DOCUMENTATION FOR

THE ANNUAL GENERAL MEETING

Wednesday 27 May 2015 at 2 p.m.

at Hotel Okura Amsterdam
Ferdinand Bolstraat 333,
1072 LH Amsterdam,
The Netherlands

AIRBUS GROUP

Agenda

1. Opening and general introductory statements

2. Presentation by the Chairman and the Chief Executive Officer, including report by the Board of Directors in respect of the:

1. Corporate governance statement
2. Report on the business and financial results of 2014
3. Application of the remuneration policy in 2014
4. Policy on dividend

3. Discussion of all Agenda items

4. Vote on the resolutions in respect of the:

1. Adoption of the audited accounts for the financial year of 2014
2. Approval of the result allocation and distribution
3. Release from liability of the non-Executive Members of the Board of Directors
4. Release from liability of the Executive Member of the Board of Directors
5. Appointment of KPMG Accountants N.V. as auditor for the financial year 2015
6. Adoption of the amendments to the compensation and remuneration policy of the Board of Directors
7. Conversion of the Company into a European Company (*Societas Europaea* - SE) and amendments to the Company's Articles of Association
8. Appointment of Ms. María Amparo Moraleda Martínez as a non-Executive Member of the Board of Directors replacing Mr. Josep Piqué i Camps who resigns
9. Delegation to the Board of Directors of powers to issue shares, to grant rights to subscribe for shares and to limit or exclude preferential subscription rights of existing shareholders for the purpose of employee share ownership plans
10. Delegation to the Board of Directors of powers to issue shares, to grant rights to subscribe for shares and to limit or exclude preferential subscription rights of existing shareholders for the purpose of funding the Company and its Group companies
11. Renewal of the authorisation for the Board of Directors to repurchase up to 10% of the Company's issued share capital
12. Authorisation for the Board of Directors to repurchase up to 10% of the Company's issued share capital for an exceptional share buyback programme
13. Cancellation of shares repurchased by the Company

5. Closing of the Meeting

Text of the Resolutions proposed by the Board of Directors

FIRST RESOLUTION

Adoption of the audited accounts for the financial year 2014

RESOLVED THAT the audited accounts for the accounting period from 1 January 2014 to 31 December 2014, as submitted to the Annual General Meeting by the Board of Directors, be and hereby are adopted.

SECOND RESOLUTION

Approval of the result allocation and distribution

RESOLVED THAT the net profit of €2,343 million, as shown in the income statement included in the audited accounts for the financial year 2014, shall be added to retained earnings and that a payment of a gross amount of €1.20 per share shall be made to the shareholders from distributable reserves.

THIRD RESOLUTION

Release from liability of the non-Executive Members of the Board of Directors

RESOLVED THAT the non-Executive Members of the Board of Directors be and hereby are granted a release from liability for the performance of their duties during and with respect to the financial year 2014, to the extent that their activity has been reflected in the audited annual accounts for the financial year 2014 or in the Report of the Board of Directors or was otherwise properly disclosed to the General Meeting.

FOURTH RESOLUTION

Release from liability of the Executive Member of the Board of Directors

RESOLVED THAT the Executive Member of the Board of Directors be and hereby is granted a release from liability for the performance of his duties during and with respect to the financial year 2014, to the extent that his activity has been reflected in the audited annual accounts for the financial year 2014 or in the Report of the Board of Directors or was otherwise properly disclosed to the General Meeting.

FIFTH RESOLUTION

Appointment of KPMG Accountants N.V. as auditor for the financial year 2015

RESOLVED THAT the Company's auditor for the accounting period being the financial year 2015 shall be KPMG Accountants N.V., whose registered office is at Laan van Langerhuize 1, 1186 DS Amstelveen, The Netherlands.

SIXTH RESOLUTION

Adoption of the amendments to the compensation and remuneration policy of the Board of Directors

RESOLVED THAT the proposed amendments to the compensation and remuneration policy of the Board of Directors, including the rights to subscribe for shares, as described in the Report of the Board of Directors, be and hereby are accepted and adopted.

SEVENTH RESOLUTION

Conversion of the Company into a European Company (*Societas Europaea* - SE) and amendments to the Company's Articles of Association

RESOLVED THAT the draft terms of conversion of the Company into an SE are approved, the Company shall be converted into an SE and the Company's Articles of Association are approved and shall be amended, all in accordance with the draft terms of conversion and draft Articles of Association dated as of the date of the convening notice of this General Meeting and as both made available for inspection by shareholders and holders of depository receipts at the Company's offices and on the Company's website, and that the Board of Directors, the Chief Executive Officer and the Company be and hereby are authorised, with powers of substitution, to implement this resolution.

EIGHTH RESOLUTION

Appointment of Ms. María Amparo Moraleda Martínez as a non-Executive Member of the Board of Directors replacing Mr. Josep Piqué i Camps who resigns

RESOLVED THAT Ms. María Amparo Moraleda Martínez be appointed as a non-Executive Member of the Board of Directors for a term of three years, ending at the close of the Annual General Meeting which shall be held in the year 2018, in replacement of Mr. Josep Piqué i Camps who resigns as of the close of this Annual General Meeting.

NINTH RESOLUTION

Delegation to the Board of Directors of powers to issue shares, to grant rights to subscribe for shares and to limit or exclude preferential subscription rights of existing shareholders for the purpose of Employee Share Ownership Plans

RESOLVED THAT in accordance with the Company's Articles of Association, the Board of Directors be and hereby is designated, subject to revocation by the General Meeting, to have powers to issue shares and to grant rights to subscribe for shares in the Company's share capital for the purpose of employee share ownership plans, provided that such powers shall be limited to an aggregate of 0.1% of the Company's authorised share capital from time to time and to limit or exclude preferential subscription rights, in both cases for a period expiring at the Annual General Meeting to be held in 2016.

Such powers include the granting of rights to subscribe for shares which can be exercised at such time as may be specified in or pursuant to such plans and the issue of shares to be paid up from freely distributable reserves. However, such powers shall not extend to issuing shares or granting rights to subscribe for shares (i) if there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) for an aggregate issue price in excess of €500 million per share issuance.

TENTH RESOLUTION

Delegation to the Board of Directors of powers to issue shares, to grant rights to subscribe for shares and to limit or exclude preferential subscription rights of existing shareholders for the purpose of funding the Company and its Group companies

RESOLVED THAT in accordance with the Company's Articles of Association, the Board of Directors be and hereby is designated, subject to revocation by the General Meeting, to have powers to issue shares and to grant rights to subscribe for shares in the Company's share capital for the purpose of funding the Company and its Group companies, provided that such powers shall be limited to an aggregate of 0.3% of the Company's authorised share capital from time to time and to limit or exclude preferential subscription rights, in both cases for a period expiring at the Annual General Meeting to be held in 2016.

Such powers include the issue of financial instruments, including but not limited to convertible bonds, which instruments may grant the holders thereof rights to acquire shares in the capital of the Company, exercisable at such time as may be determined by the financial instrument, and the issue of shares to be paid up from freely distributable reserves. However, such powers shall not extend to issuing shares or granting rights to subscribe for shares (i) if there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) for an aggregate issue price in excess of €500 million per share issuance.

ELEVENTH RESOLUTION

Renewal of the authorisation for the Board of Directors to repurchase up to 10% of the Company's issued share capital

RESOLVED THAT the Board of Directors be and hereby is authorised, for a new period of 18 months from the date of this Annual General Meeting, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company will not hold more than 10% of the Company's issued share capital, and at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out. This authorisation supersedes and replaces the authorisation given by the Annual General Meeting of 27 May 2014 in its tenth resolution.

TWELFTH RESOLUTION

Authorisation for the Board of Directors to repurchase up to 10% of the Company's issued share capital for an exceptional share buyback programme

RESOLVED THAT the Board of Directors be and hereby is authorised, for an 18-month period from the date of this Annual General Meeting, to repurchase up to 10% of the Company's issued share capital as of the date of this Annual General Meeting, by any means, including derivative products, on any stock exchange, in a private purchase, by way of a public purchase offer or otherwise, at a price not less than the nominal value and at most 85 euros per share.

This authorisation is in addition, and without prejudice, to the authorisation pursuant to the eleventh resolution.

THIRTEENTH RESOLUTION

Cancellation of shares repurchased by the Company

RESOLVED THAT any or all of the shares held or repurchased by the Company pursuant to the eleventh and/or twelfth resolutions be cancelled (whether or not in tranches) and both the Board of Directors and the Chief Executive Officer be and hereby are authorised, with powers of substitution, to implement this resolution (including the authorisation to establish the exact number of the relevant shares to be cancelled) in accordance with Dutch law.

Presentation of the Resolutions proposed by the Board of Directors

FIRST RESOLUTION

Adoption of the audited accounts for the financial year 2014

We recommend that this Annual General Meeting ("**AGM**") approves the audited accounts for 2014.

For more information on the audited accounts for 2014, see Sections 5.1 to 5.3 of the Report of the Board of Directors.

SECOND RESOLUTION

Approval of the result allocation and distribution

We recommend that this AGM resolves that the net profit of €2,343 million, as shown in the income statement included in the audited accounts for the financial year 2014, shall be added to retained earnings and that a payment of a gross amount of €1.20 per share shall be made to the shareholders from distributable reserves.

Pursuant to a decision by the Board of Directors, such dividend payment shall be made on 3 June 2015.

As from 1 June 2015, the Company's shares will be traded ex-dividend on the Frankfurt, Paris and Spanish Stock Exchanges. The dividend payment will be made on 3 June 2015 to holders of the Company's shares on 2 June 2015.

For more information on dividend policy, see "— Section 3.5 Dividend policy" of the Report of the Board of Directors.

THIRD AND FOURTH RESOLUTIONS

Release from liability of the current Members of the Board of Directors

We recommend that this AGM releases the current Members of the Board of Directors from liability for the performance of their duties during and with respect to the financial year 2014, to the extent that their activity has been reflected in the audited annual accounts for the financial year 2014 or in the Report of the Board of Directors or was otherwise properly disclosed to the General Meeting.

FIFTH RESOLUTION

Appointment of the auditor for the financial year 2015

We recommend that the Company's auditor for the financial year 2015 should be KPMG Accountants N.V. whose registered office is at Laan van Langerhuize 1, 1186 DS Amstelveen, The Netherlands, based on its qualifications performance and independence as concluded by the Board of Directors and the Audit Committee.

SIXTH RESOLUTION

Adoption of the amendments to the compensation and remuneration policy of the Board of Directors

We recommend that this AGM adopts the amendments to the compensation and remuneration policy of the Board of Directors, as described in the Report of the Board of Directors. The amendments would be effective as of 1 January 2015 (please see "— Section 4.3.3 Proposed Amendments of the Remuneration Policy" of the Report of the Board of Directors).

For any further information on the remuneration policy, please refer to Section 4.3 "Remuneration Report" of the Report of the Board of Directors.

For a report on the remuneration of the Members of the Board of Directors during the year 2014, please see "— Section 4.3.4 Implementation of the Remuneration Policy in 2014: CEO" and "— Section 4.3.5 Implementation of the Remuneration Policy in 2014: Non Executive Fees" of the Report of the Board of Directors.

SEVENTH RESOLUTION

Conversion of the Company into a European Company (*Societas Europaea* - SE) and amendments to the Company's Articles of Association

We recommend that this AGM approves the conversion of Airbus Group N.V. to a European Company to be named Airbus Group SE, and certain amendments to the Articles of Association of the Company mostly relating to such conversion. Airbus Group SE will continue to have its corporate seat in Amsterdam and its head office in The Netherlands. The Airbus Group shares will remain listed on the stock exchanges of Paris, Frankfurt and Spain without any change.

The main purpose of the conversion of the Company into an SE is to structurally reflect the diversified operational presence (in particular in terms of sites and employees) of the Group in the different European countries. Together with the rebranding of the Airbus Group, having a European Company as the holding company of the Group improves the unified corporate identity, employee and other stakeholders identification, and enhances the supra national nature and image of the Group, while preserving at the same time its multi-domestic face. The Conversion would entail a technical change of the legal form of the Company and will not materially affect the current rights of its shareholders. Furthermore, the governance, operations and organisation as well as the shareholding structure of the Airbus Group will remain as they currently are following the Conversion.

The current European Works Council will be replaced by the SE Works Council as agreed with the special negotiation body (SNB) composed of employee representatives from the relevant Member States of the European Economic Area and set up for the purpose of the conversion. The scope and terms of required employee information and consultation rights of the SE Works Council will not be fundamentally different from (and will even be simplified compared to those under) the current European Works Council Agreement.

The draft terms of conversion, the proposed new Articles of Association relating to the conversion, as well as an explanatory table also containing the relevant sections of the current Articles of Association and an explanation of each proposed amendment, can be found on the Company's website at **www.airbusgroup.com** (Investors & Shareholders > General Meetings) and are available at the Company's offices.

The conversion and the amendments to the Articles of Association will become effective, following the execution of a notarial deed of conversion and amendment, upon the registration of the Company as a European Company and the filing of its new Articles of Association with the Dutch Trade Registry, to be effected shortly after this AGM.

EIGHTH RESOLUTION

Appointment of Ms. María Amparo Moraleda Martínez as non-Executive Member of the Board of Directors replacing Mr. Josep Piqué i Camps who resigns

We recommend that this AGM appoints Ms. María Amparo Moraleda Martínez as non-Executive Member of the Board of Directors for a term of three years, ending at the close of the Annual General Meeting which shall be held in the year 2018. Ms. Moraleda will be one of ten independent non-Executive directors of the Board of Directors; she is appointed in replacement of Mr. Josep Piqué i Camps who resigns as of the close of this Annual General Meeting on 27 May 2015 given that his other professional duties can no longer be combined with his position as a non-Executive Member of the Board of Directors.

The appointment of Ms. Moraleda is the first step to a more optimal turnover of the Board of Directors, the principle of which is embodied in the staggering mechanism of the Internal Rules of the Board of Directors. To avoid large bloc replacements of Directors in one single episode, with the corresponding loss of experience, induction and integration challenges, the Board of Directors envisages a smoother, yearly staggering; besides, the Board of Directors has adopted criteria limiting the appointment of a Director to a maximum of three consecutive terms of three years (with possible exceptions), and setting an age limit of seventy five years at the time of appointment. Further steps to implement the staggered board will be taken at the AGM to be held in 2016 to create a schedule of staggered retirements and inductions consistent with the Dutch Corporate Governance Code and with the present Internal Rules of the Board of Directors.

Ms. María Amparo Moraleda Martínez

Ms. María Amparo Moraleda Martínez graduated as an industrial engineer from the ICAI (Escuela Técnica Superior de Ingenieria Industrial) Madrid and holds a PDG from IESE Business School in Madrid. Between January 2009 and February 2012, she was Chief Operating Officer of Iberdrola SA's International Division with responsibility for the United Kingdom and the United States. She also headed Iberdrola Engineering and Construction from January 2009 to January 2011. Previously, she served as General Manager of IBM Spain and Portugal (2001-2009). In 2005 her area of responsibility was extended to encompass Greece, Israel and Turkey as well. Between 2000 and 2001, she was executive assistant to the chairman and CEO of IBM Corporation. From 1998 to 2000, Ms. Moraleda was General Manager of INSA (a subsidiary of IBM Global Services). From 1995 to 1997, she was HR Director for EMEA at IBM Global Services and from 1988 to 1995 held various professional and management positions at IBM España. Ms. Moraleda is also a member of various boards of different institutions, trusts and bodies, including the Academy of Social Sciences and the Environment of Andalusia, the Board of Trustees of the MD Anderson Cancer Center in Madrid and the International Advisory Board of the Instituto de Empresa Business School and member of the Madrid Advisory Board of IESE.

Ms. Moraleda is part of a committee that KPMG Spain consults to assess its image, market positioning and operations in Spain; having insured that this so-called advisory board is not a governance body of KPMG Spain, that it does not deal in auditing matters and policy, that she has no link with Airbus Group's statutory auditors KPMG Accountants N.V., the Board is satisfied that Ms. Moraleda qualifies as an independent director under the provisions of the Dutch Corporate Governance Code and the Internal Rules of the Board of Directors.

Further information on the above-mentioned candidate is published on the Company's website at **www.airbusgroup.com** (Group & Vision > Governance > Board of Directors) and is also available at the Company's offices.

NINTH RESOLUTION

Delegation to the Board of Directors of powers to issue shares, to grant rights to subscribe for shares and to limit or exclude preferential subscription rights of existing shareholders for the purpose of Employee Share Ownership Plans

We recommend that this AGM delegates to the Board of Directors the authorisation to issue shares and to grant rights to subscribe for shares of the Company up to an aggregate of 0.1% of the authorised share capital, *i.e.* 3 million shares equivalent to 0.38% of the Company's issued share capital as at the date of convening the AGM, and to limit or exclude preferential subscription rights, for a period expiring at the AGM to be held in 2016, for the purpose of employee share ownership plans ("**ESOP**"), since the previous authorisation expires at the end of this AGM.

TENTH RESOLUTION

Delegation to the Board of Directors of powers to Issue shares, to grant rights to subscribe for shares and to limit or exclude preferential subscription rights of existing shareholders for the purpose of funding the Company and its Group companies

In addition to the authorisation provided for in the abovementioned Ninth Resolution, we recommend that this AGM delegates the authorisation to the Board of Directors to issue shares and to grant rights to subscribe for shares of the Company up to an aggregate of 0.3% of the authorised share capital, *i.e.* 9 million shares equivalent to 1.15% of the Company's issued share capital as at the date of convening the AGM for the purpose of funding the Company and its Group companies, and to limit or exclude preferential subscription rights, for a period expiring at the AGM to be held in 2016. This in order to benefit from possible financial market opportunities and to provide flexibility to issue financial instruments, including but not limited to convertible bonds, which instruments may grant the holders thereof rights to acquire shares in the capital of the Company. This may involve one or more issues, each within the €500 million threshold per share issuance.

ELEVENTH RESOLUTION

Renewal of the authorisation for the Board of Directors to repurchase up to 10% of the Company's issued share capital

We recommend that this AGM approves the renewal of the authorisation to the Board of Directors to repurchase up to 10% of the Company's issued share capital, for a new 18-month period by any means, including derivative products, on any stock exchange or otherwise.

The purposes of the share buyback programme to be implemented by the Company will be determined on a case-by-case basis by the Board of Directors based on need.

This authorisation will supersede and replace the authorisation granted by the AGM on 27 May 2014.

