Unaudited Condensed Interim IFRS Consolidated Financial Information of Airbus Group SE for the nine-month period ended 30 September 2016

Unaudited Condensed Interim IFRS Consolidated Income Statements

	Note	1 January - 30 September 2016 In € million	In %	1 January - 30 September 2015 In € million	In %	Deviation In € million
Revenues	6	42,705	100	42,965	100	-260
Cost of sales		-38,939	-91	-36,942	-86	-1,997
Gross margin	6	**3,766**	**9**	**6,023**	**14**	**-2,257**
Selling, administrative and other expenses		-1,895	-5	-2,019	-5	124
Research and development expenses		-2,015	-5	-2,287	-5	272
Other income		2,422	6	296	1	2,126
Share of profit from investments under the equity method and other income from investments		78	0	909	2	-831
Profit before finance result and income taxes	6	**2,356**	**5**	**2,922**	**7**	**-566**
Interest income		186	0	131	0	55
Interest expense		-389	-1	-429	-1	40
Other financial result		-139	0	-238	-1	99
Finance result	7	**-342**	**-1**	**-536**	**-2**	**194**
Income taxes	8	-204	0	-484	-1	280
Profit for the period		**1,810**	**4**	**1,902**	**4**	**-92**
Attributable to:						
Equity owners of the parent (Net income)		**1,811**	**4**	**1,900**	**4**	**-89**
Non-controlling interests		-1	0	2	0	-3
Earnings per share	9	€		€		€
Basic		2.34		2.42		-0.08
Diluted		2.33		2.41		-0.08

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

Unaudited Condensed Interim IFRS Consolidated Income Statements for the third quarter of 2016 and 2015

	1 July - 30 September 2016 In € million	In %	1 July - 30 September 2015 In € million	In %	Deviation In € million
Revenues	13,950	100	14,072	100	-122
Cost of sales	-12,296	-88	-12,083	-86	-213
Gross margin	**1,654**	**12**	**1,989**	**14**	**-335**
Selling, administrative and other expenses	-603	-4	-627	-4	24
Research and development expenses	-706	-5	-781	-6	75
Other income	68	0	24	0	44
Share of profit from investments under the equity method and other (expenses) income from investments	92	1	107	1	-15
Profit before finance result and income taxes	**505**	**4**	**712**	**5**	**-207**
Interest income	49	0	46	0	3
Interest expense	-155	-1	-155	-1	0
Other financial result	-88	-1	-83	0	-5
Finance result	**-194**	**-2**	**-192**	**-1**	**-2**
Income taxes	-262	-2	-149	-1	-113
Profit for the period	**49**	**0**	**371**	**3**	**-322**
Attributable to:					
Equity owners of the parent (Net income)	**50**	**0**	**376**	**3**	**-326**
Non-controlling interests	-1	0	-5	0	4

Earnings per share	€	€	€
Basic	0.06	0.48	-0.42
Diluted	0.07	0.48	-0.41

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

Unaudited Condensed Interim IFRS Consolidated Statements of Comprehensive Income

(In € million)	1 January - 30 September 2016	1 January - 30 September 2015
Profit for the period	**1,810**	**1,902**
Items that will not be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	-2,171	519
Actuarial gains or losses on defined benefit plans for investments accounted for using the equity method	-62	-63
Tax on items that will not be reclassified to profit or loss	605	-169
Items that will be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	-420	163
Net change in fair value of cash flow hedges	2,974	-3,717
Net change in fair value of available-for-sale financial assets	-49	409
Changes in other comprehensive income from investments accounted for using the equity method	-35	-145
Tax on items that will be reclassified to profit or loss	-908	1,124
Other comprehensive income, net of tax	**-66**	**-1,879**
Total comprehensive income of the period	**1,744**	**23**
Attributable to:		
Equity owners of the parent	1,721	45
Non-controlling interests	23	-22

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

Unaudited Condensed Interim IFRS Consolidated Statements of Comprehensive Income for the third quarter of 2016 and 2015

