

Unaudited Condensed IFRS Consolidated Financial Information of Airbus Group SE for the year ended 31 December 2016

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Unaudited Condensed IFRS Consolidated Income Statements

| | Note | 1 January - 31 December 2016 | | 1 January - 31 December 2015 | | Deviation |
|--------------------------------------------------------------------------------------------|------|---------------------------------|-----------|---------------------------------|-----------|---------------|
| | | In € million | In % | In € million | In % | In € million |
| Revenues | 6 | 66,581 | 100 | 64,450 | 100 | 2,131 |
| Cost of sales | | -61,317 | -92 | -55,599 | -86 | -5,718 |
| Gross margin | 6 | 5,264 | 8 | 8,851 | 14 | -3,587 |
| Selling, administrative and other expenses | | -2,977 | -5 | -2,873 | -5 | -104 |
| Research and development expenses | | -2,970 | -4 | -3,460 | -5 | 490 |
| Other income | | 2,689 | 4 | 474 | 1 | 2,215 |
| Share of profit from investments under the equity method and other income from investments | | 252 | 0 | 1,070 | 1 | -818 |
| Profit before finance result and income taxes | 6 | 2,258 | 3 | 4,062 | 6 | -1,804 |
| Interest income | | 247 | 0 | 183 | 0 | 64 |
| Interest expense | | -522 | -1 | -551 | -1 | 29 |
| Other financial result | | -692 | -1 | -319 | 0 | -373 |
| Finance result | 7 | -967 | -2 | -687 | -1 | -280 |
| Income taxes | 8 | -291 | 0 | -677 | -1 | 386 |
| Profit for the period | | 1,000 | 1 | 2,698 | 4 | -1,698 |
| Attributable to: | | | | | | |
| Equity owners of the parent (Net income) | | 995 | 1 | 2,696 | 4 | -1,701 |
| Non-controlling interests | | 5 | 0 | 2 | 0 | 3 |
| Earnings per share | | | | | | |
| | 9 | € | | € | | € |
| Basic | | 1.29 | | 3.43 | | -2.14 |
| Diluted | | 1.29 | | 3.42 | | -2.13 |

The accompanying notes are an integral part of these Unaudited Condensed IFRS Consolidated Financial Statements.

Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income

| (In € million) | 1 January - 31 December 2016 | 1 January - 31 December 2015 |
|----------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Profit for the period | 1,000 | 2,698 |
| Items that will not be reclassified to profit or loss: | | |
| Actuarial gains or losses on defined benefit plans | -1,649 | 761 |
| Actuarial gains or losses on defined benefit plans for investments accounted for using the equity method | -102 | -36 |
| Tax on items that will not be reclassified to profit or loss | 365 | -235 |
| Items that will be reclassified to profit or loss: | | |
| Foreign currency translation differences for foreign operations | -174 | 222 |
| Net change in fair value of cash flow hedges | -247 | -4,699 |
| Net change in fair value of available-for-sale financial assets | -53 | 368 |
| Changes in other comprehensive income from investments accounted for using the equity method | -35 | -142 |
| Tax on items that will be reclassified to profit or loss | -7 | 1,112 |
| Other comprehensive income, net of tax | -1,902 | -2,649 |
| Total comprehensive income of the period | -902 | 49 |
| Attributable to: | | |
| Equity owners of the parent | -917 | 76 |
| Non-controlling interests | 15 | -27 |

The accompanying notes are an integral part of these Unaudited Condensed IFRS Consolidated Financial Statements.

