share ownership plans in the limit of 0.1% of the Company's authorised share capital (see Note 30 "Share based payment" 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 27 May 2015, the Annual General Meeting of the Company 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 85 euros per share.

Airbus Group has appointed an Investment Services Provider to undertake a share buyback on behalf of the Company for a maximum amount of € 1 billion. The buyback will take 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.

Furthermore, the Annual General Meeting authorised both the Board of Directors and the Chief Executive Officer, with powers of substitution, that the number of shares repurchased by the Company pursuant to the share buyback programme are cancelled. As per decisions of the Chief Financial Officer upon delegation of the Chief Executive Officer, on 17 December 2015, a number of 2,885,243 shares have been 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 2015 is as follows:

	31 December	
(In € million)	**2015**	**2014**
Consolidated Equity	**5,966**	**7,061**
AOCI - Restatement of investments from Consolidated to Company Financial Statements	4,527	1,390
Retained Earnings - Restatement of investments from Consolidated to Company Financial Statements	(1,537)	1,657
Retained Earnings - Valuation investments at historical cost	1,487	1,487
Retained Earnings - Impairment of financial assets	(1,273)	(1,273)
Company's Equity	**9,170**	**10,322**

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

(In € million)	2015	2014
Consolidated Net Income	**2,696**	**2,343**
Income from investments according to Consolidated Financial Statements	(2,694)	(2,412)
Income from investments according to Company Financial Statements	9	760
Loss on / Impairment of financial assets	(5)	(45)
Other valuation differences	48	(23)
Company's Net Income	**54**	**623**

12. Cash, securities and financing liabilities

a) Cash and cash equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	2015	2014
Bank accounts	444	1,195
Short-term securities (at fair value through profit & loss)	3,220	3,261
Short-term securities (available for sale)	2,851	1,744
Total cash and cash equivalents	**6,515**	**6,200**

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 recognized in cash equivalents.

b) Securities

	31 December	
(In € million)	2015	2014
Current securities (available for sale)	1,683	3,077
Non-current securities (available for sale)	9,590	5,805
Non-current securities (at fair value through profit & loss)	3	4
Total securities	**11,276**	**8,886**

Included in the securities portfolio as of 31 December 2015 and 2014, respectively, are corporate and government bonds bearing either fixed rate coupons (€10,604 million nominal value; comparably in 2014: €7,010 million) or floating rate coupons (€397 million nominal value; comparably in 2014: €247 million) and foreign currency Funds of Hedge Funds (€8 million nominal value; 2014: €8 million).

c) 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 €-denominated loans and one US $-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	Carrying amount		Coupon or interest rate	Effective interest rate	Maturity	Additional features
	in Mio	31-Dec-15	31-Dec-14				
Loans from Airbus Group Finance B.V.							
AGFBV 15 years (EMTN)	€ 500	€ 499	€ 499	3M Euribor +1.85%	at variable rate	Sep-18	
AGFBV 7 years (EMTN)	€ 1,000	€ 999	€ 999	3M Euribor +1.585%	at variable rate	Aug-16	
AGFBV 10 years (EMTN)	€ 1,000	€ 1,021	€ 995	2.40%	2.45%	Apr-24	Interest rate swapped into 3M Euribor +1.40%
AGFBV 15 years (EMTN)	€ 500	€ 497	€ 494	2.15%	2.24%	Oct-29	Interest rate swapped into 3M Euribor +0.84%
AGFBV USD Loan 10 years	$1,000	€ 919	€ 819	2.72%	2.80%	Apr-23	Interest rate swapped into 3M US-Libor +0.68%
Billet de trésorerie programme	$550	€ 505	€ 0				
Loans from financial institutions							
DBJ 10 years	$ 300	€ 276	€ 247	3M US-Libor +1.15%	4.84%	Jan-21	Interest rate swapped into 4.76% fixed
EIB 10 years	$ 721	€ 567	€ 594	3M US-Libor +0.85%	3.20%	Aug-21	Interest rate swapped into 3.2% fixed
EIB 7 years	$ 406	€ 373	€ 334	3M US-Libor +0.93%	at variable rate	Feb-20	
EIB 10 years	$ 627	€ 576	€ 516	2.52%	2.52%	Dec-24	Interest rate swapped into 3M Euribor +0.61%
EIB 10 years	$ 320	€ 294	€ 0	6M US-Libor +0.56%	at variable rate	Dec-25	
Share buyback commitment		€ 223	€ 0				
Others		€ 11	€ 54				
Bond							
Convertible Bond 7 years	€ 500	€ 457	€ 0	0.00%	1.39%	Jul-22	Convertible into Airbus Group SE shares at €99.54 per share
Total		**€ 7,217**	**€ 5,551**				
Thereof non-current financing liabilities		€ 5,394	€ 5,551				
Thereof current financing liabilities		€ 1,823	€ 0				