(In € million)	1 July - 30 September 2016	1 July - 30 September 2015
Profit for the period	**49**	**371**
Items that will not be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	-460	-44
Actuarial gains or losses on defined benefit plans for investments accounted for using the equity method	-56	14
Tax on items that will not be reclassified to profit or loss	109	9
Items that will be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	-136	16
Net change in fair value of cash flow hedges	934	305
Net change in fair value of available-for-sale financial assets	92	73
Changes in other comprehensive income from investments accounted for using the equity method	-8	-16
Tax on items that will be reclassified to profit or loss	-282	-113
Other comprehensive income, net of tax	**193**	**244**
Total comprehensive income of the period	**242**	**615**
Attributable to:		
Equity owners of the parent	234	622
Non-controlling interests	8	-7

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

Unaudited Condensed Interim IFRS Consolidated Statements of Financial Position

		30 September 2016		31 December 2015		Deviation	
	Note	In € million	In %	In € million	In %	In € million	In %
Assets							
Non-current assets							
Intangible assets	10	11,837	10	12,555	12	-718	-6
Property, plant and equipment	10	16,660	15	17,193	16	-533	-3
Investments accounted for under the equity method	11	1,794	2	1,326	1	468	35
Other investments and other long-term financial assets	12	3,515	3	2,492	2	1,023	41
Non-current other financial assets	14	1,114	1	1,096	1	18	2
Non-current other assets	15	2,273	2	2,166	2	107	5
Deferred tax assets		7,450	7	6,759	7	691	10
Non-current securities	18	9,660	9	9,851	9	-191	-2
		54,303	**49**	**53,438**	**50**	**865**	**2**
Current assets							
Inventories	13	33,481	31	29,051	28	4,430	15
Trade receivables		7,640	7	7,877	7	-237	-3
Current portion of other long-term financial assets	12	648	1	178	0	470	264
Current other financial assets	14	1,094	1	1,402	1	-308	-22
Current other assets	15	2,930	3	2,819	3	111	4
Current tax assets		901	1	860	1	41	5
Current securities	18	1,518	1	1,788	2	-270	-15
Cash and cash equivalents (1)	18	5,694	5	6,590	6	-896	-14
		53,906	**50**	**50,565**	**48**	**3,341**	**7**
Assets and disposal group of assets classified as held for sale	3	1,197	1	1,779	2	-582	-33
Total assets (1)		**109,406**	**100**	**105,782**	**100**	**3,624**	**3**
Total equity (2)							
Equity attributable to equity owners of the parent							
Capital stock		773	1	785	1	-12	-2
Reserves		8,297	8	9,800	9	-1,503	-15
Accumulated other comprehensive income		-2,777	-3	-4,316	-4	1,539	-36
Treasury shares		-5	0	-303	0	298	-98
		6,288	**6**	**5,966**	**6**	**322**	**5**
Non-controlling interests		8	0	7	0	1	14
	16	**6,296**	**6**	**5,973**	**6**	**323**	**5**
Liabilities							
Non-current liabilities							
Non-current provisions	17	11,139	10	9,871	10	1,268	13
Long-term financing liabilities	18	8,825	8	6,335	6	2,490	39
Non-current other financial liabilities	14	11,077	10	14,038	13	-2,961	-21
Non-current other liabilities	15	15,721	14	15,256	14	465	3
Deferred tax liabilities		1,802	2	1,200	1	602	50
		48,564	**44**	**46,700**	**44**	**1,864**	**4**
Current liabilities							
Current provisions	17	5,066	5	5,209	5	-143	-3
Short-term financing liabilities	18	2,494	2	2,790	2	-296	-11
Trade liabilities (1)		11,762	11	10,864	10	898	8
Current tax liabilities		1,263	1	908	1	355	39
Current other financial liabilities	14	4,567	4	5,021	5	-454	-9
Current other liabilities	15	28,448	26	28,086	27	362	1
		53,600	**49**	**52,878**	**50**	**722**	**1**
Disposal group of liabilities classified as held for sale	3	946	1	231	0	715	310
Total liabilities (1)		**103,110**	**94**	**99,809**	**94**	**3,301**	**3**
Total equity and liabilities (1)		**109,406**	**100**	**105,782**	**100**	**3,624**	**3**

(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 30 September 2016, the accumulated other comprehensive income, previously classified within equity relating to assets and disposal groups classified as held for sale, amounts to €-40 million.