TWELFTH RESOLUTION

Authorisation for the Board of Directors to repurchase up to 10% of the Company's issued share capital for an exceptional share buyback programme

We recommend that this AGM approves, for an 18-month period from the date of this AGM, the authorisation to the Board of Directors to repurchase up to 10% of the Company's issued share capital as of the date of this AGM, by any means, including derivative products, on any stock exchange, in a private purchase, by way of a public purchase offer or otherwise, at a price not less than the nominal value and at most 85 euros per share. The Board of Directors would be free to decide if and how the acquisition of shares takes place, within the framework of applicable law, and shall ensure that general principles of equal treatment of shareholders shall be complied with. The authorised repurchase price range between the nominal value and at most 85 euros per share is intended to avoid giving any realistic indication at this stage on the repurchase price level if this exceptional share buyback programme were implemented.

The purpose of such share buyback programme would be to return to shareholders a portion of extraordinary proceeds from divestments. It is important to note that the Board of Directors will only decide whether or not to proceed with such a buyback and determine its timetable, amount, method and pricing based on the market conditions at such time, and on other capital allocation considerations in the context of the reshaping of the Group business portfolio. The shares acquired in this specific context would be promptly cancelled.

This authorisation is in addition, and without prejudice, to the authorisation pursuant to the eleventh resolution. It being understood, that the Company does not intend to hold more than 10% of its issued share capital following parallel repurchases pursuant to the eleventh and twelfth resolutions.

For additional information on the Company's share buyback programmes including their purposes, characteristics and status, the reader should refer to the Company's website at **www.airbusgroup.com** (Investors & Shareholders > Share Information).

THIRTEENTH RESOLUTION

Cancellation of shares repurchased by the Company

We recommend that this AGM approves the cancellation (whether or not in tranches) of any or all the shares held or repurchased by the Company, pursuant to the eleventh and/or twelfth resolutions and that both the Board of Directors and the Chief Executive Officer be authorised, with powers of substitution, to implement the cancellation (including the authorisation to establish the exact number of the relevant shares thus repurchased to be cancelled) in accordance with Dutch law.

Report of the Board of Directors

(Issued as of 26 February 2015)

Dear Shareholders,

This is the Report of the Board of Directors (the "**Board Report**") on the activities of Airbus Group N.V. (the "**Company**" and together with its subsidiaries the "**Group**") during the 2014 financial year, prepared in accordance with Dutch regulations.

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

1. General Overview

With consolidated revenues of € 60,713 million in 2014, the Group is Europe's premier aerospace and defence company and one of the largest aerospace and defence companies in the world. In terms of market share, the Group is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2014, it generated approximately 82% of its total revenues in the civil sector and 18% in the defence sector. As of 31 December 2014, the Group's active headcount was 138,622 employees.

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

2. Summary 2014

2014 was a successful and challenging year for **Airbus Group**. An improved operational performance drove revenues and profitability higher. The Group achieved a series of key milestones in major programmes, renewed and upgraded its product portfolio and took important decisions to adapt and streamline its business portfolio.

Airbus Division delivered more aircraft than ever before, at 629 for the year, while commercial appetite for new aircraft continued unabated. New orders at 1,796 gross (1,456 net) were more than twice the level of deliveries. Thanks to these orders, the backlog climbed to a new industry record of 6,386 aircraft (2013: 5,559).

As planned, the first customer handover of an A350 XWB aircraft took place before the end of the year. Also on schedule, the A320neo took off on its maiden flight in September 2014. In a further illustration of Airbus' commitment to incremental innovation, the year saw the launch of the A330neo, offering a 14% improvement in fuel efficiency per seat compared to the existing aircraft. Within six months of its launch, the aircraft had already registered 120 firm orders.

In a challenging commercial environment, **Airbus Helicopters** revenues increased, driven by a significant ramp-up in NH90s, while profitability was stable. The year saw major progress in Airbus Helicopters' product renewal. The new EC175 and upgraded EC145 T2 and EC135 P3/T3 helicopters were handed over to customers for the first time. Meanwhile, the in-development X4 medium-weight helicopter passed its "power on" milestone, poised for first flight in 2015.

The newly established **Airbus Defence and Space** Division became operational in 2014 and made significant progress in its restructuring drive. Headcount was reduced by around 1,900 positions and eight sites were closed. In a further step, the Division announced plans to refocus on its core businesses: Space (including launchers and satellites), Military Aircraft, Missiles and related Systems and Services. Non-core activities such as commercial and parapublic communications businesses and certain participations are to be divested.

In order to adapt to increased competition, Airbus Group and Safran agreed to form a joint venture in the launcher segment. Airbus Safran Launchers will produce the Ariane 5, as well as developing and producing the next generation Ariane 6 launcher.

The Airbus Defence and Space Division had a highly successful year for satellite orders, including two key contracts for innovative telecom satellites using electric propulsion for initial orbit raising. In a further demonstration of technological prowess, the Rosetta spacecraft, built under the industrial leadership of Airbus Defence and Space, succeeded in touching down its lander onto a comet, the first time such an operation has ever been carried out.

Germany, Turkey and the UK took delivery of their first A400M aircraft. However, some delays were incurred in the development of the aircraft's military capabilities. The programme remains a key challenge for the year ahead.

When the Group started the year 2014 it set itself the following **Group Priorities for 2014**, which were shared with all employees:

1. Shape our Future, Stay Innovative

Combine technology roadmaps into a Group-wide R&T Strategy supporting our short and long-term product portfolio, maximising eco-efficiency and minimising our environmental footprint. Unite our Group-wide know-how of autonomous systems. Leverage our top experts to exploit breakthrough technologies in a lean and pragmatic way.

2. Internationalisation

Integrate all our businesses under the "One-Roof Principle" in our key countries, such as the United States, China, India, Brazil and Australia. Increase our international reach and leverage our presence (in particular defence and space). Fully embrace benefits offered by cultural diversity and further strengthen our local citizenship.

3. Make Airbus Group ("Team Airbus") a Success

Shape defence and space for competitiveness, from its "in formation" phase to its maturity in the second half of the year. Stabilise the helicopter business and strengthen it for the future. Manage the execution challenges of the commercial aircraft business, most notably for the A350 XWB and A320neo. Focus corporate functions on supporting operations efficiently and fulfilling responsibilities to all stakeholders effectively.

4. People

Support people through Group restructuring and treat them decently and fairly throughout the critical phase. Invest in mastery of critical skills and behaviours for our future. Reward entrepreneurship, creativity, teamwork, mobility and diversity management, developing behaviours that build a unified Airbus Group culture. Develop all management levels in accordance with the leadership model to grow future and current leaders who foster high performance through employee engagement.

5. Strive for further Improvement of Customer Satisfaction

Deliver our products and services on quality, on time and on cost. Tightly manage critical series and development programmes, and recover when necessary. Capture customer needs, expectations and trends; adapt our products and services portfolio accordingly. Nurture customer confidence, especially in times of restructuring and increased competition.

6. Drive our Performance

Stick to Operative Planning commitments and focus on profitability and cash management. Aim for a smooth delivery stream throughout the year allowing for operational stability and the well-being of our employees. Drive Business Excellence by adherence to quality (Quest initiative), applying standard processes, eradicating inefficiencies and fostering continuous improvement. Continue to strengthen our programme management skills throughout the Group to ensure flawless execution of series as well as development programmes. Manage our supply chain responsibly and achieve ramp-up targets as ONE team.

7. Ethics and Compliance

Live Our Integrity Principles on a daily basis and speak up to improve our performance and preserve our reputation. Align our business conduct to best practices within the Group to maintain our top-tier position in Ethics and Compliance. Build on our robust anti-bribery programme to promote integrity throughout our supply chain and keep our suppliers and subcontractors engaged in the fight against corruption.

8. Cyber Security and Protection of our Assets

Protect our Intellectual property, industrial assets and products. Further increase awareness on cyber threats and proactively apply the relevant precaution measures to reduce the risks. Roll out and implement the cyber security initiative across the entire Group.

In 2014 the Group achieved a significant improvement in profitability and cash generation thanks to a record order book and strong operational performance in most areas. The Group's order intake was € 166.4 billion (FY 2013: € 216.4 billion), with the order book worth a record of € 857.5 billion at year-end (year-end 2013: € 680.6 billion). Airbus received 1,456 net commercial aircraft orders (FY 2013: 1,503), with a net book-to-bill ratio above 2 and a backlog of 6,386 aircraft at year-end. Net order intake at Airbus Helicopters was 369 units (FY 2013: 422), including a backlog adjustment of 33 NH90s. Airbus Defence and Space's order intake by value rose 4%, driven by continuing strong momentum in space systems and good order flow in light and medium military aircraft.

The Group's revenues increased 5% to a record € 60.7 billion (FY 2013: € 57.6 billion). The EBIT* before one-off, an indicator capturing the underlying business margin by excluding material non-recurring charges or profits caused by movements in provisions related to programmes and restructurings or foreign exchange impacts, improved to € 4,066 million (FY 2013: € 3,537 million).

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

Last but not least, the creation of a new group-wide Foundation, by extending the membership of the Airbus Corporate Foundation, underlined the Group's continued dedication towards corporate citizenship:

"Airbus Group takes corporate citizenship very seriously and through it we serve the communities where we operate and also support citizens in the markets that we sell our products. With the new Airbus Corporate Foundation, I hope we can reach out to a larger population and continue to inspire young people to pursue their studies and ultimately join the aeronautics industry. It will also support humanitarian projects around the globe. I would like to congratulate Airbus Group employees for their dedication and passion in serving our communities," said Tom Enders, Airbus Group CEO.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and Voting Rights

Issued Share Capital

As of 31 December 2014, the Company's issued share capital amounted to € 784,780,585 divided into 784,780,585 shares of a nominal value of € 1 each. The issued share capital of the Company as of such date represents 26.16% of the authorised share capital of € 3,000,000,000 comprising 3,000,000,000 shares. The holder of one issued share has one vote and is entitled to the profit in proportion to his participation in the issued share capital.

Modification of Share Capital or Rights Attached to Shares

Unless such right is limited or excluded by the shareholders' meeting (or the Board of Directors, if authorised by the shareholders' meeting to do so) as described below, holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of the Company or of a Group company. For the contractual position as to pre-emption rights, see "— 3.2. Relationship with Principal Shareholders".

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

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

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

Pursuant to the existing shareholders' resolutions adopted at the AGM held on 27 May 2014, the powers to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors for the purpose of:

1. employee share ownership plans and share related Long-Term Incentive Plans (such as stock option, performance and restricted share plans), provided that such powers shall be limited to 0.2% of the Company's authorised share capital, and
2. funding the Company and its Group companies, provided that such powers shall be limited to 0.3% of the Company's authorised share capital.

Such powers have been granted for a period expiring at the AGM to be held in 2015, and shall not extent to issuing shares or granting rights to subscribe for shares (i) if there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) for an aggregate issue price in excess of € 500 million per share issuance.

The shareholders' meeting will be requested in the AGM to be held in 2015 to delegate to the Board of Directors the powers to issue shares and to grant rights to subscribe for shares in the Company's share capital and to limit or exclude preferential subscription rights, provided that such powers shall be:

1. limited to an aggregate of 0.1% of the Company's authorised capital from time to time for the purpose of employee share ownership plans, and

2. limited to an aggregate of 0.3% of the Company's authorised capital from time to time for the purpose of financing the Group.

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

At the AGM held on 27 May 2014, the Board of Directors was authorised, for a period of 18 months from the date of such AGM, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company would not hold more than 10% of the Company's issued share capital. The shareholders' meeting will be requested to renew those powers for a period of 18 months in the AGM to be held in 2015. This authorisation will supersede and replace the authorisation granted by the AGM on 27 May 2014.

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

Securities Granting Access to the Company's Capital

Except for stock options granted for the subscription of the Company's shares (see "— Notes to the Consolidated Financial Statements (IFRS) - Note 35: Share-Based Payment"): there are no securities that give access, immediately or over time, to the share capital of the Company.

The table below shows the total potential dilution that would occur if all the stock options issued as at 31 December 2014 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights*
Total number of the Company's shares issued as of 31 December 2014	784,780,585	99,715%	784,348,753	99,715%
Total number of the Company's shares which may be issued following exercise of stock options	2,240,891	0,285%	2,240,891	0,285%
Total potential share capital of the Company	787,021,476	100%	786,589,644	100%

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

Changes in the Issued Share Capital in 2014

In 2014, the Group's employees exercised 1,871,419 stock options granted to them through the stock option plans launched by the Company. As a result, 1,871,419 new shares were issued in the course of 2014.

248,469 treasury shares were cancelled in 2014.

Repurchases of Shares in 2014

During 2014, the Company repurchased in aggregate 191,476 shares.

Shareholding Structure at the End of 2014

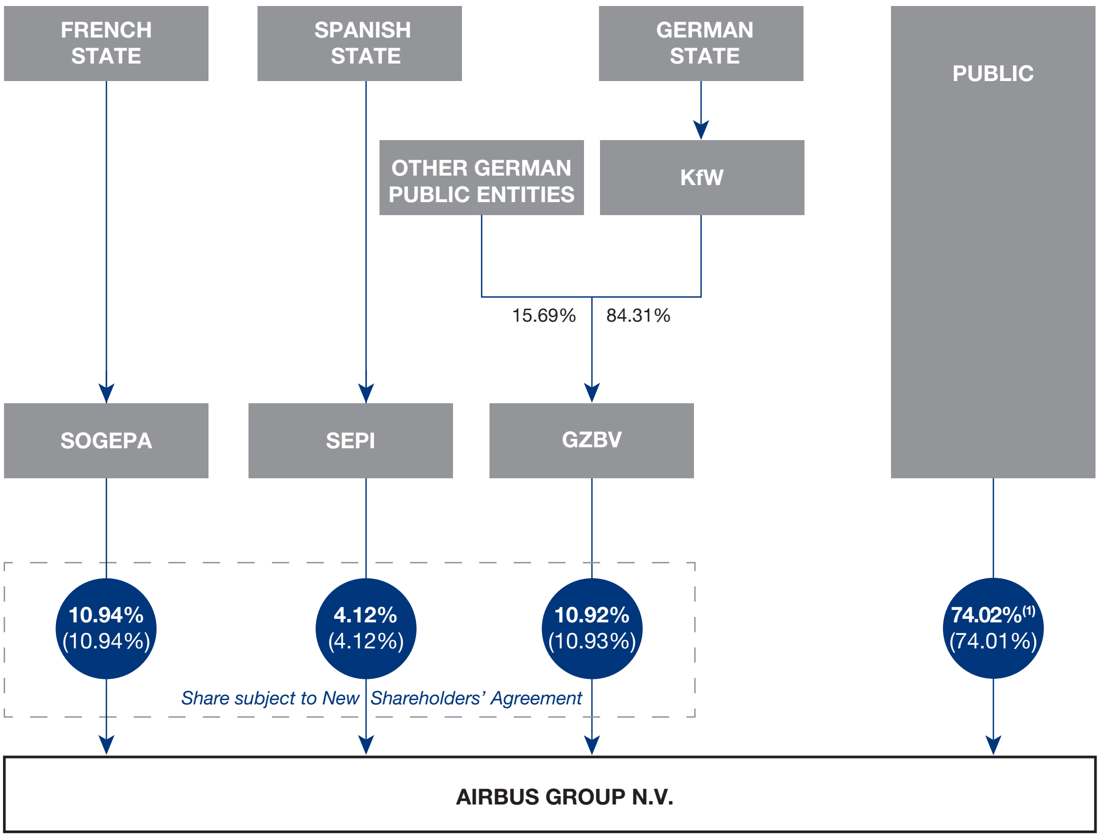
On 16 January 2014, the French State announced it sold through Sogepa around 8,000,000 Company shares (approximately 1% of the outstanding Company shares) in line with a bilateral agreement between the French and German States which provides that the German State shall increase its voting rights in the Company to 11% and the French State shall reduce its voting rights to the same level. Following this transaction, the French State through Sogepa, the German State through GZBV and the Spanish State through SEPI jointly remain the major shareholders of the Company, with a minimum of 26% of the voting rights.

For the number of shares and voting rights held by Members of the Board of Directors as of 31 December 2014, see "— Notes to the Company Financial Statements – Note 11: Remuneration".

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

As of 31 December 2014, the French State held 10.94% of the outstanding the Company shares through Sogepa, the German State held 10.92% through GZBV, and the Spanish State held 4.12% through SEPI. The public (including the Group's employees) and the Company held, respectively, 73.97% and 0.05% of the Company's share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2014 (% of capital and of voting rights (in parentheses) before exercise of outstanding stock options granted for the subscription of the Company's shares).



(1) Including shares held by the Company itself (0.05%).

In addition, the below listed entities have notified the AFM of their substantial interest in the Company as of 31 December 2014. For further details, please refer to the website of the AFM at: **www.afm.nl**

- BlackRock, Inc. (4.20% of the capital interest and 4.99% of the voting rights);
- Capital Group International Inc. (5.07% of the voting rights); and
- Capital Research and Management Company (5.07% of the voting rights).

Right to Attend Shareholders' Meetings

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

A shareholder or person who has the right to attend a meeting can see to it that he is represented by more than one proxy holder, provided that only one proxy holder can be appointed for each share.

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

Any person who is entitled to exercise the rights set out in the above paragraph (either in person or by means of a written proxy) and is attending the meeting from another location in such a manner that the person acting as Chairman of the meeting is convinced that such a person is properly participating in the meeting, shall be deemed to be present or represented at the meeting, shall be entitled to vote and shall be counted towards a quorum accordingly.

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

Holders of shares that are registered in the shareholders' register kept in Amsterdam have the option of holding them through Euroclear France S.A. In this case the shares are registered in the name of Euroclear France S.A.

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

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

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

Mandatory Disposal Threshold Restricting Ownership to 15%

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

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

- the Board Members of the foundation must be independent from the Company, any grandfathered persons and their affiliates (see "— 3.1 Exemptions from Mandatory Disposal Threshold") and any holder of depositary receipts and their affiliates (there is an agreement under which the Company will, *inter alia*, cover the foundation's expenses and indemnify the Board Members against liability);
- the Board Members are appointed (except for the initial Board Members who were appointed at incorporation) and dismissed by the Management Board of the foundation (the Company may however appoint one Board Member in a situation where there are no foundation Board Members);
- the foundation has no discretion as to the exercise of voting rights attached to any of the Company shares held by it and will in a mechanical manner vote to reflect the outcome of the votes cast (or not cast) by the other shareholders, and the foundation will distribute any dividends or other distributions it receives from the Company to the holders of depositary receipts; and
- no transfer of a depositary receipt can be made without the prior written approval of the foundation's board.

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

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

Exemptions from Mandatory Disposal Threshold

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

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

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

Mandatory Public Offer under Dutch Law

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

Under Dutch law, natural persons, legal entities or companies are "acting in concert" if they cooperate on the basis of an agreement with the objective to acquire significant control (as defined above) in the target company, or if they cooperate with the target company with the objective to prevent the success of an announced public offer for the shares in such target company. The following categories of natural persons, legal entities or companies are deemed to be "acting in concert" under Dutch law: (i) legal entities or companies that form a group of companies, (ii) legal entities or companies and their subsidiaries, and (iii) natural persons and their subsidiary companies.