Unaudited Condensed IFRS Consolidated Statements of Financial Position

| | Note | 31 December 2016 | | 31 December 2015 | | Deviation | |
|-----------------------------------------------------------------|------|------------------|------------|------------------|------------|---------------|------------|
| | | In € million | In % | In € million | In % | In € million | In % |
| Assets | | | | | | | |
| Non-current assets | | | | | | | |
| Intangible assets | 10 | 12,068 | 11 | 12,555 | 12 | -487 | -4 |
| Property, plant and equipment | 10 | 16,918 | 15 | 17,193 | 16 | -275 | -2 |
| Investments accounted for under the equity method | 11 | 1,608 | 2 | 1,326 | 1 | 282 | 21 |
| Other investments and other long-term financial assets | 12 | 3,655 | 3 | 2,492 | 2 | 1,163 | 47 |
| Non-current other financial assets | 14 | 976 | 1 | 1,096 | 1 | -120 | -11 |
| Non-current other assets | 15 | 2,358 | 2 | 2,166 | 2 | 192 | 9 |
| Deferred tax assets | | 7,557 | 7 | 6,759 | 7 | 798 | 12 |
| Non-current securities | 18 | 9,897 | 9 | 9,851 | 9 | 46 | 0 |
| | | 55,037 | 50 | 53,438 | 50 | 1,599 | 3 |
| Current assets | | | | | | | |
| Inventories | 13 | 29,688 | 27 | 29,051 | 28 | 637 | 2 |
| Trade receivables | | 8,101 | 7 | 7,877 | 7 | 224 | 3 |
| Current portion of other long-term financial assets | 12 | 522 | 1 | 178 | 0 | 344 | 193 |
| Current other financial assets | 14 | 1,257 | 1 | 1,402 | 1 | -145 | -10 |
| Current other assets | 15 | 2,576 | 2 | 2,819 | 3 | -243 | -9 |
| Current tax assets | | 1,110 | 1 | 860 | 1 | 250 | 29 |
| Current securities | 18 | 1,551 | 1 | 1,788 | 2 | -237 | -13 |
| Cash and cash equivalents ⁽¹⁾ | 18 | 10,143 | 9 | 6,590 | 6 | 3,553 | 54 |
| | | 54,948 | 49 | 50,565 | 48 | 4,383 | 9 |
| Assets and disposal group of assets classified as held for sale | 3 | 1,148 | 1 | 1,779 | 2 | -631 | -35 |
| Total assets ⁽¹⁾ | | 111,133 | 100 | 105,782 | 100 | 5,351 | 5 |
| Total equity ⁽²⁾ | | | | | | | |
| Equity attributable to equity owners of the parent | | | | | | | |
| Capital stock | | 773 | 0 | 785 | 1 | -12 | -2 |
| Reserves | | 7,732 | 7 | 9,800 | 9 | -2,068 | -21 |
| Accumulated other comprehensive income | | -4,845 | -4 | -4,316 | -4 | -529 | 12 |
| Treasury shares | | -3 | 0 | -303 | 0 | 300 | -99 |
| | | 3,657 | 3 | 5,966 | 6 | -2,309 | -39 |
| Non-controlling interests | | -5 | 0 | 7 | 0 | -12 | -171 |
| | 16 | 3,652 | 3 | 5,973 | 6 | -2,321 | -39 |
| Liabilities | | | | | | | |
| Non-current liabilities | | | | | | | |
| Non-current provisions | 17 | 10,826 | 10 | 9,871 | 10 | 955 | 10 |
| Long-term financing liabilities | 18 | 8,791 | 8 | 6,335 | 6 | 2,456 | 39 |
| Non-current other financial liabilities | 14 | 13,313 | 12 | 14,038 | 13 | -725 | -5 |
| Non-current other liabilities | 15 | 16,567 | 15 | 15,256 | 14 | 1,311 | 9 |
| Deferred tax liabilities | | 1,292 | 1 | 1,200 | 1 | 92 | 8 |
| | | 50,789 | 46 | 46,700 | 44 | 4,089 | 9 |
| Current liabilities | | | | | | | |
| Current provisions | 17 | 6,143 | 6 | 5,209 | 5 | 934 | 18 |
| Short-term financing liabilities | 18 | 1,687 | 2 | 2,790 | 2 | -1,103 | -40 |
| Trade liabilities ⁽¹⁾ | | 12,532 | 11 | 10,864 | 10 | 1,668 | 15 |
| Current tax liabilities | | 1,126 | 1 | 908 | 1 | 218 | 24 |
| Current other financial liabilities | 14 | 5,761 | 5 | 5,021 | 5 | 740 | 15 |
| Current other liabilities | 15 | 28,452 | 26 | 28,086 | 27 | 366 | 1 |
| | | 55,701 | 51 | 52,878 | 50 | 2,823 | 5 |
| Disposal group of liabilities classified as held for sale | 3 | 991 | 1 | 231 | 0 | 760 | 329 |
| Total liabilities ⁽¹⁾ | | 107,481 | 98 | 99,809 | 94 | 7,672 | 8 |
| Total equity and liabilities ⁽¹⁾ | | 111,133 | 101 | 105,782 | 100 | 5,351 | 5 |