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

Unaudited Condensed Interim IFRS Consolidated Statements of Cash Flows

(In € million)	Note	1 January - 30 September 2016	1 January - 30 September 2015
Profit for the period attributable to equity owners of the parent (Net income)		**1,811**	**1,900**
Loss (profit) for the period attributable to non-controlling interests		-1	2
Adjustments to reconcile profit for the period to cash (used for) operating activities			
Depreciation and amortization		1,580	1,652
Valuation adjustments		263	548
Deferred tax (income) expense		-560	327
Change in income tax assets, income tax liabilities and provisions for income tax		343	-142
Results on disposals of non-current assets		-1,829	-130
Results of companies accounted for under the equity method		-66	-844
Change in current and non-current provisions		206	-170
Reimbursement from / contribution to plan assets		-203	-99
Change in other operating assets and liabilities (1)		-3,576	-3,566
Cash (used for) operating activities (1)	18	**-2,032**	**-522**
Investment activities			
- Purchases of intangible assets, PPE		-1,990	-1,663
- Proceeds from disposals of intangible assets, PPE		36	28
- Acquisitions of subsidiaries and joint ventures (net of cash)		-120	-13
- Proceeds from disposals of subsidiaries (net of cash)		731	-3
- Payments for investments in associates and other investments and long-term financial assets		-502	-166
- Proceeds from disposals of associates and other investments and long-term financial assets		102	1,734
- Dividends paid by companies valued at equity		19	27
Disposal of assets, liabilities and disposal group classified as held for sale		1,527	116
Change in securities		589	-2,209
Cash provided by (used for) investing activities	18	**392**	**-2,149**
Financing activities			
Change in long-term and short-term financing liabilities		2,422	1,649
Cash distribution to Airbus Group SE shareholders		-1,008	-945
Dividends paid to non-controlling interests		-2	-2
Changes in capital and non-controlling interests		54	153
Share buyback		-736	0
Cash provided by financing activities	18	**730**	**855**
Effect of foreign exchange rate changes on cash and cash equivalents		-52	113
Net (decrease) of cash and cash equivalents		**-962**	**-1,703**
Cash and cash equivalents at beginning of period (1) (2)		**6,677**	**7,099**
Cash and cash equivalents at end of period (1)		**5,715**	**5,396**
Thereof presented as cash and cash equivalents (1)		5,694	5,356
Thereof presented as part of disposal group of assets classified as held for sale		21	40

(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 30 September 2015: €-454 million, and at 31 December 2014: €190 million; change in other operating assets and liabilities for the first nine months 2015: €-264 million).
(2) The cash and cash equivalents at the beginning of the period 2016 include €87 million, which is presented as part of assets of disposal groups classified as held for sale.

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

Unaudited Condensed Interim 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	1,900	2	1,902
Other comprehensive income	-1,855	-24	-1,879
Total comprehensive income	45	-22	23
Cash distribution to shareholders / dividends to non-controlling interests	-945	-3	-948
Capital increase	153	0	153
Equity transactions (IAS 27)	51	0	51
Share-based payment (IFRS 2)	29	0	29
Balance at 30 September 2015	**6,394**	**-7**	**6,387**
Balance at 1 January 2016	**5,966**	**7**	**5,973**
Profit for the period	1,811	-1	1,810
Other comprehensive income	-90	24	-66
Total comprehensive income	1,721	23	1,744
Cash distribution to shareholders / dividends to non-controlling interests	-1,008	-2	-1,010
Capital increase	54	0	54
Equity transactions	39	-20	19
Change in treasury shares	-513	0	-513
Share-based payment (IFRS 2)	29	0	29
Balance at 30 September 2016	**6,288**	**8**	**6,296**

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

Notes to the Unaudited Condensed Interim IFRS Consolidated Financial Statements as at 30 September 2016

1. The Company

The accompanying Unaudited Condensed Interim IFRS Consolidated Financial Statements present the operations of Airbus Group SE and its subsidiaries (the "Group") legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands), and are prepared and reported in Euros ("€"). On 28 May 2015, the legal form of the Group changed from a Dutch public limited liability company ("N.V.") to a European company ("SE") and is consistently subject to the laws of the Dutch Civil Code. The Group's 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 Interim IFRS Consolidated Financial Statements for the nine-month period ended 30 September 2016 were authorised for issue by the Airbus Group Board of Directors on 25 October 2016.

2. Accounting policies

The Unaudited Condensed Interim 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 30 September 2016.

These Unaudited Condensed Interim Consolidated Financial Statements are prepared in compliance with IAS 34 and should be read in conjunction with Airbus Group's Consolidated Financial Statements as of 31 December 2015. The amended Standards issued by the IASB which are applicable for the first time in 2016 and are effective for Airbus Group as of 1 January 2016 have no impact on the Airbus Group's Unaudited Condensed Interim Consolidated Financial Statements.