In addition to the exemption stated above, the obligation to make a public offer does not apply to the natural person, legal entity or company that, amongst others:

- acquires significant control as a result of declaring unconditional a public offer made for all shares (or depositary receipts) in the target company, provided that the bidder as a consequence can exercise more than 50% of the votes at the target company's general meeting;
- is a legal entity, independent from the target company, that acquires significant control after a public offer has been announced by a third party, provided that such entity (i) holds the shares in the target company for a maximum period of two years and for purposes of protection of the target company and (ii) the corporate objects of such entity are to preserve the interests of the target company;
- is a legal entity, independent from the target company, which has issued depositary receipts for the shares in the target company;
- acquires significant control as a result of: (i) an intra-group transfer of the shares representing significant control; or (ii) a transfer between a parent company and its subsidiary;
- acquires significant control acting in concert with one or more other natural persons, legal entities or companies, in which case the obligation to make a public offer lies with the natural person, legal entity or company that can exercise most of the voting rights in the General Meeting of Shareholders of the target company; or
- acts as a custodian (if and to the extent it cannot exercise any voting rights in its sole discretion).

The obligation to make a public offer also does not apply if, amongst others:

- the natural person, legal entity or company, after acquiring significant control, loses such control within a thirty day grace period (which may be extended by the Enterprise Chamber of the Court of Appeals in Amsterdam court to ninety days in total), unless (i) loss of control is due to a transfer to a natural person, legal entity or company to which one of the exemptions set out above applies, or (ii) the acquirer of the significant control has exercised its voting rights during the grace period; or
- the target company's General Meeting of Shareholders agrees upfront with the acquisition of significant control – and any subsequent acquisition of shares – by a third party with 90% of votes cast in favour of such proposal, excluding any votes by such third party and any of its concert parties.

Under Dutch Law, a minority shareholder may also make a request for his shares to be purchased by an offeror who holds at least 95% of the issued share capital and the voting rights. This claim must be brought before the Enterprise Chamber of the Court of Appeals in Amsterdam within the three-month period after the closing of the acceptance period of the public offer.

Amendments to the Articles of Association

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

3.2 Relationship with Principal Shareholders

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

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

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

3.2.1 New Corporate Governance Arrangements

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

3.2.2 New Shareholder Arrangements

Grandfathering Agreement

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

Individual Grandfathering Rights

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

Loss of Individual Grandfathering Rights

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

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

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

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

Notification to the Company

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

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

Various Provisions

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

Governing law. Laws of the Netherlands.

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

End of Former Consortium and Shareholders' Agreement

At the Consummation, the participation agreement among the Company's former core shareholders and, as at 31 December 2012 including KfW, was terminated and replaced in part by the New Shareholders' Agreement, which has a much more limited scope.

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

Governance of the Company

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

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

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

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

Balance of interests

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

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

Mandatory Takeover Threshold

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

Transfer of Securities

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

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

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

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

Various provisions

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

Governing law. Laws of the Netherlands.

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

3.2.3 Undertakings with Respect to Certain Interests of Certain Stakeholders

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

State Security Agreements and Related Undertakings

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

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

Dassault Aviation

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

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

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

Stock Exchange Listings

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

Specific Rights of the French State

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

3.3 Future Employee Share Ownership Plans and Long-Term Incentive Plan

In the past, Airbus Group has implemented the Employee Share Ownership Plans ("**ESOP**") and Long-Term Incentive Plans ("**LTIP**") to retain and reward Airbus Group employees.

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

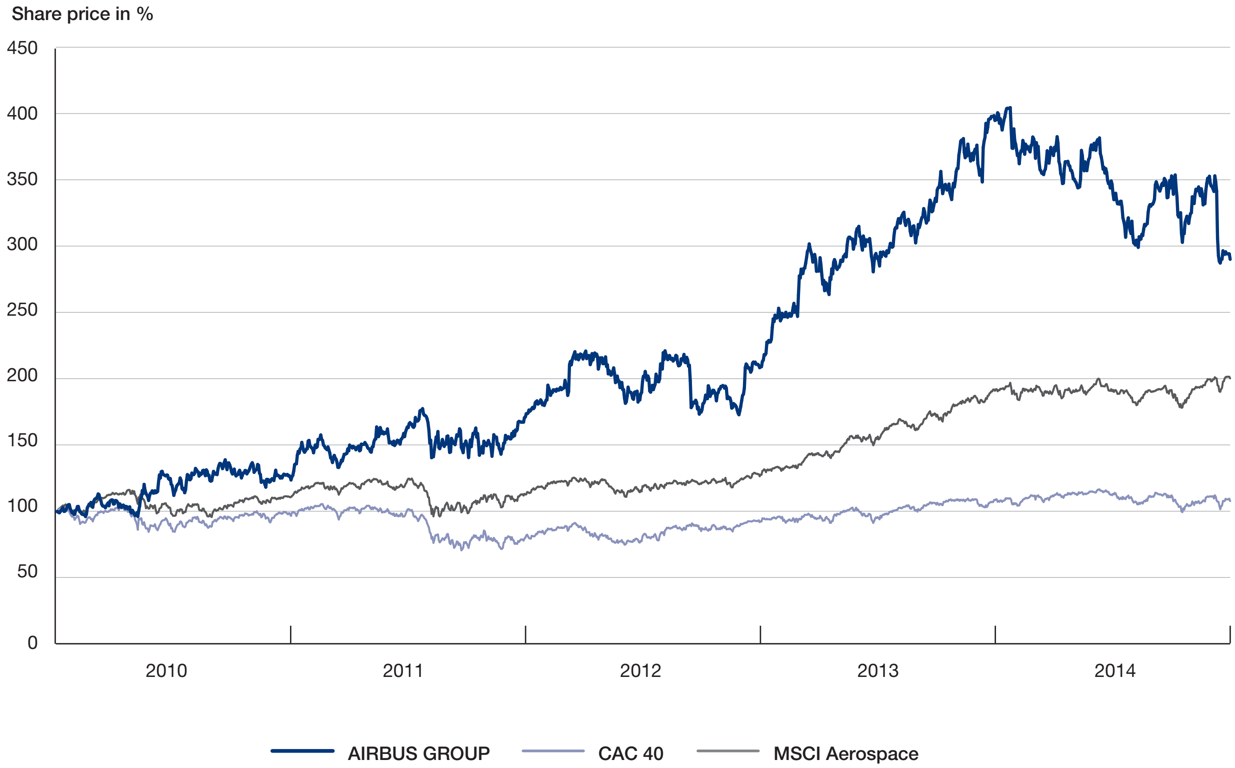
Under ESOP and LTIP, the Board of Directors shall have the discretionary authority to offer shares and grant performance and/or Restricted Units to employees who, in the sole judgment of the Board of Directors, are eligible thereto and to subject such grant, as the case may be, to performance conditions; each unit giving right to payment in cash or in shares.

Elements of ESOP and LTIP (Details)

For further descriptions of ESOP and LTIP programmes with additional information, see:

- item "4.3.2 Remuneration Policy";
- item "4.3.6 Employee Share Ownership Plan".

3.4 Share Price Performance 2014



After comfortably outperforming its main benchmark index, the CAC 40, in each of the previous four years, and climbing 89% in 2013 alone, the Airbus Group share saw a period of consolidation in 2014, as investors took profits and turned their attention to potential risks. After reaching a near all-time high of €55.81 at the end of 2013, the share price retreated -26% over the course of the year. During the same period wider markets were relatively subdued. The CAC 40 fell -0.5%, while the DAX and MDAX rose 2.5% and 2% respectively. The EuroStoxx50 climbed 1%. The MSCI Aerospace index, which represents a broad range of aerospace firms, was up 3.5%.

The Airbus Group dividend of €0.75, paid on 3 June 2014, represented a 25% increase on the previous year and, at a payout ratio of 40%, was in line with the Group's dividend policy.

During the first half year, Airbus Group shares broadly tracked their civil aerospace peers. However, investors began to express doubts about the strength of the commercial cycle. Such doubts gained momentum with the announcement in June 2014 of Emirates' decision to cancel an order of A350 XWB aircraft as part of a fleet review. Cancellation of the Skymark order for 6 A380s several weeks later stoked additional fears.

Although the launch of the A330neo, during the July Farnborough Airshow, was widely seen as a long-term positive for the Company, investors noted the dilutive impact on the Group's 2015 earnings. On 8 August 2014 shares reached €42.22.

After Airbus Group shares recovered over August and September, fears of an economic slowdown hit European indices late in September and October, which impacted the Company's share price.

In November the share price again moved upwards, supported by global market momentum, the drop in €/$ exchange rate, lower oil price and positive news-flow on key programmes and orders. On 27 November 2014 the share closed at €49.79.

Investors continued to display nervousness, however. On the morning of 10 December, Qatar Airways announced a decision to postpone acceptance of its first A350 XWB. On the same day, amidst speculation around the cause of this delay, investors and analysts who had gathered in London for the Company's Global Investor Forum questioned the Company's profitability outlook for 2016, A330 production rates, the capital allocation policy, and longer-term perspectives for the A380.

While the prevailing negative mood drove the share price sharply down, many analysts pointed to the confirmed longer-term trajectory and considered the decline excessive.

On 31 December 2014, the Airbus Group share closed at €41.35.

A rapid recovery ensued in the following weeks, with the share finishing at €50.14 on 26 January 2015.

3.5 Dividend Policy

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

Therefore, based on earnings per share (EPS) of €2.99, the Board of Directors will propose to the Annual General Meeting the payment to shareholders of a dividend of €1.20 per share on 3 June 2015 (FY 2013: €0.75).

The record date should be 2 June 2015. This proposed dividend represents a pay-out ratio of 40% and a year-on-year dividend per share growth of 60%.

3.6 Shareholder Communication Policy

At all times, the Company's policy is to act in strict compliance with applicable rules and regulations on fair and non-selective disclosure and equal treatment of shareholders.

Airbus Group discloses its financial results on a quarterly basis. Financial results releases, presentations and briefing calls with analysts and investors are fully available on the Company website.

Besides the quarterly reporting, the Company regularly engages in communications with investors and analysts via road shows, group or bilateral meetings, site visits, broker conferences and investor forums. In addition to the AGM, the Company organises dedicated information meetings for individual investors.

The purpose of all such meetings is to ensure that shareholders and the investment community receive a balanced and complete view of the Company's performance and the issues faced by the business, as well as to receive feedback from shareholders.

4. Corporate Governance

4.1 Management and Control

4.1.1 Composition, Powers and Rules

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

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

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

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

In addition to the membership and composition rules described above, the Remuneration and Nomination Committee, in recommending candidates for the Board of Directors, and the Board of Directors, in its resolutions proposed to the shareholders' meeting relative to the naming of Directors or decisions to propose replacements of any resigning or incapacitated Director, are each required to apply the following principles:

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

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

The Remuneration and Nomination Committee endeavours to avoid a complete replacement of outgoing Directors by new candidates, but rather to ensure continuity of company specific knowledge and experience within the Board of Directors.

Powers of the Members of the Board of Directors

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

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

- approving any change in the nature and scope of the business of the Company and the Group;
- approving any proposed resolution to be presented to the shareholders' meeting relating to a change of any of the articles of the Articles of Association of the Company which requires the approval of a majority of at least seventy-five percent (75%) of the valid votes cast at such shareholders' meeting (Qualified Majority);
- approving the overall strategy and the strategic plan of the Group;
- approving the operational business plan of the Group (the "Business Plan") and the yearly budget (the "Yearly Budget") of the Group, including the plans for Investment, R&D, Employment, Finance and, as far as applicable, major programmes;
- setting the major performance targets of the Group;
- monitoring on a quarterly basis, the operating performance of the Group;
- nominating, suspending or revoking the Chairman of the Board of Directors and the CEO (Qualified Majority);
- approving of all of the Members of the Executive Committee as proposed by the CEO and to approve their proposed appointment as Managing Directors of important Group companies and their service contracts and other contractual matters in relation to the Executive Committee Members and such Managing Directors;
- establishing, and approving amendments to the Board Rules and the rules for the Executive Committee (Simple Majority with certain exceptions);
- deciding upon the appointments of the Airbus Shareholder Committee, the appointments of the Company's Group Corporate Secretary and the chairmen of the Supervisory Board (or similar organ) of other important Group companies and Business Units, on the basis of the recommendations of the Remuneration and Nomination Committee, as well as the institution and amendment of the rules governing the organs of such entities;
- approving the relocation of the headquarters of the principal companies of the Group and of the operational headquarters of the Company (Qualified Majority);
- approving decisions in connection with the location of new industrial sites material to the Group as a whole or the change of the location of existing activities that are material to the Group;
- approving decisions to invest and initiate programmes financed by the Group, acquisition, divestment or sale decisions, in each case for an amount in excess of €300 million;
- approving decisions to invest and initiate programmes financed by the Group, acquisition, divestment or sale decisions, in each case for an amount in excess of €800 million (Qualified Majority);
- approving decisions to enter into and terminate strategic alliances at the level of the Company or at the level of one of its principal subsidiaries (Qualified Majority);
- approving principles and guidelines governing the conduct of the Group in matters involving non contractual liabilities (like environmental matters, quality assurance, financial announcements, integrity) as well as the corporate identity of the Group;
- approving any share buyback, cancellation (redemption) of shares or the issuing of new shares or any similar measure leading to a change in the total number of voting rights in the Company, except in the case of any buyback or cancellation (redemption) of shares if in the ordinary course of business (in which case the management of the Company will only inform the Directors before its implementation with a reasonable prior notice) (Qualified Majority);
- approving matters of shareholder policy, major actions or major announcements to the capital markets;
- approving decisions in respect of other measures and business of fundamental significance for the Group or which involves an abnormal level of risk;
- approving any proposal of names of candidates to succeed active Directors made by the Remuneration and Nomination Committee, after consultation with the Chairman of the Board of Directors and the CEO, for submission to the shareholders' meeting; and
- approving entering into and terminating cooperation agreements at the level of the Company or at the level of one of its principal subsidiaries having an impact on the share capital of the Company or of the relevant subsidiary (Qualified Majority).

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

In addition to the Board Rules, the work of the Board of Directors is governed by a Directors' charter (the "**Directors' Charter**") detailing the rights and duties of the Members of the Board of Directors, which was adopted in light of corporate governance best practices.

The Directors' Charter sets out core principles that bind each and every Director, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of their duties and avoiding any and all conflicts of interest.

Voting and rules

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

In addition to the Rules, the work of the Board of Directors is governed by internal Directors' guidelines (the "**Directors' Guidelines**") adopted in light of corporate governance best practices. The Directors Guidelines are composed of the Directors' Charter detailing the rights and duties of the Members of the Board of Directors, an Audit Committee charter (the "**Audit Committee Charter**"), and a Remuneration and Nomination Committee charter (the "**Remuneration and Nomination Charter**"), with each such charter setting forth the respective committees' roles.

Executive Committee Nomination and Composition

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

- the preference for the best candidate for the position;
- the maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of the Company (in particular among the nationals of the four (4) Member States of the European Union where these main industrial centres are located); and
- at least 2/3 of the Members of the Executive Committee, including the CEO and the CFO, being EU nationals and residents. The Board of Directors determines, by simple majority vote, whether to approve all of the Members of the Executive Committee as proposed by the CEO.

Role of CEO and Executive Committee

The CEO is responsible for managing the day-to-day operations of the Company. The Executive Committee (the "**Executive Committee**") supports the CEO in performing this task. The Executive Committee Members shall jointly contribute to the overall interests of the Company in addition to each member's individual operational or functional responsibility within the Group. The CEO endeavours to reach consensus among the Members of the Executive Committee. In the event a consensus is not reached, the CEO is entitled to decide the matter.

COMPOSITION OF THE BOARD OF DIRECTORS

Name	Age	Term started (as Member of the Board of Directors)	Term expires	Principal function	Status
Denis Ranque	63	2013	2016	Chairman of the Board of Directors of Airbus Group N.V.	Non-Executive
Thomas Enders	56	2005, re-elected in 2013	2016	Chief Executive Officer of Airbus Group N.V.	Executive
Manfred Bischoff	72	2013	2016	Chairman of the Supervisory Board of Daimler AG	Non-Executive
Ralph D. Crosby	67	2013	2016	Former Member of the Management Boards of EADS N.V. and of Northrop Grumman Corporation	Non-Executive
Hans-Peter Keitel	67	2013	2016	Vice President of the Federation of German Industry (BDI)	Non-Executive
Hermann-Josef Lamberti	59	2007, re-elected in 2013	2016	Former Member of the Management Board of Deutsche Bank AG	Non-Executive
Anne Lauvergeon	55	2013	2016	Chairman and CEO of A.L.P S.A., Chairman of the Board of Sigfox, and Chairman of the French Innovation 2030 Committee	Non-Executive
Lakshmi N. Mittal	64	2007, re-elected in 2013	2016	Chairman and Chief Executive Officer of ArcelorMittal S.A.	Non-Executive
Sir John Parker	72	2007, re-elected in 2013	2016	Chairman of Anglo American PLC	Non-Executive
Michel Pébereau	73	2007, re-elected in 2013	2016	Honorary President of BNP Paribas and Chairman of BNP Paribas Foundation	Non-Executive
Josep Piqué i Camps	60	2012, re-elected in 2013	2016	Vice-Chairman and CEO of Obrascón Huarte Lain (OHL)	Non-Executive
Jean-Claude Trichet	72	2012, re-elected in 2013	2016	Honorary Governor of Banque de France and former President of the European Central Bank	Non-Executive

Note: Status as of 1 March 2015. The professional address of all Members of the Board of Directors for any matter relating to Airbus Group is Mendelweg 30, 2333 CS Leiden, The Netherlands.

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

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

4.1.2 Operation of the Board of Directors in 2014

Board of Directors Meetings

The Board of Directors met 7 times during 2014, and was regularly informed of developments through business reports from the Chief Executive Officer, including progress on the strategic and operational plans. The average attendance rate at these meetings was at 88%.

Throughout 2014, the Board of Directors received reports on the technical and commercial progress of significant programmes, such as A350 XWB, A400M, A380, and Super Puma. During two off-site meetings, one in Marignane at Airbus Helicopters, and the other in Toulouse at Airbus, the Board seised the opportunity to meet with local management and with the operative workforce, visited the Super Puma final assembly line, was introduced to the X6-helicopter concept, and experienced a flight on the A350 XWB on the day of its certification.

In terms of making new decisions, the Board launched a new engine option (neo) of the A330, conducted a detailed and comprehensive product portfolio assessment in line with the Group's strategy review initiated in 2013, approved and monitored Airbus Group's joint venture with Safran, and decided on the divestment of a part of the Company's stake in Dassault Aviation.