The Company can receive loans from issued commercial papers 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.

The decrease in **long-term financing liabilities** is mainly due to a reclassification between long-term and short-term bonds, partly offset by the issue of a convertible bond for €500 million on 1 July 2015, with a 7 year-maturity. This bond bears a coupon of 0% and was issued at 102% of par. Its effective interest rate, after separation of the equity conversion option (€53 million), is 1.386%.

Included in the **short-term financing liabilities** is the irrevocable part of the share buyback commitment in the amount of €223 million.

13. Information about financial instruments

a) 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 it 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 recognized as Other financial assets and Other financial liabilities as disclosed in Note 8 of the Company Financial Statements.

In the Statement of Income the results of the back-to-back hedge transactions, both realized and unrealized, 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" in 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" in the Notes to the Consolidated Financial Statements.

A summary of the VaR position of the Company's financial instruments portfolio at 31 December 2015 and 2014 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
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**
31 December 2014				
FX hedges	15	0	15	0
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	22	13	12	18
Equity swaps	17	17	0	0
Diversification effect	(20)	(6)	(24)	0
All financial instruments	**34**	**24**	**3**	**18**

The increase of total VaR compared to 31 December 2014 is mainly caused by to a strong increase of market volatilities particularly in relation with interest rates and FX. 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" in 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 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)**
31 December 2014								
Non-derivative financial liabilities	(5,551)	(6,405)	(194)	(1,193)	(230)	(749)	(237)	(3,802)
Derivative financial liabilities	(5,662)	(7,567)	(2,310)	(1,789)	(1,066)	(615)	(1,407)	(380)
Total	**(11,213)**	**(13,972)**	**(2,504)**	**(2,982)**	**(1,296)**	**(1,364)**	**(1,644)**	**(4,182)**

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 2015, the total receivables, neither past due nor impaired amount to €4,946 million (in 2014: €4,226 million).

b) 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) 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 2015 and 2014:

31 December 2015	**Fair Value through profit or loss**		**Fair Value for hedge relations**	**Available for Sale**		**Loans and Receivables and Financial liabilities**		**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	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 CP	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**

31 December 2014 (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: Book value	Available for Sale: Fair value	Loans and Receivables and Financial liabilities: Amortised Cost	Loans and Receivables and Financial liabilities: Fair value	Financial Instruments Total: Book Value	Financial Instruments Total: Fair value
Assets									
Other investments and long-term financial assets									
Equity instruments	0	0	0	157	157	0	0	157	157
Loans	0	0	0	0	0	3,445	3,649	3,445	3,649
Trade Receivables	0	0	0	0	0	9	9	9	9
Other financial assets								0	0
Derivative Instruments	5,507	0	0	0	0	0	0	5,507	5,507
Current account Group companies	0	0	0	0	0	8,856	8,856	8,856	8,856
Securities	0	4	0	8,882	8,882	0	0	8,886	8,886
Cash and cash equivalents	0	3,261	0	1,744	1,744	1,195	1,195	6,200	6,200
Total	**5,507**	**3,265**	**0**	**10,783**	**10,783**	**13,505**	**13,709**	**33,060**	**33,264**
Liabilities									
Financing liabilities									
- Issued bonds and CP	0	0	0	0	0	0	0	0	0
- Liabilities to banks and other financing liabilities	0	0	0	0	0	1,692	1,712	1,692	1,712
- Internal loans payable	0	0	0	0	0	3,860	4,168	3,860	4,168
Other financial liabilities									
- Derivative Instruments	5,523	0	139	0	0	0	0	5,662	5,662
- Current accounts Group companies	0	0	0	0	0	25,649	25,649	25,649	25,649
Total	**5,523**	**0**	**139**	**0**	**0**	**31,201**	**31,529**	**36,863**	**37,191**