Use of estimates and judgment

In preparing the Group's Unaudited Condensed Interim Consolidated Financial Statements, Group's management makes assumptions and estimates. The underlying assumptions used for the main estimates are similar to those described in the Group's Consolidated Financial Statements as of 31 December 2015. These estimates are revised if the underlying circumstances have evolved or in light of new information.

The only exception is the estimate of income tax liabilities which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

3. Acquisitions and disposals

Acquisitions

On 9 March 2016, Airbus Division acquired 100% of the shares of the **Navtech Inc. Group ("Navtech")**, a leading global provider of flight operations solutions. Airbus Group has recognised in goodwill an amount of €104 million. The allocation of the purchase price is ongoing and will be completed on 9 March 2017 at the latest.

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 around $40 million and employs over 250 employees, mainly based in Waterloo (Canada) and in Hersham and Cardiff (UK).

Disposals

On 17 June 2015, Airbus Division 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 has recognised in other income a €19 million gain during the period (reported in Airbus Division).

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 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 "Others/HQ/Conso.").

The remaining investment, representing 9% of Dassault Aviation's share capital, is now 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 "Others/HQ/Conso."). The investment in Dassault Aviation was previously classified as asset held for sale.

Airbus Group 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 Group will have fully disposed of its Dassault Aviation stake.

On 14 January 2015, Airbus Group 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 Group 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 Group 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 Group participation in ASL accounted for at-equity amounts to €673 million. The loss of control in the business resulted in a capital gain of €1,139 million recognised in other income (reported in Airbus Defence and Space Division). Airbus Group and Safran finalised the respective contribution balance sheet in the third quarter 2016 in alignment with the provision of the Master Agreement. The allocation of the purchase price is currently ongoing at ASL level and is expected to be finalised in the fourth quarter 2016.

Assets and disposal groups classified as held for sale

As of 30 September 2016, Airbus Group accounted for **assets and disposal group of assets classified as held for sale** in the amount of €1,197 million (prior year-end: €1,779 million). **Disposal group of liabilities classified as held for sale** as of 30 September 2016 amount to €946 million (prior year-end: €231 million). The assets and disposal groups classified as held for sale are related to the defence electronics companies.

On 18 March 2016, Airbus Group 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.

4. Related party transactions

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

The Group 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”).

5. 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 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 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 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.".

Business segment information for the nine-month period ended 30 September 2016:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Total segments	Others/ HQ/Conso.	Consolidated
Total revenues	31,511	4,282	7,714	43,507	36	43,543
Internal revenues	-393	-358	-85	-836	-2	-838
Revenues	**31,118**	**3,924**	**7,629**	**42,671**	**34**	**42,705**
Research and development expenses	-1,479	-226	-237	-1,942	-73	-2,015
EBIT pre-goodwill imp. and exceptionals	775	200	583	1,558	805	2,363
Impairment and disposal of goodwill	0	0	0	0	0	0
Exceptionals	-2	0	-4	-6	-1	-7
Profit before finance result and income taxes	**773**	**200**	**579**	**1,552**	**804**	**2,356**
Finance result						-342
Income taxes						-204
Profit for the period						**1,810**

Business segment information for the nine-month period ended 30 September 2015:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Total segments	Others/ HQ/Conso.	Consolidated
Total revenues	31,119	4,423	8,383	43,925	203	44,128
Internal revenues	-562	-446	-151	-1,159	-4	-1,163
Revenues	**30,557**	**3,977**	**8,232**	**42,766**	**199**	**42,965**
Research and development expenses	-1,732	-221	-245	-2,198	-89	-2,287
EBIT pre-goodwill imp. and exceptionals	1,902	241	149	2,292	654	2,946
Impairment and disposal of goodwill	0	0	0	0	0	0
Exceptionals	-13	0	-9	-22	-2	-24
Profit before finance result and income taxes	**1,889**	**241**	**140**	**2,270**	**652**	**2,922**
Finance result						-536
Income taxes						-484
Profit for the period						**1,902**

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

Revenues of €42,705 million (first nine months 2015: €42,965 million) decreased by €-260 million, mainly at Airbus Defence and Space (€-669 million) due to perimeter changes for defence activities (see Note 3 "Acquisitions and disposals"). This is compensated by an increase at Airbus (€+392 million).