Moreover, the Board of Directors focused on the Group's financial results and forecasts, asset management, supply chain challenges, the services business, compliance in key business processes and in major programmes, as well as efficiency and innovation initiatives. It reviewed Enterprise Risk Management results, the internal audit plan, compliance programme, litigation and legal risks, investor relations, financial communication and dividend policy.

In order to avoid large bloc replacements of Directors in one single episode, with the corresponding loss of experience, induction and integration challenges, the Board of Directors discussed and envisaged a smoother, yearly replacement schedule; besides, the Board of Directors has adopted criteria limiting the appointment of a Director to a maximum of three consecutive terms of three years each (with possible exceptions) and setting an age limit of seventy five years at the time of appointment. The Board perceives this to be the first step to a more optimal turnover of the Board of Directors, the principle of which is embodied in the provisions of the Internal Rules of the Board of Directors. Further steps to implement the staggered Board will be proposed at the AGM of 2016 to create a schedule of staggered retirements and inductions consistent with the Dutch Corporate Governance Code and with the present Internal Rules of the Board of Directors.

Board Attendance

Directors	Attendance
Number of meetings in 2014	**7**
Denis Ranque (Chairman)	**7**/7
Thomas Enders (CEO)	**7**/7
Manfred Bischoff	**5**/7
Ralph D. Crosby	**7**/7
Hans-Peter Keitel	**6**/7
Hermann-Josef Lamberti	**7**/7
Anne Lauvergeon	**6**/7
Lakshmi N. Mittal	**6**/7
Sir John Parker	**7**/7
Michel Pébereau	**6**/7
Josep Piqué i Camps	**3**/7
Jean-Claude Trichet	**7**/7

Board Evaluation 2014

The evaluation of the Board of Directors was conducted through December 2014 and January 2015 by Spencer Stuart, through individual interviews of all Board Members.

The interviews covered Directors' expectations, governance fit, Board effectiveness, Board composition, committees as viewed from the Board and as viewed by their Members, Board areas of expertise and working processes, Chairmanship, interaction with executive management, shareholders and stakeholders. The subsequent discussion of the report by the whole Board was action-oriented.

Board Members were unanimous in finding that the Board meets the highest standards internationally and to point out the steady progress made by the Board, especially since the implementation of the new governance, which is considered balanced and effective. Board dynamics and performance are rated high. The Board's decision-making process fits both Director's and Management's expectations, and the contribution of Board Committees is high. Mutual trust between the Board and Management is strong.

Several improvement suggestions emerged from the interviews.

- **Support documentation and form:**
  - make minutes of previous meetings and Board files of upcoming meetings available earlier;
  - enrich the flow of information sent between Board meetings;
  - make presentations shorter and more analytical.
- **Speakers and guests, restricted sessions as best-practice:**
  - increase opportunities for the Board to meet the management of Business Units, for instance in the context of meetings held at industrial sites;
  - institutionalise such practices as routinely scheduled Board-only or non-Executive Directors' time-slots.

- **Content:**
  - better involve Board Members in the preparation of the strategic session of the Board;
  - improve ability to react to unforeseen events;
  - revisit and analyse past key decisions and their implementation.

One upcoming focus of the Board will be the preparation of Director turnover and replacement, as senior members progressively hand over to new Directors. Gender and geographical diversity, as well as specific industry specific skills will be key criteria to satisfy as the Remuneration and Nomination Committee organises its search of candidates.

4.1.3 Board Committees

Summary of Memberships

Directors	Audit Committee	Remuneration & Nomination Committee
Denis Ranque (Chairman)		
Thomas Enders (CEO)		
Manfred Bischoff		
Ralph D. Crosby		
Hans-Peter Keitel		X
Hermann-Josef Lamberti	Chairman	
Anne Lauvergeon	X	
Lakshmi N. Mittal		X
Sir John Parker		Chairman
Michel Pébereau	X	
Josep Piqué i Camps	X	
Jean-Claude Trichet		X
Number of meetings in 2014	4	3
Average attendance rate in 2014	75%	83%

Note: Status as of 1 March 2015

The Audit Committee

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

The rules and responsibilities of the Audit Committee are set out in the Audit Committee Charter.

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

The Audit Committee is required to meet at least four times a year. In 2014, it fully performed all of the above described duties, and met four times with an average attendance rate of 75%.

The Remuneration and Nomination Committee

Pursuant to the Board Rules, the Remuneration and Nomination Committee makes recommendations to the Board of Directors regarding the appointment of Members of the Group Executive Committee (upon proposal by the Chief Executive Officer and approval by the Chairman); the Company's Corporate Secretary; the Members of the Airbus Shareholder Committee; and the chairmen of the Supervisory Board (or similar organ) of other important Group member companies and Business Units. The Remuneration and Nomination Committee also makes recommendations to the Board of Directors regarding remuneration strategies and long-term remuneration plans and decides on the service contracts and other contractual matters in relation to the Board of Directors and Group Executive Committee Members. The rules and responsibilities of the Remuneration and Nomination Committee have been set out in the Remuneration and Nomination Committee Charter.

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

In addition to making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviews top talents, discusses measures to improve engagement and to promote diversity, reviews the remuneration of the Group Executive Committee Members for this year, the LTIP, and the variable pay for the previous year.

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

The Remuneration and Nomination Committee is required to meet at least twice a year. In 2014 it fully performed all of the above described duties and met three times with an average attendance rate of 83%.

4.1.4 Conflict of Interest and Insider Trading Rules

Conflicts of interest

The Company has a conflict of interest policy which sets out that any potential or actual conflict of interest between the Company and any Member of the Board of Directors shall be disclosed and avoided (please refer to the Directors' Charter and to the Code of Ethics both available on the Company's website: **www.airbusgroup.com**). Pursuant to the Articles of Association and the Directors' Charter a conflicted Member of the Board of Directors should abstain from participating in the deliberation and decision-making process concerning the matters concerned. The Board of Directors must approve any decision to enter into a transaction where a Director has conflicts of interest that are material to the Company or the individual Director. In 2014 no transactions were reported where there was a conflict of interest that was material to the Company. There were, however, related-party transactions: for an overview, please see: "— Notes to the Consolidated Financial Statements (IFRS) — Note 36: Related Party Transactions".

Insider Trading Rules

The Board of Directors has also adopted specific Insider Trading Rules ("**ITR**"), which restrict its Members from trading in the Company's shares in certain circumstances. Pursuant to the ITR, (i) all employees and Directors are prohibited from conducting transactions in the Company's shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in the Company's shares or stock options within very limited periods and have specific information obligations to the ITR compliance officer of the Company and the competent financial market authorities with respect to certain transactions. The updated version of the ITR effective from 1 January 2014 is available on the Company's website **www.airbusgroup.com**.

4.2 Dutch Corporate Governance Code

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

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

For the financial year 2014, the Company states the following:

1. **Retirement of Board Members**

Provision III.3.6 of the Dutch Code recommends that there be a retirement schedule to avoid, as far as possible, a situation in which many non-Executive Members of the Board of Directors retire at the same time.

The Company combines the advantages of a staggered Board with the legitimate interest of shareholders to review the performance of each and every Director periodically. Thus, the Company aims at replacing one third of the Board every three years, while renewing the mandate of the other eight Board Members.

2. **Duration of mandate**

Provision III.3.5 of the Dutch Code recommends that there be no more than three four-year terms for non-Executive Members of the Board of Directors.

In principal, the Company does not limit the number of consecutive terms in office of a Director. However, since the Company aims at replacing about one third of the Board Members every three years, and since the term of appointment is no longer than three years, the Company should comply with the Dutch Code.

3. **Vice-chairmanship**

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

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

4. **Termination indemnity**

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

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

5. **Securities in Airbus Group as long-term investment**

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

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

6. **Dealings with analysts**

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

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

7. **Gender diversity**

Pursuant to the Bill on Management and Supervision that was enacted on 1 January 2013, a Board of Directors is composed in a balanced way if it contains at least 30% women and at least 30% men. The contemplated balance of the composition of the Board of Directors shall as much as possible be taken into account at, among others, new appointments and recommendations.

The Company does not comply with these composition guidelines yet. With the election of the first woman to the Company's Board of Directors at the Extraordinary General Meeting of Shareholders in March 2013, the Board today contains 8% women. The Company is pleased with this development but not satisfied with its extent and will continue to promote gender diversity within its Board of Directors by striving to increase the proportion of female Directors.

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

For information on the composition and operation of the Board of Directors and its respective committees, please refer to section 4.1.1 "Composition, power and rules", section, 4.1.2 "Operation of the Board of Directors in 2014" and section 4.1.3 "Board Committees".

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, please refer to section 3.1 "Shareholding and voting rights — Shareholding structure at the end of 2014", section 3.2 "Relationships with Principal Shareholders", section 4.1.1 "Composition, powers and rules", section 3.1 "Shareholding and voting rights — Amendments to the Articles of Association" and section 3.1 "Shareholding and voting rights — Modifications of share capital or rights attached to shares".

4.3 Remuneration Report

4.3.1 Introduction

The Board of Directors and the Remuneration and Nomination Committee ("**RNC**") are pleased to present the 2014 Remuneration Report.

The Report comprises the following sections:

- **4.3.2** presents the Company's Remuneration Policy (incorporating certain amendments, separately listed in Section 4.4.3, to be adopted by the 2015 AGM);
- **4.3.3** sets out the changes to the Remuneration Policy that will be proposed for adoption by the 2015 AGM;
- **4.3.4** illustrates how the Remuneration Policy was applied in 2014 in respect of the CEO, the only Executive Member of the Board of Directors. (The cumulated remuneration of all Group Executive Committee Members is presented in the "Notes to the Consolidated Financial Statements (IFRS) — Note 36: Related Party Transactions");
- **4.3.5** illustrates how the Remuneration Policy was applied in 2014 in respect of the non-Executive Members of the Board of Directors;
- **4.3.6** outlines the Employee Share Ownership Plan ("**ESOP**");
- **4.3.7** miscellaneous.

4.3.2 Remuneration Policy

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

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

A — Executive Remuneration – Applicable to the CEO

a) Remuneration Philosophy

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

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

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

b) Total Direct Compensation and Peer Group

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

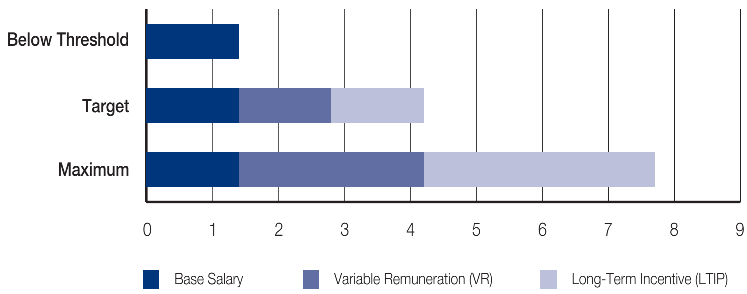
The level of Total Direct Compensation for the CEO is set at the median of an extensive peer group. The benchmark is regularly reviewed by the RNC and is based on a peer group which comprises:

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

The elements of the Total Direct Compensation are described below:

Remuneration Element	Main drivers	Performance Measures	Target and Maximum
Base Salary	Reflects market value of position.	Not applicable	1/3 of Total Direct Compensation (when performance achievement is 100% of target)
Annual Variable Remuneration (VR)	Rewards annual performance based on achievement of company performance measures and individual objectives.	Collective (50% of VR): divided between EBIT* (45%); FCF (45%) and RoCE (10%). Individual (50% of VR): Achievement of annual individual objectives, divided between Outcomes and Behaviour.	The VR is targeted at 100% of Base Salary for the CEO and, depending on the performance assessment, ranges from 0% to 200% of target. The VR is capped at 200% of Base Salary.
Long-Term Incentive Plan (LTIP)	Rewards long term commitment and company performance, and engagement on financial targets, over a 5 year period.	Vesting ranges from 0% to 150% of initial grant, subject to cumulative performance over a three-year period. In principle, no vesting if cumulative negative EBIT*. If EBIT* is positive, vesting from 50% to 150% of grant based on EPS (75%) and Free Cash Flow (25%)	The original allocation to the CEO is capped at 100% of Base Salary at the time of grant. Since 2012, the overall pay-out is capped at a maximum 250% of the original value at the date of grant. The value that could result from share price increases is capped at 200% of the reference share price at the date of grant.

SCENARIOS CEO TOTAL DIRECT COMPENSATION



Indications are in million euros.

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

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

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

c) Base Salary

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

d) Annual Variable Remuneration

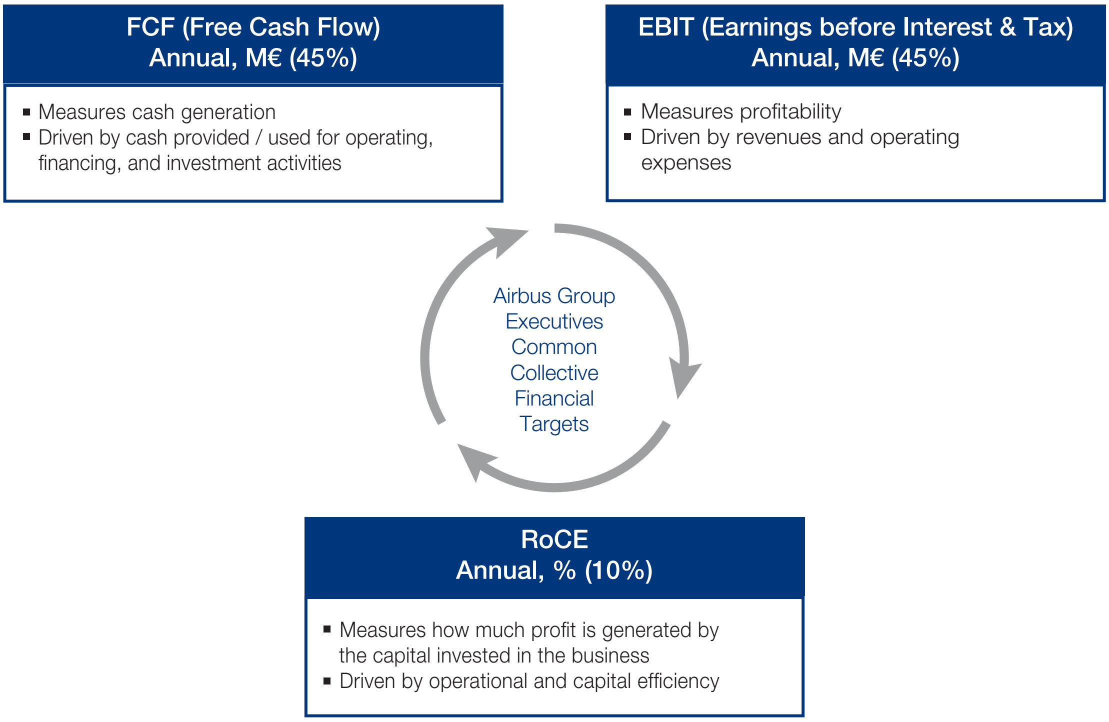
The VR is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of VR for the CEO is targeted at 100% of Base Salary; it is capped at a maximum level of 200% of Base Salary. The entire VR is at-risk, and therefore if performance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

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

Common Collective Component

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

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



Individual

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

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

e) Long-Term Incentive Plan

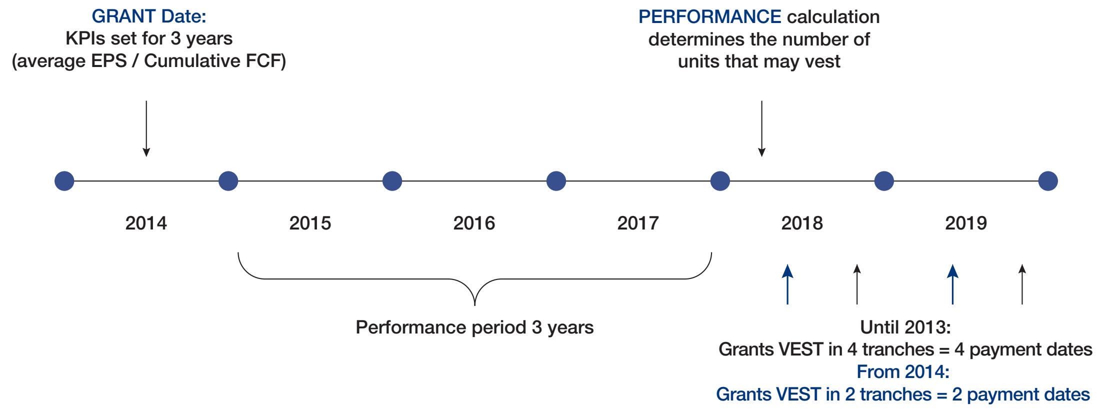
For the CEO, the Company's current LTIP is comprised only of Performance Units. One Unit is equal in value to one Airbus Group share.

The Board of Directors has the discretion, subject to shareholder approval at the AGM, to replace all or part of future LTIP allocations with substantially similar instruments, such as performance shares or other equity-related allocations. As with the Performance Units, the value of the CEO's LTIP allocation would continue to be capped as a percentage of Base Salary at the date of grant and be subject to comparable performance conditions.

Performance Units

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

LTIP-SCHEME



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

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

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

- 0-50% of the allocation: This element of the Performance Unit award will vest unless Airbus Group reports negative cumulated **EBIT*** results. In this case the Board of Directors has the discretion to review the vesting of this portion of the Performance Unit award;
- 50-150% of the allocation: This element of the Performance Unit award vests based on one performance criteria: average **Earnings Per Share**. Starting with the 2013 plan, the Company proposes that this element be based on two performance criteria: average **Earnings Per Share** (75%) and cumulative **Free Cash Flow** (25%).

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

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

f) Share Ownership Guideline

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

g) Benefits

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

h) Retirement

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

i) Contracts and Severance

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

The CEO's contract includes a non-compete clause which applies for a minimum of one year, and can be extended at the Company's initiative for a further year. The Board of Directors has the discretion to invoke the extension of the non-compete clause. The compensation for each year that the non-compete clause applies is equal to 50% of the last Total Annual Income (defined as Base Salary and Annual Variable Remuneration most recently paid) with respect to applicable local legal requirements if any.

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

j) Clawback

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

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

k) Loans

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

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

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

Fees and Entitlements

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

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

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

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

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

Fixed fee for membership of the Board EUR / year

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

Fixed fee for membership of a Committee EUR / year

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

Attendance fees EUR / Board meeting

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

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

4.3.3 Proposed Amendments of the Remuneration Policy

At the 2015 AGM, the Board of Directors is proposing that shareholders adopt a number of amendments to the Airbus Group Remuneration Policy.