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 tables present the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2015 and 2014, respectively:

(In € million)	31 December 2015: Level 1	31 December 2015: Level 2	31 December 2015: Total	31 December 2014: Level 1	31 December 2014: Level 2	31 December 2014: Total
Financial assets measured at fair value						
Equity instruments	199	0	199	157	0	157
Derivative instruments	0	11,961	11,961	0	5,505	5,505
Securities	11,112	164	11,276	7,500	1,386	8,886
Cash equivalents	3,941	2,130	6,071	3,563	1,442	5,005
Total	**15,252**	**14,255**	**29,507**	**11,220**	**8,333**	**19,553**
Financial liabilities measured at fair value						
Derivative instruments	0	11,951	11,951	0	5,662	5,662
Other liabilities	0	0	0	0	0	0
Total	**0**	**11,951**	**11,951**	**0**	**5,662**	**5,662**

c) 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 2015 and 31 December 2014, respectively:

(In € million) Derivative instruments	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		Net amount
				Financial instruments	Cash collateral received	
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
31 December 2014						
Financial assets	5,505	0	5,505	(1,038)	0	4,467
Financial liabilities	5,662	0	5,662	(1,038)	0	4,624

d) 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 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**
31 December 2014									
Interest rate contracts	833	2,537	30	1,000	0	0	1,088	0	**5,488**
Interest rate future contracts	176	0	0	0	0	0	0	0	**176**

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 2015	153	76	52	49	20	**350**
31 December 2014	209	146	75	23	0	**453**

e) Derivative financial instruments and hedge accounting disclosure

In addition, a gain of €20 million was recognised in the profit of the period in 2015 (€35 million in 2014) on derivatives that were designated as hedging instruments in a fair value hedge, and a loss of €-18 million (in 2014: €-34 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 is as follows:

(In € million)	2015 Assets	2015 Liabilities	2014 Assets	2014 Liabilities
Foreign currency contracts – cash flow hedges	0	26	0	9
Foreign currency contracts – not designated in a hedge relationship	11,669	11,671	5,265	5,282
Interest rate contracts – cash flow hedges	0	13	0	14
Interest rate contracts – fair value hedges	30	4	0	23
Interest rate contracts – not designated in a hedge relationship	100	100	138	136
Commodity contracts - not designated in a hedge relationship	130	130	104	104
Equity swaps – not designated in a hedge relationship	31	7	0	94
Total	**11,960**	**11,951**	**5,507**	**5,662**

f) Net gains or net losses

The Company's net gains or net losses recognised in profit or loss in 2015 and 2014 respectively are as follows:

(In € million)	2015	2014
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	70	(326)
Designated on initial recognition	165	185
Available-for-sale financial assets	183	206
Loans and receivables (1)	375	338
Financial liabilities measured at amortised cost	(631)	(576)
Total	**162**	**(173)**

(1) Contain among others impairment losses

5. OTHER SUPPLEMENTARY INFORMATION INCLUDING THE INDEPENDENT AUDITOR'S REPORT

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 net income of €54 million as shown in the income statements for the financial year 2015 is to be added to retained earnings and that a payment of a gross amount of €1.30 per share shall be made to the shareholders out of retained earnings.

2. Events after the reporting date

For further information please see Note 38 of the Consolidated Financial Statements.