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

(2) As of 31 December 2016, the accumulated other comprehensive income, previously classified within equity relating to assets and disposal groups classified as held for sale, amounts to €56 million.

The accompanying notes are an integral part of these Unaudited Condensed IFRS Consolidated Financial Statements.

Unaudited Condensed IFRS Consolidated Statements of Cash Flows

| (In € million) | Note | 1 January - 31 December 2016 | 1 January - 31 December 2015 |
|------------------------------------------------------------------------------------------------|-----------|---------------------------------|---------------------------------|
| Profit for the period attributable to equity owners of the parent (Net income) | | 995 | 2,696 |
| Profit for the period attributable to non-controlling interests | | 5 | 2 |
| <i>Adjustments to reconcile profit for the period to cash provided by operating activities</i> | | | |
| Depreciation and amortization | | 2,294 | 2,466 |
| Valuation adjustments | | 1,432 | 714 |
| Deferred tax (income) expense | | -462 | 16 |
| Change in income tax assets, income tax liabilities and provisions for income tax | | -70 | -50 |
| Results on disposals of non-current assets | | -1,870 | -234 |
| Results of companies accounted for under the equity method | | -231 | -1,016 |
| Change in current and non-current provisions | | 1,321 | -54 |
| Reimbursement from / contribution to plan assets | | -290 | -217 |
| Change in other operating assets and liabilities ⁽¹⁾ | | 1,245 | -1,432 |
| Cash provided by operating activities ⁽¹⁾⁽²⁾ | 18 | 4,369 | 2,891 |
| <i>Investment activities</i> | | | |
| - Purchases of intangible assets, PPE | | -3,060 | -2,924 |
| - Proceeds from disposals of intangible assets, PPE | | 72 | 78 |
| - Acquisitions of subsidiaries and joint ventures (net of cash) | | -120 | -13 |
| - Proceeds from disposals of subsidiaries (net of cash) | | 731 | 127 |
| - Payments for investments in associates and other investments and long-term financial assets | | -691 | -258 |
| - Proceeds from disposals of associates and other investments and long-term financial assets | | 182 | 1,731 |
| - Dividends paid by companies valued at equity | | 192 | 34 |
| Disposal of assets, liabilities and disposal group classified as held for sale | | 1,527 | 127 |
| Change in securities | | 337 | -2,361 |
| Cash (used for) investing activities | 18 | -830 | -3,459 |
| <i>Financing activities</i> | | | |
| Change in long-term and short-term financing liabilities | | 1,572 | 992 |
| Cash distribution to Airbus Group SE shareholders | | -1,008 | -945 |
| Dividends paid to non-controlling interests | | -4 | -3 |
| Changes in capital and non-controlling interests | | 60 | 195 |
| Share buyback | | -736 | -264 |
| Cash (used for) financing activities | 18 | -116 | -25 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 60 | 171 |
| Net increase (decrease) of cash and cash equivalents | | 3,483 | -422 |
| Cash and cash equivalents at beginning of period ⁽¹⁾ | | 6,677 | 7,099 |
| Cash and cash equivalents at end of period ⁽¹⁾ | | 10,160 | 6,677 |
| Thereof presented as cash and cash equivalents ⁽¹⁾ | | 10,143 | 6,590 |
| Thereof presented as part of disposal groups classified as held for sale | | 17 | 87 |

(1) Investments made by Airbus Group SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted accordingly (cash and cash equivalents at 31 December 2015: €899 million, at 31 December 2014: €190 million; change in other operating assets and liabilities for 2015: €709 million).