The **gross margin** decreased by €-2,257 million to €3,766 million compared to €6,023 million in the first nine months 2015, mainly at Airbus and Airbus Defence and Space. This includes additional net charges recorded in the second quarter 2016 in Airbus Defence and Space for €1,026 million on the A400M programme and in Airbus for €385 million on the A350 XWB programme. Additionally, in Airbus it reflects the lower deliveries of A330 aircraft and a foreign exchange impact.

The gross margin rate decreased from 14.0% to 8.8%.

In the first nine months 2016, Airbus has delivered 26 A350 XWB aircraft with 5 new Head of Versions.

To reflect expected lower revenues escalation, increased learning curve costs and delivery phasing, Airbus 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.

11 A400M aircraft were delivered during the first nine months 2016.

The first major development milestone of the mission capability roadmap defined with customers earlier this year was successfully completed in June with certification and delivery of "MSN 33", the 9th aircraft for the French customer.

Industrial efficiency and military capability remain a challenge for the A400M programme. 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 program. Management has subsequently 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 and finally some delays, escalation and cost overruns in the development program. As a result of this review, including an updated assumption of export orders during the launch contract phase, Airbus Defence and Space recorded an additional net charge of €1,026 million.

Commercial negotiations with OCCAR and the Nations are yet to take place with regard to the revised delivery schedule and its implications. As of today, the outcome of these negotiations cannot be reliably estimated. The potential impacts on the financial statements could be significant.

The A400M contractual 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 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.

The profit before finance result and income taxes decreased by €-566 million to €2,356 million compared to €2,922 million in the first nine months 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 €-831 million to €78 million compared to €909 million in the first nine months 2015, which included a net gain of €674 million from the partial sale of Dassault Aviation shares.

Other income increased by €+2,126 million to €2,422 million compared to €296 million in the first nine months 2015. This increase is due to the capital gain of €1,139 million following the creation of ASL, 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”).

7. Finance result

Finance result improved by €+194 million to €-342 million compared to €-536 million in the first nine months 2015. This is mainly related to a positive impact from revaluation of financial instruments of €+122 million and to a positive impact from interest result of €+95 million.

8. Income tax

The **income tax** expense of €-204 million (first nine months 2015: €-484 million) corresponds to an effective tax rate of 10.1% (first nine months 2015: 20.3%). This is due to the sale of shares of Dassault Aviation and the creation of ASL, both of which have been taxed at a reduced rate (see Note 3 “Acquisitions and disposals”), and in addition the recognition of a deferred tax asset related to the update of the loss making provisions.

9. Earnings per share

Basic earnings per share	1 January - 30 September 2016	1 January - 30 September 2015
Profit for the period attributable to equity owners of the parent (Net income)	€1,811 million	€1,900 million
Weighted average number of ordinary shares outstanding	774,211,224	786,189,743
Basic earnings per share	€2.34	€2.42

Diluted earnings per share – The Group’s categories of dilutive potential ordinary shares are stock options, share-settled performance units for Executive Committee members relating to long-term incentive plans and the convertible bond issued on 1 July 2015. During the first nine months 2016, the average price of Airbus Group shares exceeded the exercise price of the stock option plans as well as the share-settled performance units and therefore 282,203 shares (in the first nine months 2015: 669,128 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 the first nine months 2016, by adding back €5 million of interest expense to the profit for the period attributable to equity owners of the parent (in the first nine months 2015: no adjustment) and by including 5,022,990 of dilutive potential ordinary shares.

Diluted earnings per share	1 January - 30 September 2016	1 January - 30 September 2015
Profit for the period attributable to equity owners of the parent (Net income)	€1,816 million	€1,900 million
Weighted average number of ordinary shares outstanding (diluted)[(1)]	779,516,417	786,858,871
Diluted earnings per share	€2.33	€2.41

(1) Dilution assumes conversion of all potential ordinary shares

10. Intangible assets and property, plant and equipment

Intangible assets decreased by €-718 million to €11,837 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 €9,295 million (prior year-end: €9,907 million).
The annual impairment tests were performed in the fourth quarter 2015 and led to no impairment charge.