The following changes are being proposed:

- the first proposed change affects eligibility to the LTIP plan, which is not automatically granted and no-Grant policy for leavers is instituted;
- the second proposed change is to reduce the number of LTIP vesting dates to 2, spread across the fourth and the fifth year of the plan, whereas they currently stand at 4;
- the third proposed change is to bring down to 5 shares the minimal acquisition, allowing broader access and to cap the level of matching shares.

4.3.4 Implementation of the Remuneration Policy in 2014: CEO

a) Benchmarking

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

The last review took place in October 2014, and was completed with the assistance of an independent consultant: Towers Watson. The relevant peer groups that were considered were proposed by Towers Watson, and comprised 31 companies(1) having comparable economic indicators such as revenue, number of employees, and market capitalisation. Financial institutions were excluded from the peer group.

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

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

b) Base Salary

For 2014, the Base Salary was set by the Board of Directors at € 1,400,004 (unchanged compared to the annualised salary paid in the previous year). The CEO's Base Salary level was set in July 2012, shortly after his appointment. The intention of the Board of Directors is not to review this Base Salary level in 2015. Any review of the CEO's Base Salary will also take into consideration salary increases of employees across the Group.

c) Annual Variable Remuneration

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

For 2014, the Annual Variable Remuneration amounted to an aggregate € 1,939,000 composed of € 959,000 for the Common Collective Component, and € 980,000 for the Individual part.

The **Common Collective Component** results from a composite 137% achievement of EBIT*, Free Cash Flow and RoCE objectives.

This achievement mainly reflects a significant **Free Cash Flow** over-performance against the budgeted target and against the initial guidance given to the market; the main drivers of that success were the larger than expected pre delivery payments received at Airbus, and the improved management of working capital at Airbus Helicopters.

EBIT*, compared to the budgeted target and the guidance, was globally good, but weighed-down by unplanned A400M provisions.

RoCE bore a limited influence.

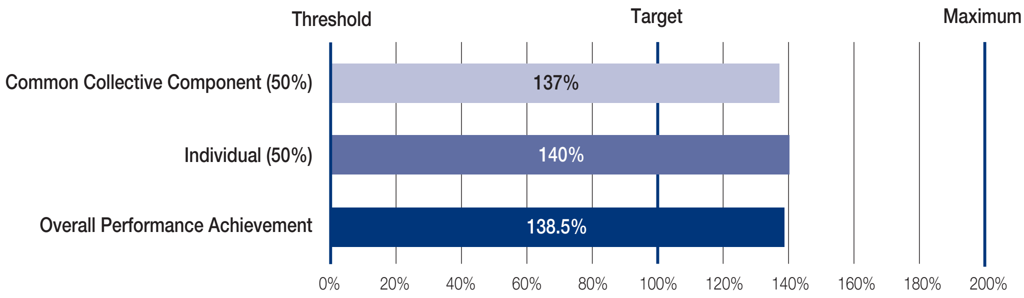
Normalisation adjustments of EBIT* and Free Cash Flow were made to exclude currency exchange differences against the budget rate, or those arising from phasing mismatches. Importantly, the windfall results of the Dassault shares sale were excluded from EBIT* and Free Cash Flow to determine the achievement level. On the other hand, the A400M charges were apportioned equally between the consolidated Group performance, Airbus and Airbus Defence and Space, so that the corresponding shortage be shared among the parties bearing responsibility.

The Individual part results from a composite achievement of 140%, assessed by the RNC and approved by the Board on the basis of the CEO's performance and behaviour, mostly with respect to the 8 Group priorities agreed at the start of the year (see "Chapter 2 — Summary 2014"). For each of these, outcomes, leadership, personal performance and contributions were examined.

The **main factors** determining the high assessment were: demonstrated results on driving short-term and sustainable performance improvements, including the actual restructuring of the Airbus Defence and Space organisation, and good progress of an initiative for leaner and effective headquarters called the Corporate Function Reshaping project; in defining and executing strategy: the sweeping review of the Airbus Defence and Space division product portfolio, the subsequent shedding of non-core assets and the initiative to ensure the future of the space launcher business in a different ownership and industrial setup; actions to ensure that product lines at Airbus (A330neo) and Airbus Helicopters remain current and competitive; numerous encounters with key stakeholders in key markets; in the field of innovation: group-wide initiatives (such as eFan), and the development of a coherent Research and Technology blueprint, with particular focus on efficient manufacturing technologies, hybrid and electric concepts, advanced on-board energy and autonomy; in the management of people, beyond significant social mitigation measures to soften the impact of restructuring, dedication to in-depth succession planning and to the selection of top leadership talents; with regards to quality: improvement of customer satisfaction, deployment of an all-encompassing Quality policy, and progress on the Cyber Security protection of the Group. With regard to the above realisations, the RNC and the Board considered that the CEO's role had been decisive.

Conversely, **certain areas** were considered as work-in-progress, and contributed to **lowering the achievement assessment,** such as the operational disappointments leading to sudden charges on the A400M programme; besides, certain on-going objectives are repeated into 2015 priorities, such as those relating to continuing to set a commanding tone from the top regarding the updating of processes supporting Ethics and Compliance; the completion of a group vision on responsibility and eco-efficiency, and the introduction of an updated group-wide environmental policy; the implementation of the "one-roof" management of our activities in key countries. The RNC and the Board noted that the CEO's performance assessment is also consistent with the average outcome of the Executive Committee Members' assessments.

PERFORMANCE AGAINST TARGET



d) Long-Term Incentive Plan

As stipulated in the Company's Remuneration Policy, the CEO is eligible for a Performance Unit award under the Company's LTIP. The value of the Performance Unit award is capped at 100% of Base Salary at the date of grant. During 2014 the CEO was granted 29,500 Performance Units.

The table below gives an overview of the Performance Units granted to the Chief Executive Officer in 2014 pursuant to the LTIP*:

	Unit plan: number of Performance Units	
	Granted in 2014	Vesting dates
Thomas Enders	29,500	Vesting schedule is made up of 2 tranches over 2 years: (i) 50% expected in June 2018; (ii) 50% expected in June 2019.

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

In 2014, the CEO received both cash payments and vested shares in connection with the vesting of 2009 and 2010 LTIP awards:

- **Cash:** The total cash payment to the CEO amounted to €2,374,997.
- **Shares:** In connection with the 2009 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the CEO received 14,145 vested shares on the fourth vesting date for the 2009 LTIP (19 November 2014).

In connection with the 2010 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 9,248 Performance Units was delayed and these will be released in the form of shares on the fourth vesting date for the 2010 LTIP (which will take place in 2015).

In connection with the 2011 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 16,448 Performance Units will be delayed and these will be released in the form of shares on the fourth vesting date for the 2011 LTIP (which will take place in 2016).

Date of grants	Number	Share price at grant date	Value at grant date	(Un)conditional	Performance achievement	Units with performance achievement	Dates of vesting	2014 Share value at vesting dates
2009	46,000	€14.50	€667,000	Conditional	123%	56,580	4 vestings in 2013 - 2014	3rd vesting – 28 May 2014 : €50.37 4th vesting – 19 November 2014 : €46.72
2010	54,400	€18.40	€1,000,960	Conditional	136%	73,984	4 vestings in 2014 - 2015	1st vesting – 16 May 2014 : €50.24 2nd vesting – 19 November 2014 : €46.72
2011*	51,400	€21.41	€1,100,474	Conditional	128%*	65,792	4 vestings in 2015 - 2016	Not yet known
2012	50,300	€27.83	€1,399,849	Conditional	Not yet known	Not yet known	4 vestings in 2016 - 2017	Not yet known
2013	30,300	€46.17	€1,398,951	Conditional	Not yet known	Not yet known	4 vestings in 2017 - 2018	Not yet known
2014	29,500	€47.45	€1,399,775	Conditional	Not yet known	Not yet known	2 vestings in 2018 - 2019	Not yet known

Calculations may involve rounding to the nearest unit.

* The LTIP 2011 performance achievement stands at 128%. The three year average EPS, corrected for impacts of IAS 11 accounting and of foreign currency exchange was € 2.10, more than 35% over the comparable objective set at the time of initial grant.

e) Stock Options

The Company's Stock Option Plan has been discontinued and no awards have been made under the plan since 2006.

Following a recommendation of the RNC and in compliance with the relevant AMF best practice recommendations, the Board of Directors recommended setting up a Blind Trust to which certain executives signed up after the Group's AGM in late May 2013. The independence of the trust protects the integrity of the relevant executive and guarantees compliance with all applicable market regulations.

The CEO has entrusted the exercise of his options (granted between 2003 and 2006) to the Blind Trust, and thereby relinquished any control over the trading decisions. Under this scheme, the criteria for trading decisions are set in advance by the trust, and are implemented by the relevant bank following a substantial time buffer (of approximately three months) without any prior knowledge or influence of the signatory.

Any exercise or sale that occurred in 2014 was executed under the Blind Trust framework and related to the Stock Option awards mentioned above. It appears along with the CEO's outstanding Stock Option awards in: "— Notes to the Company Financial Statements — Note 11: Remuneration".

f) Benefits

As stipulated in the Company's Remuneration Policy the CEO's benefits comprise a Company car and accident insurance. The monetary value of these benefits for 2014 amounted to € 68,415.

g) Retirement

As of 31 December 2014, the present value of the CEO's pension defined benefit obligation amounted to € 18,584,426 vs. 12,921,270 a year ago. While the plan benefits remain identical, the present value of the pension obligation was calculated applying a 3,6% discount rate in 2013 compared to a 1,9% discount rate in 2014, which mainly explains the change in value. For the fiscal year 2014, the current service and interest costs related to the CEO's pension promise represented an expense of € 1,043,679. This obligation has been accrued in the Consolidated Financial Statements.

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

h) Clawback

The Board has not applied any claw back in 2014.

4.3.5 Implementation of the Remuneration Policy in 2014: Non-Executive Fees

The RNC recommended and the Board of Directors decided not to increase non-executive fees in 2014, and therefore the non-executive fees remain unchanged from the level set in October 2007. The CEO is the only Member of the Board of Directors who is not entitled to any Board membership fee.

Summary table of the 2014 and 2013 fees of all non-Executive Members of the Board (current and former):

	Directors' remuneration related to 2014*			Directors' remuneration related to 2013*		
	Fixum	**Attendance Fees**	**Total**	Fixum	Attendance Fees	Total
	(in €)	***(in €)***	***(in €)***	*(in €)*	*(in €)*	*(in €)*
Current Non Executive Board Members*						
Denis Ranque(1)	180,000	70,000	250,000	135,000	60,000	195,000
Manfred Bischoff(2)	80,000	25,000	105,000	60,000	45,000	105,000
Ralph D Crosby Jr(3)	80,000	35,000	115,000	60,000	45,000	105,000
Hans-Peter Keitel(4)	100,000	30,000	130,000	75,000	45,000	120,000
Hermann-Josef Lamberti(5)	110,000	35,000	145,000	115,000	60,000	175,000
Anne Lauvergeon(6)	100,000	30,000	130,000	75,000	45,000	120,000
Lakshmi N. Mittal(7)	100,000	30,000	130,000	95,000	35,000	130,000
Sir John Parker(8)	110,000	35,000	145,000	115,000	50,000	165,000
Michel Pébereau(9)	100,000	30,000	130,000	95,000	55,000	150,000
Josep Piqué i Camps(10)	100,000	15,000	115,000	95,000	50,000	145,000
Jean-Claude Trichet(11)	100,000	35,000	135,000	95,000	60,000	155,000
Former Non Executive Board Members						
Dominique D'Hinnin(12)	N/A	N/A	N/A	30,000	10,000	40,000
Arnaud Lagardère(13)	N/A	N/A	N/A	45,000	20,000	65,000
Wilfried Porth(14)	N/A	N/A	N/A	25,000	10,000	35,000
Bodo Uebber(15)	N/A	N/A	N/A	25,000	5,000	30,000
TOTAL	**1,160,000**	**370,000**	**1,530,000**	**1,140,00**	**595,000**	**1,735,000**

* The Fixum related to 2013 was paid in 2014; the Fixum related to 2014 will be paid in 2015.
(1) New Chairman of the Company's Board of Directors as of 01/04/2013 (Only attendance fees until 01/09/2013, application of fixed fee pro rata after 01/09/2013).
(2) New Member of the Company Board of Directors as of 01/04/2013.
(3) New Member of the Company Board of Directors as of 01/04/2013.
(4) New Member of the Company Board of Directors and RNC as of 01/04/2013.
(5) Member of the Company Board of Directors and Chairman of the Audit Committee for the entire year 2013 , Member of the RNC until 31/03/2013.
(6) New Member of the Company Board of Directors and Audit Committee as of 01/04/2013.
(7) Member of the Company Board of Directors for the entire year 2013, new Member of the RNC as of 01/04/2013.
(8) Member of the Company Board of Directors and Chairman of the RNC for the entire year 2013, Member of the Audit Committee until 31/03/2013.
(9) Member of the Company Board of Directors for the entire year 2013, new Member of the Audit Committee as of 01/04/2013.
(10) Member of the Company Board of Directors for the entire year 2013, new Member of the Audit Committee as of 01/04/2013.
(11) Member of the Company Board of Directors for the entire year 2013, new Member of the RNC as of 01/04/2013.
(12) Member of the Company Board of Directors, Audit Committee and RNC until 31/03/2013.
(13) Chairman of the Company Board of Directors until 31/03/2013.
(14) Member of the Company Board of Directors and RNC until 31/03/2013.
(15) Member of the Company Board of Directors and Audit Committee until 31/03/2013.

4.3.6 Employee Share Ownership Plan

Airbus Group supports a strong employee shareholder culture. Since its creation, the Company has regularly offered qualifying employees the opportunity to purchase shares on favourable terms through the Employee Share Ownership Plan or awarded shares under a Free Share Plan.

In July 2014, the Board of Directors decided to cancel the ESOP scheme for 2014 due to the volatility of the share price and the financial situation.

Future ESOP

The Company intends to implement an ESOP in 2015 with a modified design, subject to approval by the Board of Directors. The 2015 ESOP is expected to be a share matching plan whereby the Company would match a certain number of directly acquired shares with a grant of matching shares. The total offering would be up to approximately 2 million shares of the Company, *i.e.* up to 0.45% of its issued share capital, open to all qualifying employees (including the CEO). Under the umbrella of the ESOP 2015, a dedicated UK tax saving plan (Share Incentive Plan – SIP) would also be deployed in March 2015.

Non-Executive Members of the Board are not eligible to participate in the ESOP.

4.3.7 Miscellaneous

Policy for Loans and Guarantees Granted

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

4.4 Ethics and Compliance Organisation

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

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

The Group's Ethics and Compliance Officer ("**ECO**"), who is appointed by the Board of Directors, reports both to the Group's Chief Executive Officer and the Audit Committee of the Company's Board of Directors, while the Divisions' E&C Officers report both to their Division CEO and the Group ECO. Each Division E&C Officer runs a Divisional E&C Organisation that is embedded in the business through a network of E&C representatives. In 2014, the Company enlarged the footprint of E&C representatives and they are now present in all functions and locations of our business. They are the voice and the face of the E&C Programme to help the Company build an E&C culture. In 2014, the Company extended the breadth of the Airbus Group E&C Programme by appointing an E&C Manager covering Airbus Group's locations in China. This nomination complements a network of four E&C Managers located in Brazil, Russia, India and in the Middle East. These E&C Managers report to the ECO.

At Group level, dedicated Compliance Risk Officers are empowered to issue standards applicable throughout the Group, test effectiveness and control adherence. The Group International Compliance Officer addresses corruption and bribery risks. The Group Export Compliance Officer ensures that the activities of the Group comply with all relevant export control rules and furthermore with the internal "sensitive countries" policy. The Group Procurement Compliance Officer supervises compliance in the supply chain, while the Group Data Protection Compliance Officer is in charge of the protection of personal data.

These Compliance Risk Officers manage a network of more than 100 risk specialists that are embedded in the Divisions within the business structure.

Similar to previous years, E&C was defined as a top priority for the Group in 2014 (see "— Chapter 2. — Summary 2014"), resulting in a number of specific objectives for the E&C Organisation as well as for each Executives of the Company.

The Company's E&C Cycle includes the following steps, which are put in motion by empowered E&C Resources:

Employees, customers, suppliers, and third-party intermediaries are encouraged to freely share their E&C concerns with management or with E&C Resources. While we do have a non-retaliation principle, we recognise that a confidential channel for reporting may be useful. The Company's alert system is called OpenLine. Subject to local legal restrictions, OpenLine is available to employees of controlled entities in France, Germany, Spain, UK, and since 2008 in the US. In 2014, the OpenLine's regional outreach was extended and is now available to Airbus Group employees based in Mexico, Brazil, China, Kingdom of Saudi Arabia, Australia and Canada. The Airbus Group Openline can be used by employees to raise concerns in relation with corruption and bribery, accounting, finance, anti-competitive practices, harassment, conflicts of interest, quality or product safety.

The Airbus Group ECO reports to the Audit Committee on compliance allegations twice a year. The report, which is shared with top management in order to ensure transparency and leverage on lessons learned, contains details on the Group's significant compliance allegations. See "— Notes to the Consolidated Financial Statements (IFRS) — Note 32: Litigation and claims".

In 2014, the Company was awarded an Anti-Corruption Compliance System certificate delivered by an external verification company called ETHIC Intelligence.

Last but not least, Airbus Group joined the United Nations Global Compact 10th Principle "Call to Action", which is an appeal by the private sector to Governments to promote anti-corruption measures and to implement policies that will establish systems of good governance. In addition, the Group is also a member of the "International Forum for Business Ethical Conduct", a sectorial association that develops global E&C standards in the Aerospace and Defence industry, which has been chaired by the Company since 2013.

4.5 Enterprise Risk Management System

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

ERM is a key management process serving to mitigate key risks and increase opportunity. Applied across the Group, its subsidiaries and major suppliers, ERM is striving for achieving and applying common understanding, methodology, practice and language. By mapping all material risks, planning how to mitigate them and how to seise opportunities, ERM is designed to protect the achievement of the following:

- Strategy: the selection of high level strategic objectives consistent with risk appetite;
- Operations: effectiveness and efficiency of management, operations and resource allocation, in line with performance and financial targets;

- Reporting: reliability of reporting, in particular financial reporting; and
- Compliance: compliance with applicable laws and regulations.

ERM is a permanent top-down and bottom-up process, which is consistently executed across Airbus Group Divisions on each level of the organisation. It is designed to identify and manage risks and opportunities focusing on business-relevant aspects. A particular focus is put on the operational dimension due to the importance of Programmes and Operations for Airbus Group.

Required key activities in Risk and Opportunity Management are:

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

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

- identify, assess, control and mitigate risks, and seise and capture opportunities;
- monitor the ERM process and to report status and results;
- allow risk-adjusted decisions and management processes (*e.g.* planning; decision-making);
- enhance risk-response/opportunity-capture decisions and actions;
- align risk tolerance with strategy setting, and decision making with operational and Programme activities;
- identify and manage cross-enterprise risks/opportunities by understanding interrelated impacts.