(2) The 2016 cash provided by operating activities has been positively impacted by certain agreements reached with the Airbus' suppliers relating to the settlement of claims and negotiation on payment terms.

The accompanying notes are an integral part of these Unaudited Condensed IFRS Consolidated Financial Statements.

Unaudited Condensed IFRS Consolidated Statements of Changes in Equity

| (In € million) | Equity attributable to equity owners of the parent | Non-controlling interests | Total |
|-------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------|--------------|
| Balance at 1 January 2015 | 7,061 | 18 | 7,079 |
| Profit for the period | 2,696 | 2 | 2,698 |
| Other comprehensive income | -2,620 | -29 | -2,649 |
| Total comprehensive income | 76 | -27 | 49 |
| Cash distribution to shareholders / dividends to non-controlling interests | -945 | -3 | -948 |
| Capital increase | 118 | 24 | 142 |
| Equity transactions | 61 | -5 | 56 |
| Change in treasury shares | -487 | 0 | -487 |
| Share-based payment (IFRS 2) | 29 | 0 | 29 |
| Convertible bond | 53 | 0 | 53 |
| Balance at 31 December 2015 | 5,966 | 7 | 5,973 |
| Profit for the period | 995 | 5 | 1,000 |
| Other comprehensive income | -1,912 | 10 | -1,902 |
| Total comprehensive income | -917 | 15 | -902 |
| Cash distribution to shareholders / dividends to non-controlling interests | -1,008 | -4 | -1,012 |
| Capital increase | 60 | 0 | 60 |
| Equity transactions | 38 | -23 | 15 |
| Change in treasury shares | -513 | 0 | -513 |
| Share-based payment (IFRS 2) | 31 | 0 | 31 |
| Balance at 31 December 2016 | 3,657 | -5 | 3,652 |

The accompanying notes are an integral part of these Unaudited Condensed IFRS Consolidated Financial Statements.

Notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at 31 December 2016

1. The Company

The accompanying Unaudited Condensed IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus Group SE** (the “Company”) and its subsidiaries, a European public company (*Societas Europaea*) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands, under number 24288945), and are prepared and reported in Euros (“€”). On 1 January 2017, the Company has been further integrated by merging its Group structure with the commercial aircraft activities of Airbus, with associated restructuring measures. In this new set-up, the Company will retain Airbus Defence and Space and Airbus Helicopters as Divisions. The Company will change its name to Airbus SE; the legal name change from Airbus Group SE to Airbus SE is still subject to the approval of the Annual General Meeting due to be held on 12 April 2017. Therefore, the Company together with its subsidiaries will be referred to as “Airbus” and no longer the Group. As a consequence, the segment formerly known as Airbus will now be referred to as “Airbus Commercial Aircraft”; there are no changes to the segment reporting in 2016. Airbus core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated Financial Statements for the year ended 31 December 2016 were authorised for issue by the Company Board of Directors on 21 February 2017.

2. Accounting policies

The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union (“EU”) as at 31 December 2016 and Part 9 of Book 2 of the Netherlands Civil Code.

Use of estimates and judgment

In preparing Airbus’ Unaudited Condensed Consolidated Financial Statements, Airbus’ management makes assumptions and estimates. The underlying assumptions used for the main estimates are similar to those described in Airbus’ Consolidated Financial Statements as of 31 December 2015. Changes in the underlying circumstances in light of new information are described in the notes of the Unaudited Condensed Consolidated Financial Statements.

3. Acquisitions and disposals

Acquisitions

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

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

Disposals

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

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

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

The remaining investment, representing 10% of Dassault Aviation’s share capital, is classified as other investments and measured at fair value (see Note 12 “Other investments and other long-term financial assets”). The resulting gain of €340 million is recognised in other income (reported in “Other/HQ/Conso.”). Previously, the investment in Dassault Aviation was classified as asset held for sale.