Property, plant and equipment decreased by €-533 million to €16,660 million (prior year-end: €17,193 million) mainly at Airbus Defence and Space (€-650 million), primarily driven by the entities both disposed and reclassified to disposal groups classified as held for sale (see Note 3 "Acquisitions and disposals"). Property, plant and equipment also includes leased assets of €98 million (prior year-end: €118 million) and investment property amounting to €65 million (prior year-end: €66 million).

11. Investments accounted for under the equity method

Investments accounted for under the equity method increased by €+468 million to €1,794 million (prior year-end: €1,326 million) mainly due to the increase of Airbus Group participation in ASL following finalisation of the joint venture creation (see Note 3 "Acquisitions and disposals").

12. Other investments and other long-term financial assets

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

(In € million)	30 September 2016	31 December 2015
Other investments	1,878	1,232
Other long-term financial assets	1,637	1,260
Total non-current other investments and other long-term financial assets	**3,515**	**2,492**
Current portion of other long-term financial assets	**648**	**178**
Total	**4,163**	**2,670**

Other investments and other long-term financial assets increased by €+1,493 million to €4,163 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 Group's aircraft financing activities.

13. Inventories

Inventories of €33,481 million (prior year-end: €29,051 million) increased by €+4,430 million. This is mainly related to Airbus (€+5,244 million), principally due to work in progress mainly associated with A350 XWB ramp-up and A320 programme. This was partly compensated by a decrease in Airbus Defence and Space (€-1,161 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").

Inventories are presented net of the respective portion of the loss making contracts provision (see Note 17 "Provisions").

14. Other financial assets and other financial liabilities

Composition of other financial assets:

(In € million)	30 September 2016	31 December 2015
Positive fair values of derivative financial instruments	1,030	931
Others	84	165
Total non-current other financial assets	**1,114**	**1,096**
Receivables from related companies	456	616
Positive fair values of derivative financial instruments	237	349
Others	401	437
Total current other financial assets	**1,094**	**1,402**
Total	**2,208**	**2,498**

Composition of other financial liabilities:

(In € million)	30 September 2016	31 December 2015
European Governments refundable advances	6,427	6,716
Liabilities for derivative financial instruments	4,100	6,703
Others	550	619
Total non-current other financial liabilities	**11,077**	**14,038**
European Governments refundable advances	635	570
Liabilities for derivative financial instruments	3,216	3,884
Others	716	567
Total current other financial liabilities	**4,567**	**5,021**
Total	**15,644**	**19,059**

The liabilities for derivative financial instruments have decreased significantly as a result of the devaluation of the US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

15. Other assets and other liabilities

Composition of other assets:

(In € million)	30 September 2016	31 December 2015
Prepaid expenses	2,185	2,051
Others	88	115
Total non-current other assets	**2,273**	**2,166**
VAT receivables	1,725	1,450
Prepaid expenses	729	663
Other	476	706
Total current other assets	**2,930**	**2,819**
Total	**5,203**	**4,985**

Composition of other liabilities:

(In € million)	30 September 2016	31 December 2015
Other liabilities		
Customer advance payments	14,977	14,472
Others	506	521
Deferred income	238	263
Total non-current other liabilities	**15,721**	**15,256**
Other liabilities		
Customer advance payments	23,900	23,612
Tax liabilities (excluding income tax)	1,016	885
Others	2,470	2,540
Deferred income	1,062	1,049
Total current other liabilities	**28,448**	**28,086**
Total	**44,169**	**43,342**

16. Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to €6,288 million (prior year-end: €5,966 million) representing an increase of €+322 million. This is due to a net income for the period of €+1,811 million, partly offset by a dividend payment of €-1,008 million (€1.30 per share), the 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 €-90 million.

The total **number of shares** issued is 772,712,046 and 785,344,784 as of 30 September 2016 and 31 December 2015, respectively. The Group's shares are exclusively ordinary shares with a par value of €1.00.

During the first nine months 2016, the number of treasury stock held by Airbus Group decreased to 280,954 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 the first nine months 2015: 0 shares).

In the first nine months 2016, the Group issued 131,500 new shares due to the exercise of stock options (in the first nine months 2015: 2,949,529 shares).

Non-controlling interests increased to €8 million (prior year-end: €7 million). This increase results mainly from the mark to market revaluations of the hedge portfolio, partly offset by the impact of the change in consolidation method of EFW (see Note 3 "Acquisitions and disposals").