Through ERM, the Airbus Group Management ensures the:

- implementation of a suitable internal risk management and internal control system;
- management of the risk profile associated to the Company's strategy;
- management of the risks associated with the Company activities;
- ERM reporting to the Board of Directors and Audit Committee (AC) respectively;
- discussion of the internal risk management and control systems with the Board of Directors and the Audit Committee.

The Airbus Group Board of Directors supervises the:

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

ERM Process

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

The ERM system comprises an integrated hierarchical bottom-up and top-down process to enable better management and transparency of risks and opportunities. At the top, the Board of Directors and the Audit Committee discuss major risks and opportunities, related risk responses and opportunity capture as well as the status of the ERM system, including significant changes and planned improvements. This is based on systematic bottom-up information including management judgement. The results are then fed back into the organisation. The design of the ERM system seeks to ensure compliance with applicable laws and regulations with respect to internal control and risk management, addressing both subjects in parallel.

The ERM process consists of four elements: the operational process, which consists of a sequence of eight consistent, standardised components to enhance operational risk and opportunity management; the reporting process, which contains procedures for the status reporting of the ERM system and the risk/opportunity situation; the compliance process, which comprises procedures to assess the effectiveness of the ERM system; and the support process, which includes procedures to increase the quality and provide further substantiation of the quality of the ERM system.

The ERM process applies to all possible sources of risks and opportunities, with both internal and external sources, quantifiable and unquantifiable, potentially affecting the Company in the short-, middle- and long-term. It also applies to all of the Company's businesses, activities and departments. Management at each level discusses ERM when they run the business, as part of their decision-making and related activities. Accordingly, the ERM process is part of the management process and interrelated with other processes. The details of application of the ERM process vary with the risk appetite of management and the size, structure and nature of the organisational unit, programme/project, department or process. Nonetheless, the fundamental principles of the Company's ERM Policy generally apply.

For a discussion of the main risks to which the Group is exposed. See "— Chapter 4.6 (Risk Factors)" of this document.

ERM Governance and Responsibility

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

- the Board of Directors supervises the design and effectiveness of the ERM system including management actions to mitigate the risks inherent in the Company's business activities. It discusses the major risks at least quarterly based on ERM reporting or as required depending on development of business risks. It is supported by the Audit Committee, which discusses at least yearly the activities with respect to the operation, design and effectiveness of the ERM system, as well as any significant changes and planned improvements prior to presentation to the full Board of Directors;

- the Group's Chief Executive Officer, backed by the Group Executive Committee, is responsible for an effective ERM system, the related internal environment (*i.e.* values, culture) and risk philosophy. He is supported by the Group's Chief Financial Officer, who supervises the Head of Risk and Opportunity Management Airbus & Airbus Group, and the ERM system design and process implementation;
- the Head of Risk and Opportunity Management Airbus & Airbus Group has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation on Group and Division level, which actively seeks to reduce overall risk criticality. The risk management organisation is structured as a cross-divisional Centre of Competence ("**CoC**") networked with the risk owners on the different organisational levels and pushes for a proactive risk management culture; and
- the executive management assume responsibility for the operation and monitoring of the ERM system in their respective area of responsibility. They seek to ensure transparency and effectiveness of the ERM system and adherence to its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate responses to increase probability and impact of opportunities.

ERM Effectiveness

The Company's ERM system needs to be effective. To support the assessment of the ERM effectiveness, the Company has established recurring ERM self-assessment mechanisms, to be applied across the Group. This seeks to enable the Company to reasonably assure the effectiveness of its ERM system. The ERM effectiveness is analysed by:

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

Operating effectiveness is measured *inter alia* by assessing any potential major failings in the ERM system which have been discovered in the business year or any significant changes made to the ERM system.

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

Organisation	ERM control with explanations
Board of Directors/Audit Committee	**Regular monitoring** The Board of Directors and the Audit Committee review, monitor and supervise the ERM system.
Top Management	**ERM as part of the regular divisional business reviews** This control is an important step of the ERM compliance process. All results of the operational risk management process, self-assessment and confirmation procedures are presented by the Divisions or Business Units to top management and discussed and challenged at the Company's CEO/CFO level.
Management	**ERM confirmation letter procedure** Entities and processes/department heads that participate in the annual ERM compliance procedures need to sign ERM confirmation letters, especially on internal control effectiveness and deficiencies or weaknesses. The scope of participants is determined by aligning coverage of Airbus Group business with management's risk appetite.
ERM department	**ERM effectiveness measurement** Assess ERM effectiveness by performing operational risk management for the ERM process, benchmarks, etc.
Corporate Audit	**Audits on ERM** Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.
Ethics and Compliance	**Alert System** Provide evidence for deficiencies of the ERM system.

Developments in 2014 and Outlook

The ERM function has an important role to play to make the business robust, support operational decision making, improve performance, protect margins and reduce exposure level.

A cross-Divisional ERM CoC is set up to further develop operational risk reduction and synergies. This is a matrix CoC in which 3 ERM teams join their efforts. The ERM CoC supports and challenges programmes and organisations, pushes for early risks reduction and opportunities capturing, as well as an enhanced R&O / anticipation culture in the Group, including cross Divisional Risk Reviews.

In 2014 the ERM CoC acted to achieve and improve the:

- sustainability of the compliance dimension;
- proximity to the business and giving priority to the operational dimension, simplification of ERM processes and reports, adopting a lean approach, and focusing activities;
- team spirit throughout the CoC with constant mutual awareness of areas at stake needing support and expertise from other parts of the CoC;
- development of a strong network in the Group, linking the various communities for best practices sharing;
- cross-challenges and cross-fertilisations between the Divisions.

Board Declaration

The Board of Directors believes to the best of its knowledge that the internal risk management and control system over financial reporting has worked properly in 2014 and provides reasonable assurance that the financial reporting does not contain any errors of material importance.

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

4.6 Risk Factors

The Company is subject to many risks and uncertainties that may affect its financial performance. The business, results of operation or financial condition of the Company could be materially adversely affected by the risks described below. These are not the only risks the Company faces. Additional risks and uncertainties not presently known to the Company or that it currently considers immaterial may also impair its business and operations. For further information on these risks, please refer to the Company's Registration Document available on the Company's website: **www.airbusgroup.com.**

4.6.1 Financial market risks

Global Economic and Sovereign Debt Concerns

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

European financial markets have, in recent years, experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro-zone to reduce their budget deficits and refinance or repay their sovereign debt obligations as they come due. The European Central Bank and euro-zone policy makers have so far succeeded to stabilise the euro-zone and the European banks. In order to fight against the increased deflation risk, the European Central Bank launched an expansive monetary policy through negative interest rates and a very large open-ended quantitative easing programme, which led to a weakening of the euro against the US dollar and other currencies.

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

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

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

Foreign Currency Exposure

A significant portion of the Company's revenues is denominated in US dollars, while a major portion of its costs is incurred in euro, and to a lesser extent, in pounds sterling. Consequently, to the extent that the Company does not use financial instruments to hedge its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies. The Company's foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the long-term, which could have a negative effect on its results of operation and financial condition. In addition, the portion of the Company's US dollar-denominated revenues that is not hedged in accordance with the Company's hedging strategy will be exposed to changes in exchange rates, which may be significant.

When effectively hedged, the Company recognises fair value changes of the derivative portfolio in equity until instruments' maturity. If the US dollar appreciates against the euro compared to the rate at which the Company has hedged its future US dollar denominated revenues the mark to market of the derivative portfolio becomes negative. Hence, the Company's equity is accordingly reduced which could eventually result into restrictions of equity otherwise available for dividend distribution or share buy-backs.

Sales Financing Arrangements

In support of sales, the Company may agree to participate in the financing of selected customers or guarantee part of the value of certain aircraft during limited periods after their delivery to customers. As a result, the Company has a portfolio of leases and other financing arrangements with airlines and other customers. No assurances may be given that the measures taken by the Company to protect itself from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market will be effective, which may have a negative effect on its future results of operation and financial condition.

Counterparty Credit

In addition to the credit risk relating to sales financing as discussed above, the Company is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments. There can be no assurance that the Company will not lose the benefit of certain derivatives or cash investments in case of a systemic market disruption. In such circumstances, the value and liquidity of these financial instruments could decline and result in a significant impairment, which may in turn have a negative effect on the Company's future results of operation and financial condition.

Equity Investment Portfolio

The Company holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. The Company is exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies. The book value of Dassault Aviation was €2.4 billion as of 31 December 2014 after the disposal by the Company of 810,072 Dassault Aviation shares in 2014.

Pension Commitments

The Company participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. Although the Company has recorded a provision in its balance sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading the Company to record additional provisions in respect of such plans.

For further information relating to financial market risks and the ways in which the Company attempts to manage these risks. See: "— Notes to the Consolidated Financial Statements (IFRS) — Note 34A: Financial risk management".

Tax Issues

As a multinational group with operations in numerous jurisdictions and sales around the world, the Company is subject to tax legislation in a number of countries. It is the Company's priority target to adhere to the relevant tax regulations in these countries and to ensure tax compliance. The Company manages its business so as to create value from the synergies and commercial capacities of its different entities, and therefore endeavours to structure its operations and transactions in a tax-efficient manner. The structure of the Company's organisation and of the transactions it enters into are based on its own interpretations of applicable tax laws and regulations, generally relying on opinions received from internal or independent tax counsel, and, to the extent necessary, on rulings or specific guidance from competent tax authorities. There can be no assurance that the tax authorities will not seek to challenge such interpretations, in which case the Company or its affiliates could become subject to tax claims. Moreover, the tax laws and regulations that apply to the Company's business may be amended by the tax authorities – for example as a result of changes in fiscal circumstances or priorities – which could affect the overall tax efficiency of the Company.

4.6.2 Business-Related Risks

Commercial Aircraft Market Cyclicality

Historically, the market for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and cargo activity, which are in turn primarily influenced by economic or gross domestic product ("**GDP**") growth. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) evolution of fuel price, (vii) deregulation and (viii) environmental constraints imposed upon aircraft operations. The market for commercial aircraft could continue to be cyclical, and downturns in broad economic trends may have a negative effect on its future results of operation and financial condition.

The commercial helicopter market could also be influenced by a number of factors listed above.

Terrorism, Pandemics and Other Catastrophic Events

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

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

Dependence on Key Suppliers and Subcontractors

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

The Company relies upon the good performance of its suppliers and subcontractors to meet the obligations defined under their contracts. Supplier performance is continually monitored and assessed so that supplier development programmes can be launched if performance standards fall below expectations. No assurance can be given that these measures will fully protect the Company from non-performance of a supplier which could disrupt production and in turn may have a negative effect on its future results of operation and financial condition.

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

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

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

Industrial Ramp-Up

As a result of the large number of new orders for aircraft recorded in recent years, the Company intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft (including helicopters). The Company's ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given high demand by the Company and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, across the three Divisions, which carry their own resource demands. Therefore, the failure of any or all of these factors could lead to missed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders. Good progress has been made in 2014 and the supply chain is in general more stable. Specific areas of risk with suppliers of cabin equipment continue to be carefully managed.

Technologically Advanced Products and Services

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

Certain of the Company's contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, to provide cancellation rights, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should the Company fail to meet delivery schedules or other measures of contract performance – in particular with respect to new development programmes such as the A350 XWB, A400M, EC175 or X4, and to modernisation programmes such as the A320neo and the A330neo. (See "— Programme-specific risks" below)

In addition to the risk of contract cancellations, the Company may also incur significant costs or loss of revenues in connection with the remedial action required to correct any performance issues detected in its products or services. Any significant problems with the development, manufacturing, operation or performance of the Company's products and services could have a significant adverse effect on the Company's future results of operation and financial condition as well as on the reputation of the Company and its products and services.

Dependence on Public Spending and Certain Markets

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

Further, a significant portion of the Company's backlog is concentrated in certain regions or countries, including the US and Asia. Adverse economic and political conditions as well as downturns in broad economic trends in these countries or regions may have a negative effect on the Company's future results of operation and financial condition.

Availability of Government and Other Sources of Financing

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

Competition and Market Access

The markets in which the Company operates are highly competitive. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues or market share.

Major Research and Development Programmes

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

Restructuring, Transformation and Cost Saving Programmes

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

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

Acquisitions, Joint Ventures & Strategic Alliances

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

Public-Private Partnerships and Private Finance Initiatives

Defence customers, particularly in the UK, increasingly request proposals and grant contracts under schemes known as public-private partnerships ("**PPP**s") or private finance initiatives ("**PFI**s"). There can be no assurances of the extent to which the Company will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the on-going provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. The Company may also encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programmes.

Programme-Specific Risks

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

- A350 XWB programme. In connection with the A350 XWB programme, after a successful certification campaign of A350 XWB-900 and a first delivery to Qatar Airways, the Company faces the following main challenges: ensuring satisfaction of first operators and high quality support to its operations; maintaining supply chain performance and production ramp-up; managing production overcosts of the early aircraft and recurring costs beyond the initial ramp-up phase; maintaining customisation and head of versions ramp-up; and maintaining the development schedule of A350 XWB-1000 to ensure entry in service as planned.
- A380 programme. In connection with the A380 programme, the Company faces the following main challenges: secure order flow in order to maintain current rate of production in the long term; making continued improvements to lower the resources and costs associated with designing each customised "head of version" aircraft for new customers, in order to allow a higher number of head of version to be completed each year; and managing maturity in service.
- A400M programme. In connection with the A400M programme, the Company faces the following main challenges: finalising the development, tests and associated documentation to enable progressively enhanced aircraft capabilities through standard operational clearance (SOC1 to 3); completing the final development of a full set of in-service support goods and services as well as providing high levels of service for integrated logistic support that deliver mission success to customers; pursuing further aircraft development (paratrooper systems, cargo and aerial delivery systems, defensive and protection military systems, air to air refueling); continuing production ramp-up; managing the contractual retrofit campaign; increasing export orders; and meeting the contractual time schedule for the next programme milestones. A termination right became exercisable on 1 November 2014 however the Company considers that it is highly unlikely that this termination right is exercised.
- A320neo programme. In connection with the A320neo programme, the Company faces the following main challenges: management of stress in the supply chain as a result of the industrial ramp-up; meeting the engine development status, including performance targets, and its schedule; and ensuring the availability of skilled personnel for the programme. The programme progresses as planned and no new challenges emerged in 2014. The main focus will be the transition from 2015 to 2018 from A320ceo (current engine option) to A320neo (new engine option) as well as further ramp-up.
- A330 programme. In connection with the long range programme, managing the order book beyond 2016 becomes more challenging due to competition from A350 XWB and Boeing 787. The Company has launched the A330neo with an aggressive development schedule based on A320neo experience.
- NH90 and Tiger programmes. In connection with the NH90 and Tiger programmes, the Company faces the challenge of finalising the contract renegotiations with governments addressing requests to reduce contractually binding orders; and assuring support readiness in connection with multiple fleets entering into service.
- EC175 programme. In connection with the EC175 programme produced in cooperation with Avic, the Company faces the following main challenges: after the certification by EASA and the delivery of the 3 first EC175 for Oil and Gas operations, the Company is proceeding with the industrial ramp-up, mastering the maturity plan of the aircraft and further certifications planned for 2015.

- Lead systems integration. In connection with lead systems integration projects (in particular the Kingdom of Saudi Arabia border surveillance contract and Qatar National Security Shield), the Company faces the following main challenges: meeting the schedule and cost objectives taking into account the high number of sites, the complex local infrastructure to be delivered and the integration of COTS products (radars, cameras, sensors) interfaced into a complex system network; assuring an efficient project and staffing ramp-up; managing the rollout including subcontractors, training and customer organisational adaptation; repetitive changes in customer project organisation; lack of decision and delays in the procurement of Customer Furnished Items. In relation to a Command and Control System for the UAE, which was under development by Emiraje Systems LLC (in which the Company has a 49% shareholding), the customer has indicated its willingness to terminate the contract amicably. Settlement negotiations are underway and activities terminated.

4.6.3 Legal risks

Dependence on Joint Ventures and Minority Holdings

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

Product Liability and Warranty Claims

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

Intellectual Property

The Company relies upon patent, copyright, trademark and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its Intellectual property rights in technology and products used in its operations. Despite these efforts to protect its Intellectual property rights, any of the Company's direct or indirect Intellectual property rights could be challenged, invalidated or circumvented. In addition, although the Company believes that it lawfully complies with the Intellectual property rights granted to others, it has been accused of infringement on occasion and could have additional claims asserted against it in the future. These claims could harm its reputation, cost it money and prevent it from offering certain products or services. Any claims or litigation in this area, whether the Company ultimately wins or loses, could be time-consuming and costly, injure the Company's reputation or require it to enter into licensing arrangements. The Company might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against the Company, causing further damages.

Export Controls and Other Laws and Regulations

The export market is a significant market for the Company. There can be no assurance (i) that the export controls to which the Company is subject will not become more restrictive, (ii) that new generations of the Company's products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain the Company's ability to perform under previously signed contracts.

Operating worldwide, the Company must comply with several sets of sanctions laws and regulations implemented by national/regional authorities and in particular by the EU and the US. Depending on geopolitical considerations including national security interests and foreign policy, new sanctions programmes may be set up or the scope of existing ones may be widened, immediately impacting the Company's activities. The Company is also subject to a variety of other laws and regulations, including among others, those relating to commercial relationships, the use of its products and anti-bribery provisions. Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in administrative, civil or criminal liabilities resulting in significant fines and penalties or result in the suspension or debarment of the Company from government contracts for some period of time or suspension of the Company's export privileges.

In addition, the Company is sometimes subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. Any such inquiry or investigation could result in an unfavourable ruling against the Company, which could have a negative effect on its business, results of operation and financial condition.

Legal and Regulatory Proceedings

The Company is currently engaged in a number of active legal and regulatory proceedings. (See "— Notes to the Consolidated Financial Statements (IFRS) — Note 32: Litigation and claims".) The Company expects to continue to incur time and expenses associated with its defence, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although the Company is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a negative effect on the Company's business, results of operation and financial condition. An unfavourable ruling could also negatively impact the Company's stock price and reputation.

4.6.4 Industrial and Environmental Risks

Given the scope of its activities and the industries in which it operates, the Company is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. The Company therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety. In addition, the various products manufactured and sold by the Company must comply with relevant environmental, health and safety and substances / preparations related laws and regulations in the jurisdictions in which they operate. In the event of an accident or other serious incident, the Company may be required to conduct investigations and undertake remedial activities. Employees, customers and other third parties may also file claims for personal injury, property damage or damage to the environment (including natural resources). Any problems in this respect may also have a significant adverse effect on the reputation of the Company and its products and services.