The Company also issued bonds exchangeable in Dassault Aviation shares (see Note 18 “Cash flows, securities and financing liabilities – Financing liabilities”). In the event of exchange in full of the bonds, Airbus will have fully disposed its Dassault Aviation stake.

On 14 January 2015, Airbus and Safran completed the first phase of the integration process of **Airbus Safran Launchers** (“**ASL**”) enabling the entity to become operational. Coordination and programme management of the civil activities of the launcher business as well as relevant participations were transferred to ASL. On 16 June 2015, ASL, the French state and the Centre National d’Etudes Spatiales (“**CNES**”), the French space agency, reached an agreement to transfer CNES’s stake in Arianespace to ASL, which was authorised on 20 July 2016 by the European Commission. On 12 August 2015, ASL was awarded the Ariane 6 development contract by the European Space Agency (“**ESA**”).

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

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

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

Assets and disposal groups classified as held for sale

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

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

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

Airbus has entered into various transactions with related entities that have all been carried out in the normal course of business.

Airbus participates in the UK in several funded trustee-administered pension plans. In some of these, BAE Systems is the principal employer. On 2 April 2016, the scheme trustees have approved the allocation of the deficit of the BAE Systems Pension Scheme ("Main Scheme") to BAE Systems and Airbus ("sectionalisation").

4. Segment information

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

- *Airbus Commercial Aircraft (formerly Airbus)* — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.
- *Airbus Helicopters* — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- *Airbus Defence and Space* — Military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communication solutions and logistics; training, testing, engineering and other related services; development, manufacturing, marketing and sale of missile 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 Airbus' business segments. As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Airbus Commercial Aircraft and Airbus Defence and Space and between Airbus Helicopters and Airbus Commercial Aircraft. The holding function of Airbus' Headquarters, the Airbus Group Bank and other activities not allocable to the reportable segments, combined together with consolidation effects, are disclosed in the column "Other/HQ/Conso."

Airbus Group SE
Unaudited Condensed IFRS Consolidated Financial Information
for the year ended 31 December 2016

Business segment information for the year ended 31 December 2016:

| (In € million) | Airbus Commercial Aircraft | Airbus Helicopters | Airbus Defence and Space | Total segments | Other/ HQ/Conso. | Consolidated |
|------------------------------------------------------|----------------------------------|-----------------------|--------------------------------|-------------------|---------------------|---------------|
| Total revenues | 49,237 | 6,652 | 11,854 | 67,743 | 57 | 67,800 |
| Internal revenues | -646 | -448 | -118 | -1,212 | -7 | -1,219 |
| Revenues | 48,591 | 6,204 | 11,736 | 66,531 | 50 | 66,581 |
| Research and development expenses | -2,147 | -327 | -332 | -2,806 | -164 | -2,970 |
| Profit before finance result and income taxes | 1,543 | 308 | -93 | 1,758 | 500 | 2,258 |
| Finance result | | | | | | -967 |
| Income taxes | | | | | | -291 |
| Profit for the period | | | | | | 1,000 |

Business segment information for the year ended 31 December 2015:

| (In € million) | Airbus Commercial Aircraft | Airbus Helicopters | Airbus Defence and Space | Total segments | Other/ HQ/Conso. | Consolidated |
|------------------------------------------------------|----------------------------------|-----------------------|--------------------------------|-------------------|---------------------|---------------|
| Total revenues | 45,854 | 6,786 | 13,080 | 65,720 | 296 | 66,016 |
| Internal revenues | -764 | -633 | -163 | -1,560 | -6 | -1,566 |
| Revenues | 45,090 | 6,153 | 12,917 | 64,160 | 290 | 64,450 |
| Research and development expenses | -2,702 | -325 | -344 | -3,371 | -89 | -3,460 |
| Profit before finance result and income taxes | 2,287 | 427 | 736 | 3,450 | 612 | 4,062 |
| Finance result | | | | | | -687 |
| Income taxes | | | | | | -677 |
| Profit for the period | | | | | | 2,698 |

5. Revenues, gross margin and profit before finance result and income taxes

Revenues of €66,581 million (2015: €64,450 million) increased by €2,131 million, mainly at Airbus Commercial Aircraft (€+3,383 million), mostly driven by a positive volume effect and a favourable foreign exchange impact. This increase is partially offset by a decrease at Airbus Defence and Space (€-1,226 million) mainly due to perimeter changes for defence activities (see Note 3 “Acquisitions and disposals”).