17. Provisions

Provisions are comprised of the following:

(In € million)	30 September 2016	31 December 2015
Provisions for pensions	9,264	7,615
Other provisions	6,941	7,465
Total	**16,205**	**15,080**
Thereof non-current portion	**11,139**	**9,871**
Thereof current portion	**5,066**	**5,209**

Provisions for pensions increased mainly due to a decrease of the discount rates for the various pension schemes of the Group (France: from 2.5% to 1.3%, Germany: from 2.4% to 1.2% and UK from 3.9% to 2.3%).

The decrease in **other provisions** is due in part to the release, utilisation and net presentation of programme losses against inventories (see Note 13 “Inventories”), and the reclassification to disposal group of liabilities classified as held for sale relating to Defence electronics entities (see Note 3 “Acquisitions and disposals”).

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.

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

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 30 September 2016.

18. Cash flows, securities and financing liabilities

Cash flows

Cash (used for) operating activities amounts to €-2,032 million (first nine months 2015 adjusted: €-522 million). Gross cash flow from operations (before changes in other operating assets and liabilities) amounts to €+1,544 million (first nine months 2015: €+3,044 million). Changes in other operating assets and liabilities amount to €-3,576 million (first nine months 2015 adjusted: €-3,566 million).

Cash provided by (used for) investing activities amounts to €+392 million (first nine months 2015: €-2,149 million). This includes the impact of disposals which occurred during the first nine months 2016 (see Note 3 “Acquisitions and disposals”) for a total of €+2,360 million (first nine months 2015: €+1,847 million). This was partly compensated by purchases of intangible assets and property, plant and equipment of €-1,990 million (first nine months 2015: €-1,663 million).

Cash provided by financing activities amounts to €+730 million (first nine months 2015: €+855 million). This mainly comprises changes in long-term and short-term financing liabilities of €+2,422 million (first nine months 2015: €+1,649 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 (first nine months 2015: €-945 million) and the share buyback programme of €-736 million (first nine months 2015: €0 million).

Securities

Non-current securities with a remaining maturity of more than one year decreased by €-191 million to €9,660 million (prior year-end: €9,851 million). The movement is related to the cash management policy of the Group.

Current securities with a remaining maturity of one year or less decreased by €-270 million to €1,518 million (prior year-end: €1,788 million).

Financing liabilities

Composition of financing liabilities:

(In € million)	30 September 2016	31 December 2015
Bonds	6,147	3,443
Liabilities to financial institutions	1,989	2,113
Loans	319	403
Liabilities from finance leases	369	375
Others	1	1
Long-term financing liabilities	**8,825**	**6,335**
Bonds	1,133	1,523
Liabilities to financial institutions	126	349
Loans	219	255
Liabilities from finance leases	14	13
Others	1,002	650
Short-term financing liabilities	**2,494**	**2,790**

The increase in **financing liabilities** is mainly related to the issuance of bonds (€+2.5 billion) and to commercial paper programmes (€+628 million, included in short-term bonds).

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").

19. Financial instruments

Composition of derivative financial instruments:

(In € million)	30 September 2016	31 December 2015
Non-current positive fair values	1,030	931
Current positive fair values	237	349
Total positive fair values of derivative financial instruments	**1,267**	**1,280**
Non-current liabilities	-4,100	-6,703
Current liabilities	-3,216	-3,884
Total liabilities for derivative financial instruments	**-7,316**	**-10,587**
Total net fair value of derivative financial instruments	**-6,049**	**-9,307**

The volume of hedged US dollar-contracts was US$101.0 billion(1) as at 30 September 2016 (prior year-end US$101.9 billion). The US dollar spot rate was 1.12 US$/€ and 1.09 US$/€ at 30 September 2016 and at 31 December 2015, respectively. The average US dollar hedge rate for the hedge portfolio of the Group decreased to 1.26 US$/€ as at 30 September 2016 compared to 1.28 US$/€ as at 31 December 2015.

(1) including $1.5 billion of new hedges entered into to address intra-year shifts in net exposure linked to delivery phasing.

Carrying amounts and fair values

Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies as described in detail in Note 35.2 to the 2015 Consolidated Financial Statements. For the first nine months 2016, Airbus Group has applied the same methodologies for the fair value measurement of financial instruments.