5. Financial Performances and other Corporate Activities

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

5.1 Consolidated Financial Statements ("IFRS")

5.1.1 Consolidated Income Statement ("IFRS")

TABLE 1 – CONSOLIDATED INCOME STATEMENT (IFRS)

(in millions of €)	**2014**	2013[(1)]
Revenues	**60,713**	**57,567**
Cost of sales	(51,776)	(49,613)
Gross margin	**8,937**	**7,954**
Selling expenses	(1,063)	(1,140)
Administrative expenses	(1,538)	(1,622)
Research and development expenses	(3,391)	(3,118)
Other income	330	272
Other expenses	(179)	(259)
Share of profit from investments accounted for under the equity method	840	434
Other income from investments	55	49
Profit before finance costs and income taxes	**3,991**	**2,570**
Total finance costs	(778)	(610)
Income taxes	(863)	(477)
Profit for the period	**2,350**	**1,483**
Attributable to:		
Equity owners of the parent **(Net income)**	2,343	1,473
Non-controlling interests	7	10

(1) Previous year figures are adjusted due to the application of IFRS 10 and IFRS 11.

5.1.2 Revenues

Group revenues increased 5% to a record € 60.7 billion (FY 2013 adjusted: € 57.6 billion). Commercial Aircraft revenues rose 7%, driven by the overall increase in deliveries to a record 629 aircraft (FY 2013: 626 deliveries) and a more favourable delivery mix including 30 A380s compared to 25 in 2013. In the fourth quarter, the first A350 XWB was delivered to Qatar Airways as planned and IAS 11 accounting standards were implemented for limited launch customer contracts. Revenues at Helicopters rose 4%, mainly driven by government programmes including the ramp-up in NH90 activity. Helicopter deliveries totalled 471 units (FY 2013: 497 units), including the successful entry-into-service (EIS) of the EC175 in the fourth quarter following the EIS of the EC145 T2 and EC135 T3 earlier in the year. Defence and Space's revenues were broadly stable, with 8 A400M deliveries in total to 4 nations and 6 Ariane 5 launches during the year.

5.1.3 EBIT* and Financial Result

Airbus Group uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the former EADS merger and the Airbus combination, as well as impairment charges thereon. In the following, EBIT pre-goodwill impairment and exceptionals is earmarked as EBIT*.

TABLE 2 – RECONCILIATION PROFIT BEFORE FINANCE COSTS AND INCOME TAXES TO EBIT* (IFRS)

(in millions of €)	**2014**	2013
Profit before finance costs and income taxes(1)	**3,991**	**2,570**
Disposal and impairment of goodwill	6	15
Exceptional depreciation and disposal	43	39
EBIT pre-goodwill impairment and exceptionals(1)	**4,040**	**2,624**

(1) Previous year figures are adjusted due to the application of IFRS 10 and IFRS 11.

Reported EBIT* increased 54% to € 4,040 million (FY 2013 adjusted: € 2,624 million) with a low level of net one-offs amounting to € -26 million in total, composed of:

- a fourth quarter net charge of € 551 million due to delays on the A400M programme as outlined in the nine month 2014 results. The sequence of progressive military enhancements and associated deliveries are under negotiation with customers to reflect the revised programme baseline and delivery schedule. In the last quarter of 2014, management reviewed the programme evolution mostly driven by military functionality challenges and industrial ramp-up together with associated mitigation actions. Significant management actions have been launched to secure future deliveries and the programme continues to be closely monitored;
- a positive € 142 million contribution from the dollar pre-delivery payment mismatch and balance sheet revaluation;
- a total of € 383 million in capital gains linked to the divestment of 8% of the Company's Dassault Aviation participation and the sale of the stake in Patria.

Group EBIT* before one-off – an indicator capturing the underlying business margin by excluding material non-recurring charges or profits caused by movements in provisions related to programmes and restructurings or foreign exchange impacts – improved to € 4,066 million (FY 2013 adjusted: € 3,537 million). Commercial Aircraft EBIT* before one-off increased to € 2,529 million (FY 2013 adjusted: € 2,214 million), reflecting a solid underlying performance. Helicopters' EBIT* before one-off rose slightly to € 413 million (FY 2013: € 397 million), despite higher research and development (R&D) expenses and a less favourable revenue mix. Defence and Space's EBIT* before one-off was stable at € 920 million (FY 2013 adjusted: € 911 million).

Group EBIT* before one-off return on sales improved to 6.7% (FY 2013 adjusted: 6.1%).

Net income rose to € 2,343 million (FY 2013 adjusted: € 1,473 million), while earnings per share (EPS) increased to € 2.99 (FY 2013 adjusted: € 1.86). Net income and EPS increased strongly despite the finance result of € -778 million (FY 2013 adjusted: € -610 million), which included a negative foreign exchange valuation of € 341 million linked to the weakening of the euro in the fourth quarter.

TABLE 3 – EBIT* AND REVENUES BY DIVISION

By Division	EBIT*			Revenues		
(in millions of €)	**FY 2014**	FY 2013(1)	Change	**FY 2014**	FY 2013(1)	Change
Commercial Aircraft	2,671	1,593	+68%	42,280	39,494	+7%
Helicopters	413	397	+4%	6,524	6,297	+4%
Defence and Space	409	659	-38%	13,025	13,121	-1%
Headquarters / Eliminations / Others	547	(25)	-	(1,116)	(1,345)	-
Total	**4,040**	**2,624**	**+54%**	**60,713**	**57,567**	**+5%**

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.
(1) Previous year figures are adjusted due to the application of IFRS 10 and IFRS 11. Divisional figures are also restated to reflect the new Group structure as of 1 January 2014.

5.1.4 Consolidated Statements of Financial Position ("IFRS")

TABLE 4 – CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (IFRS)

(in millions of €)	**31 December 2014**	31 December 2013*	Change
Intangible Assets	12,758	12,500	258
Property, Plant and Equipment	16,388	15,654	734
Investments under the equity method	3,391	3,858	(467)
Other investments and other long-term financial assets	1,769	1,756	13
Other non-current assets	2,408	3,727	(1,319)
Deferred tax assets	5,717	3,733	1,984
Non-current securities	5,989	4,298	1,691
Non-current assets	**48,420**	**45,526**	**2,894**
Inventories	25,355	24,023	1,332
Trade receivables	6,798	6,628	170
Other current assets	4,325	4,311	14
Current securities	3,183	2,585	598
Cash and cash equivalents	7,271	7,201	70
Current assets	**46,932**	**44,748**	**2,184**
Assets of disposal group classified as held for sale	750	0	750
Total assets	**96,102**	**90,274**	**5,828**
Equity attributable to equity owners of the parent	7,061	10,864	(3,803)
Non-controlling interests	18	42	(24)
Total equity	**7,079**	**10,906**	**(3,827)**
Non-current provisions	10,400	9,604	796
Long-term financing liabilities	6,278	3,804	2,474
Deferred tax liabilities	1,130	1,454	(324)
Other non-current liabilities	23,038	18,155	4,883
Non-current liabilities	**40,846**	**33,017**	**7,829**
Current provisions	5,712	5,222	490
Short-term financing liabilities	1,073	1,826	(753)
Trade liabilities	10,183	9,668	515
Current tax liabilities	738	616	122
Other current liabilities	29,791	29,019	772
Current liabilities	**47,497**	**46,351**	**1,146**
Liabilities directly associated with assets			
classified as held for sale	680	0	680
Total liabilities	**89,023**	**79,368**	**9,655**
Total equity and liabilities	**96,102**	**90,274**	**5,828**

* Previous year figures are adjusted due to the application of IFRS 10 and IFRS 11.

Non-Current Assets

Intangible assets increased by €+258 million to €12,758 million (prior year-end adjusted: €12,500 million). This mainly relates to Airbus (€8,660 million), Airbus Defence and Space (€3,376 million) and Airbus Helicopters (€704 million) and includes goodwill of €9,979 million (prior year-end adjusted: €9,872 million). Included within goodwill is a €+55 million increase from the acquisition of Alestis.

The annual impairment tests were performed in the fourth quarter 2014 and led to no impairment charge. Capitalisation of development costs for the A350 XWB programme started in the second quarter 2012. In 2014, an amount of €58 million has been capitalised resulting in a total amount of €777 million.

Property, plant and equipment increased by €+734 million to €16,388 million (prior year-end adjusted: €15,654 million) and includes leased assets of €213 million (prior year-end adjusted: €351 million). The increase was mainly driven by the A350 XWB programme. Property, plant and equipment also include "Investment property" amounting to €67 million (prior year-end: €69 million).

Investments accounted for under the equity method of €3,391 million (prior year-end adjusted: €3,858 million) mainly include the equity investment in Dassault Aviation of €2,429 million (2013: €2,747 million), Atlas Group and MBDA. The equity investment in Dassault Aviation includes an IFRS catch-up adjustment for income, other comprehensive income relating to the prior period and the effect of the partial disposal of Dassault Aviation shares.

Other investments and other long-term financial assets of €1,769 million (prior year-end adjusted: €1,756 million) are related to Airbus for an amount of €790 million (prior year-end adjusted: €702 million), mainly concerning the non-current portion of aircraft financing activities.

Other non-current assets mainly comprise non-current derivative financial instruments and non-current prepaid expenses. The decrease by €-1,319 million to €2,408 million (prior year-end adjusted: €3,727 million) resulted from the negative variation of the non-current portion of fair values of derivative financial instruments (€-1,491 million).

Deferred tax assets increased by €+1,984 million to €5,717 million (prior year-end adjusted: €3,733 million) mainly as a result of variations in the fair values of derivative financial instruments.

The fair values of derivative financial instruments are included in other non-current assets (€502 million, prior year-end: €1,993 million), in other current assets (€208 million, prior year-end adjusted: €716 million), in other non-current liabilities (€-3,271 million, prior year-end: €-671 million) and in other current liabilities (€-2,232 million, prior year-end adjusted: €-302 million), which corresponds to a total net fair value of €-4,793 million (prior year-end: €+1,736 million). The volume of hedged US dollar-contracts increases from US dollar 76 billion as at 31 December 2013 to US dollar 88 billion as at 31 December 2014. The US dollar spot rate is USD/€1.21 and USD/€1.38 at 31 December 2014 and at 31 December 2013 respectively. The average US dollar hedge rate for the hedge portfolio of the Group remains almost stable at USD/€1.33 as at 31 December 2014 compared to USD/€1.34 as at 31 December 2013.

Non-current securities with a remaining maturity of more than one year increased by €+1,691 million to €5,989 million (prior year-end adjusted: €4,298 million). The movement is related to the cash management policy of the Group.

Current Assets

Inventories of €25,355 million (prior year-end adjusted: €24,023 million) increased by €+1,332 million. This is mainly related to Airbus (€+1,804 million), partly offset by a decrease in Airbus Defence and Space (€-370 million) and Airbus Helicopters (€-167 million). The increase in Airbus is mainly driven by the increased activity on the A350 XWB programme.

Trade receivables increased by €+170 million to €6,798 million (prior year-end adjusted: €6,628 million), mainly in Airbus Helicopters, partly compensated by a decrease in Airbus Defence and Space. This decrease is due to the reclassification to the disposal groups classified as held for sale.

Other current assets include "Current portion of other long-term financial assets", "Current other financial assets", "Current other assets" and "Current tax assets". The increase of €+14 million to €4,325 million (prior year-end adjusted: €4,311 million) includes the negative variation of the current portion of fair values of derivative financial instruments (€-508 million), more than compensated by increases in VAT receivables (€+289 million), in receivables from non-consolidated affiliated companies (€+109 million), in miscellaneous other current assets (€+82 million) and in prepaid expenses (€+58 million).

Current securities with a remaining maturity of one year or less increased by €+598 million to €3,183 million (prior year-end adjusted: €2,585 million).

Cash and cash equivalents increased from €7,201 million (prior year-end adjusted) to €7,271 million.

Total Equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounted to €7,061 million (prior year-end adjusted: €10,864 million) representing a decrease of €-3,803 million. This decrease was due to a dividend distribution of €-587 million (€0.75 per share) and a reduction in other comprehensive income of €-5,705 million, mainly derived from the mark to market revaluations of the hedge portfolio and changes of actuarial gains and losses due to an update of interest rates for pension obligations. This was partly offset by a net income of €+2,343 million and the sale of treasury shares of €+102 million.

Non-controlling interests decreased to €18 million (prior year-end adjusted: €42 million). The decrease mainly resulted from the acquisition of Alestis and the subsequent recognition of its minority shareholders (€-25 million).

Non-Current Liabilities

Non-current provisions of €10,400 million (prior year-end adjusted: €9,604 million) include the non-current portion of pension provisions, which increased by €+1,998 million to €7,864 million (prior year-end adjusted: €5,866 million). Due to significant decreases of the discount rates for the various pension schemes of the Group, pension provisions increase by €1,998 million.

Other provisions are also included in non-current provisions, and decreased by €-1,202 million to €2,536 million (prior year-end adjusted: €3,738 million). This decrease is mainly linked to the reclassification to current loss contract provisions and to the net presentation on the A350 XWB programme where inventories are presented net of the respective portion of the contract loss provision.

Included in non-current (and current) provisions are costs for the A380 programme related to in service technical issues identified and with solutions 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.

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions increased by €+2,474 million to €6,278 million (prior year-end adjusted: €3,804 million). In April 2014 a €1 billion bond was issued with a 10 year-maturity, which will pay a 2.375% coupon. In October 2014 a further bond for a total of €0.5 billion was issued with a 15 year-maturity, which carries a coupon of 2.125%. In December 2014, the Group entered into a US$627 million loan agreement with the EIB with a 10 year-maturity and a fixed 2.52% interest rate.

Other non-current liabilities, comprising “Non-current other financial liabilities”, “Non-current other liabilities” and “Non-current deferred income”, increased in total by €+4,883 million to €23,038 million (prior year-end adjusted: €18,155 million). Advance payments received increased by €+2,028 million and the negative fair values of financial instruments by €+2,600 million.

Current Liabilities

Current provisions increased by €+490 million to €5,712 million (prior year-end adjusted: €5,222 million) and comprise the current portion of pension provisions (€386 million) and of other provisions (€5,326 million). The increase is mainly linked to the reclassification of formerly non-current contract loss provisions for the A350 XWB. This was partly compensated by a decrease due to the A400M programme on which inventories are presented net of the respective portion of the contract loss provision.

Short-term financing liabilities decreased by €-753 million to €1,073 million (prior year-end adjusted: €1,826 million), mainly due to the repayment of the Group’s repurchase agreements and EIB loan.

Trade liabilities increased by €+515 million to €10,183 million (prior year-end adjusted: €9,668 million). This increase occurred mainly at Airbus Defence and Space.

Other current liabilities include “Current other financial liabilities”, “Current other liabilities” and “Current deferred income”. These liabilities increased by €+772 million to €29,791 million (prior year-end adjusted: €29,019 million) mainly due to the increase in the negative fair values of derivative financial instruments (€+1,930 million), to higher deferred income (€+105 million) and to higher value added tax liabilities (€+75 million), partly offset by a decrease of advance payments received (€-1,549 million).

5.1.5 Net Cash

The net cash position at the end of 2014 was €9.1 billion (year-end 2013 adjusted: €8.5 billion) after the 2013 dividend payment of €587 million and €462 million pension plan contribution. The gross cash position on 31 December 2014 was €16.4 billion.

Gross Cash comprises “Non-current securities”, “Current securities” and “Cash and cash equivalents”. For the Net Cash calculation “Long-term financing liabilities” and “Short-term financing liabilities” are deducted from the gross cash.

Free cash flow before mergers and acquisitions improved significantly to €1,109 million (FY 2013 adjusted: €-811 million), reflecting a strong fourth quarter performance and efforts to improve cash flow across the Group during the year and proceeds from divestments further boosted free cash flow to €2,002 million (FY 2013 adjusted: €-827 million).

During 2014, the Airbus Group invested around €2.5 billion in capital expenditure to support its development programmes. It includes around €200 million of capitalised R&D across the Group.

5.1.6 Order Intake and Order Book

Group order intake in 2014 was €166.4 billion (FY 2013 adjusted: €216.4 billion), with the order book worth a record €857.5 billion at year-end (year-end 2013 adjusted: €680.6 billion). Airbus received 1,456 net commercial aircraft orders (FY 2013: 1,503 net orders), with a net book-to-bill ratio above 2 and an order book of 6,386 aircraft at year-end. Net order intake at Airbus Helicopters was 369 units (FY 2013: 422 units), including a backlog adjustment of 33 NH90s. Airbus Defence and Space’s order intake by value rose 4%, driven by continuing strong momentum in space systems and good order flow in Light and Medium (L&M) Military aircraft.

TABLE 5 – ORDER INTAKE AND ORDER BOOK BY DIVISION

By Division	Order Intake(2)			Order Book(2)		
(in millions of €)	**FY 2014**	FY 2013(1)	Change	**31 December 2014**	31 December 2013(1)	Change
Commercial Aircraft	150,085	199,261	-25%	803,633	625,595	+28%
Helicopters	5,469	5,775	-5%	12,227	12,420	-2%
Defence and Space	12,225	11,808	+4%	43,075	43,208	0%
Headquarters / Eliminations / Others	(1,349)	(426)	-	(1,416)	(663)	-
Total	**166,430**	**216,418**	**-23%**	**857,519**	**680,560**	**+26%**

(1) Previous year figures are adjusted due to the application of IFRS 10 and IFRS 11. Divisional figures are also restated to reflect the new Group structure as of 1 January 2014.
(2) Contributions from commercial aircraft activities to the Airbus Group Order Intake and Order Book are based on list prices.

5.2 Airbus Group N.V. Company Financial Statements

TABLE 6 – BALANCE SHEET AIRBUS GROUP N.V.

(in millions of €)	**31 December 2014**	31 December 2013
Goodwill	4,354	4,354
Financial assets(2)	9,587	13,960
Non-current securities	5,809	4,179
Fixed assets(2)	**19,750**	**22,493**
Receivables and other assets	9,526	10,073
Current securities	3,077	2,430
Cash and cash equivalents	6,200	6,126
Current assets	**18,803**	**18,629**
Total assets(2)	**38,553**	**41,122**
Stockholders' equity(1), (2)	**7,061**	**10,864**
Non-current financing liabilities	5,551	3,514
Non-current liabilities	**5,551**	**3,514**
Current financing liabilities	0	914
Other current liabilities	25,941	25,830
Current liabilities	**25,941**	**26,744**
Total liabilities and stockholders' equity(2)	**38,553**	**41,122**

(1) The balance sheet is prepared before appropriation of the net result.
(2) Previous year figures adjusted due to the application of IFRS 10 and IFRS 11.

TABLE 7 – INCOME STATEMENT AIRBUS GROUP N.V.