The **gross margin** decreased by €-3,587 million to €5,264 million compared to €8,851 million in 2015, mainly at Airbus Defence and Space and Airbus Commercial Aircraft. This includes net charges recorded in 2016 in Airbus Defence and Space for €2,210 million on the A400M programme and in Airbus Commercial Aircraft for €385 million on the A350 XWB programme. The gross margin rate decreased from 13.7% to 7.9%.

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

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

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

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

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

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

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

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

The **profit before finance result and income taxes** decreased by €1,804 million to €2,258 million compared to €4,062 million in 2015, mainly driven by the decrease in gross margin and in share of profit from investments under the equity method and other income from investments, partly compensated by an increase in other income.

Share of profit from investments under the equity method and other income from investments decreased by €818 million to €252 million compared to €1,070 million in 2015. In 2015, it included a net gain of €674 million from the partial sale of Dassault Aviation shares. **Other income** increased by €+2,215 million to €2,689 million compared to €474 million in 2015. This increase is mainly due to the capital gain of €1,175 million following the completion of the creation of ASL, the capital gain of €146 million from the sale of the business communication entities, the capital gain from the sale of Dassault Aviation shares of €528 million and the revaluation at fair value of the remaining investment in Dassault Aviation for €340 million (see Note 3 “Acquisitions and disposals”).

6. Finance result

Finance result deteriorated by €280 million to €967 million compared to €687 million in 2015. This is mainly related to a negative impact from revaluation of financial instruments of €251 million.

7. Income tax

The **income tax** expense of €291 million (2015: €677 million) corresponds to an effective tax rate of 22.5% (2015: 20.1%). This effective tax rate is due to the sale of shares of Dassault Aviation and the creation of ASL, both subject to specific tax treatment (see Note 3 “Acquisitions and disposals”). These were partially compensated by additional income tax charges including the planned reduction of the income tax rate in France from 34.43% to 28.92% enacted in December 2016.

8. Earnings per share

| | 1 January - 31 December 2016 | 1 January - 31 December 2015 |
|--------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Basic earnings per share | | |
| Profit for the period attributable to equity owners of the parent (Net income) | €995 million | €2,696 million |
| Weighted average number of ordinary shares outstanding | 773,798,837 | 785,621,099 |
| Basic earnings per share | €1.29 | €3.43 |

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

| | 1 January - 31 December 2016 | 1 January - 31 December 2015 |
|---------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Diluted earnings per share | | |
| Profit for the period attributable to equity owners of the parent (Net income) | €1,002 million | €2,699 million |
| Weighted average number of ordinary shares outstanding (diluted) ⁽¹⁾ | 779,109,634 | 788,491,929 |
| Diluted earnings per share | €1.29 | €3.42 |

(1) Dilution assumes conversion of all potential ordinary shares

9. Intangible assets and property, plant and equipment

Intangible assets decreased by €-487 million to €12,068 million (prior year-end: €12,555 million) mainly due to the reclassification of defence electronics entities to disposal groups classified as held for sale and the creation of ASL, partially compensated by the acquisition of Navtech (see Note 3 “Acquisitions and disposals”).

Intangible assets mainly relate to goodwill of €9,425 million (prior year-end: €9,907 million).

The annual impairment tests were performed in the fourth quarter 2016 and led to no impairment charge.

Property, plant and equipment decreased by €-275 million to €16,918 million (prior year-end: €17,193 million) mainly at Airbus Defence and Space (€-611 million), primarily driven by the entities both disposed of and reclassified to disposal groups classified as held for sale (see Note 3 “Acquisitions and disposals”), partly compensated by an increase at Airbus Commercial Aircraft (€+350 million). Property, plant and equipment also includes leased assets of €116 million (prior year-end: €118 million) and investment property amounting to €5 million (prior year-end: €66 million).