Independent auditor's report

To: the General Meeting of Shareholders of Airbus Group SE

Report on the audit of the annual financial statements 2015

Opinion

In our opinion, the consolidated and company financial statements give a true and fair view of the financial position of Airbus Group SE as at December 31, 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2015 of Airbus Group SE, based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated and company financial statements comprise:

1. the consolidated and company statement of financial position as at December 31, 2015;
2. the following statements for 2015: the consolidated and company income statement and the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
3. 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) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

KPMG

Audit approach

Summary	
Unqualified audit opinion	***Materiality*** • Overall materiality of EUR 200 million • 5.9% of consolidated profit before tax
Key audit matters • Accounting for construction contracts, including revenue recognition and loss provisions • Valuation of inventories for contracts accounted for under IAS 18 and completeness of provisions for contract losses and customer service obligations • Litigation and claims and risk of non-compliance with laws and regulations • Goodwill impairment • Derivative financial instruments, including impact on capitalisation of Airbus Group	***Scope of the group audit*** • Coverage of 96% of Group revenue and 96% of Group total assets

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in 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.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 200 (2014: EUR 222) million. The materiality is determined with reference to consolidated profit before income taxes (2015: 5.9%; 2014: 6.9%). We consider consolidated profit before income taxes 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 qualitative reasons for the users of the financial statements.

We agreed with the Board of Directors and Audit Committee that misstatements in excess of EUR 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 head of a group of entities, hereafter referred to as “Airbus Group” or “Group”. The financial information of this group is included in the financial statements of Airbus Group SE.

Because we are ultimately responsible for the opinion, we are also 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 performed for the group entities, based on the significance and/or risk profile of entities or activities. On this basis, we selected group entities for which an audit had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. A significant part of the audit is performed by other auditors within the KPMG network or by other non-KPMG audit firms. The organisation and supervision of the audit of the financial statements is a crucial part of our work.

We scope entities into the group audit where they are of significant size, have significant risks to the Group associated with them or are considered significant for other reasons. This resulted in coverage of 96% (2014: 96%) of total Group revenue and 96% (2014: 98%) of total Group assets. For remaining entities, we performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement within these entities.

The audit of the Airbus Group consolidation and the financial statements is performed at the Airbus headquarters in Toulouse, France. Our involvement in the audit 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, performing procedures on the Group consolidation, participating in the evaluation of key accounting topics, reviewing the financial statements and participating in meetings with Group and divisional management. As part of our Group audit instructions, we also issued specific questionnaires on key programs (A380, A350 and A400M) and the risk of non-compliance with laws and regulations.

The audit of the three Airbus Group divisions (Airbus, Airbus Defence & Space and Airbus Helicopters) is performed jointly by KPMG network firms and other non-KPMG audit firms. Meetings were held with the divisional auditors 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 group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors and Audit Committee. 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.

Accounting for construction contracts, including revenue recognition and loss provisions

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 revenue and estimated total cost. Significant estimates are made to assess the stage of completion based on milestones, estimated revenue and costs for the key programmes such as A400M and A350 (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 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 Group's result and financial position. The determination of these provisions is based on best available estimates and requires significant management 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. The A400M SOC 1 and 1.5 milestones remain to be achieved and therefore the related contractual termination rights from OCCAR/Nations became exercisable (SOC 1: as of 1 November 2015; SOC 1.5 as of 1 January 2016). Negotiations with OCCAR/Nations on military functionality, price revision formula and commercial compensation remain ongoing and are targeted for completion in 2016.

Reference is made to the disclosure on note 3 "Key estimates and judgements", note 10 (Revenues) and note 22 (Provisions) of the financial statements.

Our response

We evaluated the design and implementation of internal controls for accounting for construction contracts. We also performed detailed procedures on individually significant programs, 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 EUR 290 million additional net charge in 2015, as well as related disclosures. We discussed the extent to which management assessed the impact on the programme of the accident on 9 May 2015, and the challenges regarding delays in military functionality and deliveries, (commercial) negotiations with OCCAR/Nations, cost reduction targets and challenges in the industrial ramp-up and the SOC 1 and 1.5 contractual termination rights. Apart from reviewing underlying documentation, we also visited the Final Assembly Line in Seville and Bremen, and reviewed reports from Corporate Audit related to the programme.