Carrying amount is a reasonable approximation of fair value for all classes of financial instruments listed in the first table of Note 35.2 to the 2015 Consolidated Financial Statements, with the exception of:

	30 September 2016		31 December 2015	
(In € million)	Book value	Fair value	Book value	Fair value
Financing liabilities				
Issued bonds and commercial papers	-7,280	-7,664	-4,966	-5,091
Liabilities to financial institutions and other financing liabilities	-3,656	-3,653	-3,771	-3,822

As explained in Note 35.2 to the 2015 Consolidated Financial Statements, no fair value can be determined for certain unlisted equity investments and European Governments refundable advances.

The following table allocates the financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy[(1)]:

	30 September 2016				31 December 2015			
(In € million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	1,510	0	0	1,510	828	0	0	828
Derivative instruments	0	1,256	11	1,267	0	1,234	46	1,280
Securities	11,176	2	0	11,178	11,474	165	0	11,639
Cash equivalents [(2)]	2,757	1,133	0	3,890	3,042	2,130	0	5,172
Total [(2)]	**15,443**	**2,391**	**11**	**17,845**	**15,344**	**3,529**	**46**	**18,919**
Financial liabilities measured at fair value								
Derivative instruments	0	-7,316	0	-7,316	0	-10,587	0	-10,587
Other liabilities	0	0	-35	-35	0	0	-74	-74
Total	**0**	**-7,316**	**-35**	**-7,351**	**0**	**-10,587**	**-74**	**-10,661**

(1) The fair value hierarchy consists of the following levels:
- 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, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

	Financial assets		Financial liabilites		
(In € million)	Commodity swap agreements	Derivative instruments	Written put options on NCI interests	Earn-out agreements	Other liabilities
Balance at 1 January 2015	**2**	**2**	**-127**	**-10**	**-137**
Profit or loss	10	10	-1	0	-1
Other comprehensive income	0	0	51	0	51
Settlements	-1	-1	3	0	3
Balance at 30 September 2015	**11**	**11**	**-74**	**-10**	**-84**
Balance at 1 January 2016	**46**	**46**	**-64**	**-10**	**-74**
Profit or loss	-10	-10	0	0	0
Settlements	-25	-25	39	0	39
Balance at 30 September 2016	**11**	**11**	**-25**	**-10**	**-35**

For a description of the valuation techniques, inputs and process used in the fair value measurement of these financial instruments and a description of sensitivity analysis performed refer to Note 35.2 of the Consolidated Financial Statements. There is no material difference between the outcome of sensitivity analysis performed at 30 September 2016, compared to the outcome disclosed in the year-end financial statements.

20. Litigation and claims

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 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 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 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 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. The Prosecutor's office has requested a number of interviews with suspects in October 2016. 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. Airbus Group 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, the Group 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 the Group informed the UK, German and French Export Credit Agencies ("ECAs") of the irregularities discovered. The Group made a similar disclosure to the UK Serious Fraud Office ("SFO"). In August 2016, the SFO informed the Group that it had opened an investigation into allegations of fraud, bribery and corruption in the civil aviation business of Airbus Group relating to irregularities concerning third party consultants. The Group is cooperating fully with the SFO. The SFO investigation and any enforcement action potentially arising as a result could have negative consequences for the Group. The potential imposition of any monetary penalty (and the amount thereof) arising from the SFO investigation would depend on factual findings, and as such 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 the Group (ii) adverse consequences on the Group's 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 the Group's business or reputation via negative publicity adversely affecting the Group's prospects in the commercial market place.

ECA Financing

As mentioned previously, some ECA financing is temporarily suspended. The Group 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 Group 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 Group 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 Group, 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 are planned to start in November 2016.

Airbus Group is cooperating with a judicial investigation against unknown persons in France related to Kazakhstan. Airbus Group 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, 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 to inform decisions on corresponding payments. The Group 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. The Group believes that these enhancements to its controls and practices will best position it for the future, particularly in light of advancements in regulatory standards. As a result of the suspension of payments during the enhanced due diligence process, certain consultants and other third parties have initiated commercial litigation and arbitration against the Group alleging breach of contract and seeking relief. The Group cannot exclude that the comprehensive review and these enhancements of its controls and practices lead to additional commercial disputes or other civil law consequences in the future.

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 will not be completed until 2017 at the earliest.

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 dispute is currently the subject of arbitration.

21. Number of employees

The number of employees as at 30 September 2016 is 132,973 as compared to 136,574 as at 31 December 2015.

22. Subsequent events

There are no significant events after the reporting date.