10. Investments accounted for under the equity method

Investments accounted for under the equity method increased by €+282 million to €1,608 million (prior year-end: €1,326 million) mainly due to the increase of Airbus participation in ASL following finalisation of the joint venture creation, partly compensated by the reclassification of the share in Atlas Group to disposal groups classified as held for sale (see Note 3 “Acquisitions and disposals”).

11. Other investments and other long-term financial assets

Composition of other investments and other long-term financial assets:

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

Other investments and other long-term financial assets increased by €+1,507 million to €4,177 million (prior year-end: €2,670 million) mainly due to the reclassification of the remaining investment in Dassault Aviation to other investments (see Note 3 “Acquisitions and disposals”).

Other long-term financial assets mainly comprise the aircraft financing activities.

12. Inventories

Inventories of €29,688 million (prior year-end: €29,051 million) increased by €+637 million. This is driven by Airbus Commercial Aircraft (€+2,221 million), and mainly reflects an increase in work in progress associated with A350 XWB ramp-up. This increase was partly compensated by a decrease in Airbus Defence and Space (€-1,295 million), mainly related to the reclassification of defence electronics entities to disposal groups classified as held for sale and the creation of ASL (see Note 3 “Acquisitions and disposals”). It is also related to a decrease in work in progress for the A400M reflecting the netting inventories with the respective portion of the loss making contracts provision (see Note 17 “Provisions”).

13. Other financial assets and other financial liabilities

Composition of other financial assets:

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

Composition of other financial liabilities:

| (In € million) | 31 December 2016 | 31 December 2015 |
|------------------------------------------------------|------------------|------------------|
| European Governments refundable advances | 6,340 | 6,716 |
| Liabilities for derivative financial instruments | 6,544 | 6,703 |
| Others | 429 | 619 |
| Total non-current other financial liabilities | 13,313 | 14,038 |
| European Governments refundable advances | 730 | 570 |
| Liabilities for derivative financial instruments | 4,476 | 3,884 |
| Others | 555 | 567 |
| Total current other financial liabilities | 5,761 | 5,021 |
| Total | 19,074 | 19,059 |

14. Other assets and other liabilities

Composition of other assets:

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

Composition of other liabilities:

| (In € million) | 31 December 2016 | 31 December 2015 |
|--------------------------------------------|------------------|------------------|
| Other liabilities | | |
| Customer advance payments | 15,714 | 14,472 |
| Others | 565 | 521 |
| Deferred income | 288 | 263 |
| Total non-current other liabilities | 16,567 | 15,256 |
| Other liabilities | | |
| Customer advance payments | 24,115 | 23,612 |
| Tax liabilities (excluding income tax) | 1,047 | 885 |
| Others | 2,373 | 2,540 |
| Deferred income | 917 | 1,049 |
| Total current other liabilities | 28,452 | 28,086 |
| Total | 45,019 | 43,342 |

15. Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to €3,657 million (prior year-end: €5,966 million) representing a decrease of €-2,309 million. This is due to a dividend payment of €-1,008 million (€1.30 per share), the 2016 portion of share buyback programme of €-513 million, which was completed during the second quarter 2016 for a total of €1 billion, and a reduction in other comprehensive income of €-1,912 million principally related to revaluation of the defined benefit plans (see Note 17 "Provisions"). This decrease was partly offset by a net income for the period of €+995 million.

The total **number of shares** issued is 772,912,869 and 785,344,784 as of 31 December 2016 and 31 December 2015, respectively. The Company's shares are exclusively ordinary shares with a par value of €1.00.

During 2016, the number of treasury stock held by the Company decreased to 184,170 compared to 1,474,057 as of 31 December 2015. No shares were sold back to the market, and 14,131,131 shares were cancelled (in 2015: 2,885,243 shares).

In 2016, the Company issued 224,500 (in 2015: 1,910,428) new shares due to the exercise of stock options and 1,474,716 new shares due to the 2016 Employee Stock Ownership Plan (in 2015: 1,539,014 shares).