Valuation of inventories for contracts accounted for under IAS 18 and completeness of provisions for contract losses and customer service obligations

Description

Inventories amount in total to EUR 29 billion, including work in progress of EUR 20 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 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 a net realisable value impairment or provision for contract loss 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 Group'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) of the financial statements.

Our response

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, costs to be incurred (including any contractual penalties) and gross margin. Our evaluation was based on our assessment of the historical accuracy of the Group'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.

Litigation and claims and risk of non-compliance with laws and regulations

Description

A part of the Group'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 Group 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. Breaches of laws and regulations can lead to fines, penalties, criminal prosecution, 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 Group's result and financial position.

Reference is made to the disclosure on note 3 "Key estimates and judgements and note 36 (Litigation and claims) of the financial statements.

Our response

Our audit procedures included, among others, assessment of documents with the Group's general counsel and the group/divisional compliance officers on all significant legal and alleged compliance cases. In addition we obtained letters from the Group's legal counsel and external lawyers for all significant litigation. We used our own forensic specialists to assess risks and perform procedures to identify actual and potential non-compliance with laws and regulations relevant to the Group's business, analysed correspondence with enforcement agencies, and monitored external sources of information. With respect to cases regarding alleged non-compliance with laws and regulations, we assessed the adequacy of management's response (including investigations and corrective actions).

We tested payments made to commercial intermediaries during the year, made inquiries of appropriate personnel and evaluated the tone set by the Board and the Group's approach in managing these compliance

Litigation and claims and risk of non-compliance with laws and regulations

risks. We also assessed whether the Group's disclosures detailing significant legal proceedings and suspected breach in laws and regulations adequately disclose the contingent liabilities of the Group within note 36.

Particular attention was paid to the alleged compliance cases, the enhanced business development policies with regards to Ethics & Compliance and related disclosures.

Goodwill impairment

Description

Goodwill amounts to EUR 9.9 billion (2014: 10 billion) and represents 9% (2014:10%) of the balance sheet total and 166% (2014: 141%) of total equity. There is a risk of irrecoverability of the Group's significant goodwill balance due to weak demand in certain markets and aircraft market cyclicality. The Company used assumptions such as growth rates, weighted average cost 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 judgemental areas.

Reference is made to the disclosure on note 17 (Intangible assets) of the financial statements.

Our response

In this area our audit procedures included, among others, testing of the group's budgeting procedures upon which the forecasts are based and the principles and integrity of the Group's discounted cash flow model. We used our own valuation specialist to assist us in evaluating the assumptions and methodologies used by the Group, 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 group's market capitalisation to assess the reasonableness of those cash flows. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the cash flow model.

Derivative financial instruments, including impact on capitalisation of Airbus Group

Description

Airbus Group operates in a business environment that is exposed to currency and interest rate volatility. A significant portion of the Group’s revenue is denominated 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 Group 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 group financial statements, both in the valuation of the financial instruments and in the presentation and disclosure in the financial statements.

The magnitude of the Group’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 Group via the “mark to market” valuation of the hedge portfolio. It therefore also has a major impact on the capitalisation of Airbus Group, with net equity (as percentage of total assets) amounting to 5.6% per 31 December 2015 (2014: 7.4%).

Reference is made to note 35 (Information about financial instruments) of the financial statements.

Our response

For the audit of financial instruments we used specialists who tested the controls around the Group’s central treasury system, independently calculated the valuation of the treasury portfolio and tested the application of 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.

Responsibilities of the Board of Directors for the financial statements

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

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

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit 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 errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements in general we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport.

Report on other legal and regulatory requirements

Report on the Report of the Board of Directors and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the report of the Board of Directors and other information):

- We have no deficiencies to report as a result of our examination whether the report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the report of the Board of Directors, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged before 2003 for the first time as auditor of Airbus Group SE and operated as auditor since then. We were re-appointed by the Annual General Meeting of Shareholders as auditor of Airbus Group SE on May 27, 2015, for the year 2015, after which we will rotate off from the Airbus Group audit.

Amstelveen, February 23, 2016

KPMG Accountants N.V.

R.J. Aalberts RA