Non-controlling interests decreased to €-5 million (prior year-end: €7 million). This decrease results mainly from the change in consolidation method of EFW (see Note 3 "Acquisitions and disposals").

16. Provisions

Provisions are comprised of the following:

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

Provisions for pensions increased mainly due to a decrease of the discount rates for the various pension schemes of Airbus (France: from 2.5% to 1.9%, Germany: from 2.4% to 1.7% and UK from 3.9% to 2.6%).

Other provisions are presented net of programme losses against inventories (see Note 13 "Inventories") and increased by €+848 million mainly due to the A400M net charge recorded in 2016.

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

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

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

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

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

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

17. Cash flows, securities and financing liabilities

Cash flows

Cash provided by operating activities amounts to €4,369 million (2015 adjusted: €2,891 million). Gross cash flow from operations (before changes in other operating assets and liabilities) amounts to €+3,124 million (2015: €+4,323 million). Changes in other operating assets and liabilities amount to €1,245 million (2015 adjusted: €-1,432 million).

Cash used for investing activities amounts to €-830 million (2015: €-3,459 million). This includes the impact of disposals which occurred during 2016 (see Note 3 "Acquisitions and disposals") for a total of €+2,440 million (2015: €+1,985 million). This was partly offset by purchases of intangible assets and property, plant and equipment of €-3,060 million (2015: €-2,924 million).

Cash used for financing activities amounts to €-116 million (2015: €-25 million). This mainly comprises changes in long-term and short-term financing liabilities of €+1,572 million (2015: €+992 million) mainly due to the issuance of bonds (see Note 18 "Cash flows, securities and financing liabilities – Financing liabilities"), in part offset by a dividend payment of €1.30 per share which amounts to €-1,008 million (2015: €-945 million) and the share buyback programme of €-736 million (2015: €-264 million).

Securities

Non-current securities with a remaining maturity of more than one year increased by €+46 million to €9,897 million (prior year-end: €9,851 million). The movement is related to the cash management policy of Airbus.

Current securities **with a remaining maturity of one year or less decreased by €237 million to €1,551 million (prior year-end: €1,788 million).**

Financing liabilities

Composition of financing liabilities:

| (In € million) | 31 December 2016 | 31 December 2015 |
|-----------------------------------------|------------------|------------------|
| Bonds | 6,013 | 3,443 |
| Liabilities to financial institutions | 2,072 | 2,113 |
| Loans | 331 | 403 |
| Liabilities from finance leases | 374 | 375 |
| Others | 1 | 1 |
| Long-term financing liabilities | 8,791 | 6,335 |
| Bonds | 0 | 1,523 |
| Liabilities to financial institutions | 351 | 349 |
| Loans | 332 | 255 |
| Liabilities from finance leases | 15 | 13 |
| Others | 989 | 650 |
| Short-term financing liabilities | 1,687 | 2,790 |

The increase in **long-term financing liabilities** is mainly related to the issuance of bonds (€+2.6 billion).

The increase in bonds corresponds to a bond issued on 13 May 2016, for a total of €1.5 billion, with a 10 year-maturity tranche of €600 million at a 0.875% coupon, and a 15 year-maturity tranche of €900 million at a 1.375% coupon. Additionally, exchangeable bonds to be convertible into Dassault Aviation shares were issued for €1,078 million on 14 June 2016, with a 5 year-maturity. These bonds bear a coupon of 0% and were issued at 103.75% of par. Their effective interest rate, after separation of the equity conversion option, is 0.6415% (see Note 3 "Acquisitions and disposals").

The decrease in **short-term financing liabilities** is mainly related to the maturing of a bond and lower commercial paper programmes (€-1.5 billion).

18. Litigation and claims

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

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

WTO

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

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

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

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

GPT

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

Eurofighter Austria

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

Investigation by the UK SFO into Civil Aviation Business

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

ECA Financing

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

Other investigations

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

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

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

Review of business partner relationships

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

Commercial disputes

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

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

19. Number of employees

The number of employees as at 31 December 2016 is 133,782 as compared to 136,574 as at 31 December 2015.

20. Subsequent events

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