(in millions of €)	**2014**	2013
Income from investments(1)	2,412	1,474
Other results	(69)	(1)
Net result(1)	**2,343**	**1,473**

(1) Previous year figures adjusted due to the application of IFRS 10 and IFRS 11.

5.3 Information on Statutory Accountants

	Date of First Appointment	Expiration of Current Term of Office*
KPMG Accountants N.V. Laan van Langerhuize 1 – 1186 DS Amstelveen — the Netherlands Represented by R.J. Aalberts	10 May 2000	On the day of the Annual General Meeting of Airbus Group N.V. in 2015

* A resolution will be submitted to the Annual General Meeting of Shareholders in 2015, in order to appoint KPMG Accountants N.V. as the Company's auditors for the 2015 financial year.

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

5.4 Human Resources

5.4.1 Workforce information

In 2014, 5,211 employees worldwide (thereof 2,243 in the core-division perimeter, *i.e.* Airbus, Airbus Defence and Space, Airbus Helicopters and Airbus Group Corporate Functions), were welcomed into the Group (8,823 in 2013), while 4,478 employees left the Group including partial retirements leading to 2014 year-end Group workforce of 138,622. (These statistics take into account consolidation effects and perimeter changes at year-end 2013: 138,404 restated in February 2014 according to application of IFRS 10 and 11).

In terms of nationalities, 38.0% of the Company's employees are from France, 33.9% from Germany, 9.5% from the UK and 8.8% are from Spain. US nationals account for 1.6% of employees. The remaining 8.4% are employees coming from a total of 135 other countries.

5.4.2 Organisation of Human Resources management

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

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

The Airbus Group Corporate HR governing team (HRDC) is composed of Heads of CoCs, Head of International HR, Head of Business Services and Operations, together with the divisional HR Directors. The Divisional HR Directors have a double operational reporting line from the Divisions to the Group Head of HR and the Head of the Division.

The main principles of this setup are:

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

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

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

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

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

5.4.3 2014 Key Achievements in Human Resources

Since 2009, the Company runs a group wide engagement initiative towards all employees. The regularly conducted survey helps to identify the strong drivers for engagement as well as areas for improvement. Since the beginning of the initiative, a comprehensive action plan has been rolled out focussing on employee recognition, reinforcement of leadership, communication inside and across teams, proximity of managers and HR support to the Company's employees. As part of the Group's commitment to fostering an engaging working environment, each employee across the Group was invited at the end of 2014 to share their views in the Engagement Survey. The results of the anonymous survey will be used to help the Airbus Group become an even more engaging working environment.

Mobility of employees within or across divisions continues to be one of the main priorities for the overall benefit of both Airbus Group employees and the Group itself. In 2014, approximately 9,800 employees changed jobs and the Company has kept the challenging 10% target for 2015.

The Company moved 758 talents into challenging new positions of which 24% were women. It perceives the development of new competences, the creation of new ideas and the further intensification of professional networks as crucial for any successful advancement. Consequently, it is deploying significant efforts towards the analysis and development of all competences across the Group, in diversifying skills, gap-bridging development actions, and in a robust and customised training plan.

Airbus Group supports the development of its employees and provided approximately 3 million training hours in 2014. It has launched a leadership university for its 17,000 leaders at all levels. This will strengthen the Group's approach to leadership and harmonise the activities across its Divisions and subsidiaries, offering equivalent opportunities for all leaders to drive their development anywhere in the Group.

In line with Airbus Group integration, a single Airbus Group employer brand was implemented across employment tools, platforms and campaigns, including the integration of six existing Divisional Careers websites into one, bringing cost savings and resource reductions. In 2014, the Group also launched a University Partner Programme to help students develop the skills that the Group will need in future. The programme is supported through charters with 20 universities in more than 10 countries worldwide.

Last but not least, the Human Resources organisation has played an important role in supporting the transformation of the Airbus Defence and Space Division and of the Airbus Group Headquarters. Through constructive dialogue with workers' representatives, the restructuring of the business is being achieved according to plan.

5.5 Environmental Matters

Airbus Group is evolving in a world which is increasingly more populated, more urban, has scarcer resources, with overall greater pressure on ecosystems, and a changing climate. We are also aware that environmental topics are fast-changing, and Airbus Group is preparing itself for both long-term and rapid changes by anticipating issues, and deploying the Enterprise Risk Management to environmental issues. Environmental performance contributes to the Airbus Group's Corporate Responsibility and Sustainability objectives: "Care for customers, employees and suppliers, investment in innovation, attention to governance and environmental responsibility are key ingredients of long-term performance and risk management; they also identify us as a trusted partner, with all stakeholders, in our home countries and globally" – Pierre de Bausset, Corporate Secretary of Airbus Group. (For more information regarding Airbus Group's Corporate Responsibility and Sustainability approach, please turn to the Airbus Group CR&S Report).

5.5.1 Organisation Principles Supporting an Eco-Efficiency Strategy

Airbus Group is acting to improve eco-efficiency. This materialises into concrete progress across the Divisions and their industrial facilities, and maximises the added value whist minimising the environmental footprint.

Airbus Group has set a structured approach in order to embed eco-efficiency at all levels of the Company. An environmental policy provides strategic directions, supported by a Corporate Environmental Affairs organisation.

The Environment Network: placing collaboration at the heart of the Group

Acting as the backbone of this organisation, the Environment Network gathers skills and expertise from across the Group to address all environmental topics. It organises the discussions and promotes the sharing of good practices in order to find efficient and innovative ways to tackle environmental issues.

As an example, the Chemical Regulations Working Group plays an important role in developing the understanding of regulations governing hazardous chemicals, impacting both products and operations. It creates internal synergies and organises the dialogue with the wider industry and the institutions, providing real added value to the whole Group. In 2015, the Environment Network will also explore different options for an efficient Group-wide approach to the EU Emissions Trading System, impacting both sites and products.

Airbus Group is supporting joint initiatives throughout the industry to improve the overall environmental performance of the aerospace and defence industry in the most consistent and efficient manner. The Group supported the creation of the IAEG (International Aerospace Environmental Group) which gathers most manufacturers and suppliers of the aerospace and defence industry. It aims at harmonising the response of the industry to existing and emerging environmental regulations, as well as aligning aerospace environmental standards. Airbus is also involved at the international level within ICAO to develop a global framework for the management of CO_2 emissions that will combine environmental standards with fair and level market conditions.

Similarly, the Group leads or participates in various European and international environmental working groups at ICAO, ATAG, ICCAIA, ASD, CAEP, WEF, and in national trade associations such as GIFAS in France, TEDAE in Spain, BDLI in Germany, and ADS in the UK.

ISO 14001 as a Basis for Environmental Management at Airbus Group

Airbus Group encourages the development and the maintenance of a robust ISO 14001 certified environmental management system, not only covering its operations, but also the full life cycle of its products and services.

In 2006, Airbus became the first aeronautical manufacturer to be certified for all its sites, products and services. With this ISO 14001 certification still in place today, Airbus has demonstrated its ability to continually improve its environmental performance. Airbus Helicopters has also achieved ISO 14001 certification in France, Germany, Spain, the UK, and more recently, in Singapore, Canada and the USA. Airbus Defence and Space operates a fully integrated Business Management System, and is also ISO 14001 certified.

In 2013, 83% of our employees were operating under the framework of ISO 14001.

Environment as a Recognised Competence at Airbus Group

The management of competences is essential to the continuous improvement of the environmental performance, and the Environment Faculty, part of the Corporate Governance Academy, is developing an improved competences and job catalogue. It provides a referential index of environmental competences, and will allow customised proficiency requirements based on the position of employees within the organisation.

5.5.2 Driving Innovation to Secure Growth in a Changing Environmental Context

In 2014, Airbus Group sustained its R&D expenses, investing €3,391 million on research and development, a large part of which results in product improvements with direct environmental benefits. Eco-efficient facilities and leaner processes are also a key investment area, and have made Airbus Group one of the leaders in energy-efficient operations.

Airbus Group and its Business Units apply eco-design principles to their R&D, considering the environmental footprint of products across their full life cycle for maximised eco-efficiency. For instance, Airbus integrates environmental criteria in its technology readiness levels gateways, whilst Airbus Helicopters is implementing an assessment methodology that mixes lean and environmental criteria to select the most eco-efficient manufacturing processes.

3D-printing: Additive Layer Manufacturing ("**ALM**"), also known as 3D printing, revolutionises production by drastically reducing waste in the manufacturing process, going from up to 95% with traditional means down to only 5% with ALM, allowing for significant time and cost savings. Airbus Defence and Space has been using ALM for its satellites and launchers since 2007. Airbus is gradually implementing ALM, with current uses in tooling, prototyping and manufacturing of flying parts. Eventually, Airbus plans to use ALM for parts that will fly in commercial aircraft. The Group continues to explore new applications for this promising technology.

New propulsion systems: The E-Fan successfully carried out its maiden flight in April 2014, and was awarded the prestigious Personal Aircraft Design Academy award the same year at the AirVenture Oshkosh Airshow. Airbus Group now intends to mature the aircraft for pilot training while also using it as a platform to develop the potential of electric propulsion. In addition to the E-Fan, Airbus Group is exploring hybrid propulsion systems, with programmes such as the E-Thrust (in cooperation with Rolls-Royce) which aims at reducing fuel consumption, emissions and noise through distributed propulsion. Airbus Helicopters is also constantly working on propulsion systems that decrease fuel consumption, noise and emissions, through its Bluecopter® technologies. In the framework of the European Clean Sky 2 programme launched in July, Airbus Helicopter will lead the design of LifeRCraft (Low Impact, Fast & Efficient RotorCraft), a compound rotorcraft which combines the speed and efficiency of a plane with the hovering capabilities of a helicopter as demonstrated by the X3.

Monitoring the Earth's atmosphere: Airbus Defence and Space's satellites assist authorities and companies in managing environmental challenges and issues by providing observation services that help quantify the effects of climate change, and provide high value geospatial-information in fields such as agriculture, deforestation or environment monitoring. Airbus Defence and Space will be the European Space Agency's ("**ESA**") prime contractor for the development and construction of the Sentinel-5 high-precision instrument which will monitor the composition of the atmosphere, in particular looking at trace gases and aerosols that impact the climate and air quality.

Finding safer alternatives to hazardous chemicals: As the Business Units are invested in the development, industrialisation, and qualification of safer alternatives to hazardous chemicals (*e.g.* cadmium and chromate), the Airbus Group Green Industrial Processes Project provides technical expertise and facilitates synergies in order to communalise some of the R&D. It helps reduce costs and mitigate risks, and also provides alerts and recommendations to support decision making.

5.5.3 Continually Improving the Environmental Performance of our Sites, Products and Services

Airbus Group considers the continuous improvement of its environmental performance through eco-efficiency as part of its environmental responsibility.

Improving the environmental performance of sites: The Airbus Group Energy Management Network has put great emphasis on harmonising processes across Airbus Group, in addition to specific energy-saving projects such as wood boilers in France, and combined heat and power units in Germany. A standardised procurement process for new buildings and refurbishments, launched in mid-2012, will save more than 8 million kilowatt hours per year on the Group's 4 largest sites, equalling the annual consumption of 2,500 households. A "Green IT" initiative aims at optimising existing data centres, and energy-related data is being managed on all site's metering equipment (*e.g.* for gas, water, electricity).

Airbus is running the Blue5 programme, which supports the implementation of reduction projects for energy, CO_2, water, waste, and VOC. The results are: -35% in energy use, -40.3% in CO_2 emission, -49% in water consumption, -37.8% in waste production, and -50.7% in VOC emission (revenues-based figures, baseline 2006).

The future Headquarters of Airbus Group will be a model of sustainability, meeting the most modern environmental standards set by the Building Research Establishment Environmental Assessment Method, a global reference for sustainable construction. The buildings will also be heated and air-conditioned by geothermal systems.

To monitor progress, and to comply with reporting obligations, Company-wide environmental reporting has been well implemented and is applied around clear guidelines through a data collection tool and a structured network. Both the reporting process and the consolidated data have been externally audited since 2010. In 2014, 13 environmental indicators have been verified, covering themes such as energy consumption, CO_2 emissions, waste production and water consumption. This environmental reporting also contributes to the overall Group's communication on progress for the UN Global Compact, and to the Carbon Disclosure Project, Compact. Results of last year's audit have shown the relevancy, maturity and reliability of the Company's environmental reporting.

Improving the environmental performance of products: The Airbus A350 XWB is designed to be eco-efficient throughout its life-cycle and will open new perspectives in terms of environmental performance in the long-range market, with 25% fuel consumption than the current generation of aircraft. Satisfying regulatory noise best standards, it also displays comfortable margins in hydrocarbon emissions (99% below limit), carbon monoxide emissions (86% below limit), smoke emission (60% below limit) or NOx emission (35% below limit). The new engine option developed for the A320 family, combined with large wing-tip devices (sharklets), will allow a 15% fuel economy compared to older generation aircraft.

In the meantime, the 152 A380s in service around the world have demonstrated a 20% reduction in fuel-burn and emissions compared to the competition.

Airbus Helicopters' EC145 T2 has demonstrated a substantial noise reduction (–8.5 dB below the threshold values of ICAO) thanks to its Fenestron® anti-torque system, and noise certification data demonstrate that this evolution decreases the cumulative certification noise levels by 5dB.

Airbus Defence and Space is developing electric engines as a satellite technology to replace chemical propulsion for orbit-raising manoeuvres. As part of ESA's Neosat project, future satellites will be designed to use electric propulsion to join their orbit after separation from the launcher, and to maintain their position once on station.

Sustainable fuels activity improving our products' environmental performance: In May 2014, an Airbus A330-200 of KLM Royal Dutch Airlines (flight KL767) undertook the longest commercial flight with sustainable jet fuel ever performed by an Airbus aircraft. The aircraft took off for a 10-hour flight from Schiphol airport to the Dutch Caribbean island of Aruba using a 20% blend of sustainable fuel made of used cooking oil. This flight was the first of a series of around 20 long-haul commercial flights in the frame of the ITAKA European initiative (Initiative Towards sustainable Kerosene for Aviation) which aims to speed up the commercialisation of aviation biofuels in Europe.

End-of-life solutions: More than 12,000 aircraft are due to retire from operation within the next 20 years. Airbus is acting proactively to address the need to manage the end of life of these aircraft in a sustainable way. With the TARMAC AEROSAVE platforms, Airbus and its partners have established 2 dedicated centres in France and Spain, where aircraft are decommissioned, dismantled and recycled in safe and environmentally responsible conditions.

In order to increase the recovery rate of materials at the end of life, Airbus is also leading a material recovery research project in collaboration with specialised companies involved in carbon fiber recycling.

Airbus Defence and Space is contributing in many ways to the space debris issue, developing mitigation measures (*e.g.* post-mission disposal capabilities for launchers and satellites, tools and training to support collision avoidance manoeuvres, and studies for the ESA's Space Situational Awareness programme) as well as improvement measures (*e.g.* several concepts for space debris removal).

The MBDA joint-venture in which Airbus Group owns 37.5% is proposing dismantling capabilities and expertise to manage the end of life of pyrotechnical products in a safe and sustainable way, supporting sales campaign and responding to the customers' increasing demand for end-of-life management solutions.

5.6 Research and Technology, Quality and Systems Engineering

The Corporate Technical Office ("**CTO**") organisation continued to support Airbus Group's Research and Technology activities in 2014 – working directly with the individual Business Units, while enhancing capabilities of the Group's Innovation Works research and development arm, which was renamed Airbus Group Innovations.

Reflecting the growing importance of information security and privacy, the CTO – through its Cyber Security Programme Directorate – focused on protecting Airbus Group's products, manufacturing systems and IT infrastructure against cyber-attacks. As part of this effort, it initiated cooperations with leading enterprises worldwide to share attack signatures and protection concepts; and moving forward, will launch further efforts in order to protect the interfaces with customers, partners and suppliers.

Another activity with Group-wide implications was the continued integration of systems engineering – which is the interdisciplinary approach to mastering large and complex systems in meeting a set of business and technical requirements – as directed by the CTO. Open source is an important topic concerning compliancy, and after three years, the initiative achieved an important step with the purchase of this tool for the entire Group.

The year also saw a number of advancements on key programmes for the CTO, including the E-FAN all-electric aircraft research platform – which performed its first flight during 2014, and also flew at its first international air shows in Berlin, Germany and Farnborough, England.

Much of this overall progress was achieved in Airbus Group Innovations' research laboratories. A particular highlight is the Line Tool System, which won Airbus' "Customer Added Value" award for the system development teaming that delivered an easy-maintenance, non-destructive system for the A350 XWB's composite fuselage. The Line Tool System's launch customer is Qatar Airways.

Meanwhile, the Airbus Group Innovations morphing systems project "active winglet and adaptive droop nose mechanism" was delivered in 2014, during which two major demonstrators were designed and delivered by Airbus Group Innovations for Airbus Helicopters' SARISTU "Advanced Wing" project.

Laying the foundation for activities in the years to come, a number of cooperation agreements were signed with companies that include U.S.-based Aerion for a supersonic business jet project (Airbus Defence and Space). In the UK, cooperation progressed with Cranfield University concerning advanced Additive Layer Manufacturing and AIRC (Airbus), while an extended partnership moved forward with the University of Surrey on space activities (Airbus Defence and Space). In Malaysia, a new memorandum of understanding was signed within the AMIC centre's framework with Rolls-Royce on aerospace supply chain development.

Also in 2014, the operations of two already-established start-ups were ramped up under the Innovation Nursery and Start-ups incubator: APWORKS, which focuses on advanced manufacturing engineering services, enlarged its 3D printing capabilities; while SPEETECT, a company for rapid detection of bacteria in water, is now looking for an external investor to expand funding for growth.

Technology licensing activities – which are coordinated through the CTO and managed by the Airbus Group Technology Licensing ("**ATL**") initiative – marked key milestones, as well, having overseen successful technology transfers within the aerospace industry and to sectors that include automotive, renewable energy, homeland security, safety and industrial manufacturing. During 2014, ATL signed several contracts with a diverse cross-section of companies – including Maserati, Mazak and Nexeya.

In addition, Datadvance – the joint venture between Airbus Group and the Russian Academy of Sciences – gained momentum for its MACROS software tool that is dedicated to simulation and optimisation. Now validated by Airbus Group Innovations, MACROS is largely deployed throughout Airbus' commercial divisions, and also is sold outside the Group.

To enhance customer satisfaction and loyalty, a quality improvement programme called Quest was launched in all Airbus Group divisions – with its deployment following the business needs and priorities of these respective units. Quest is fostering the integration of the Company by applying agreed-upon mandatory standards (*e.g.* a single Group-wide quality policy), a reduction of core tools from 200 to eight standard tools used everywhere, and a compulsory end-to-end approach to quality for new developments.

The Quest programme's Group-wide emphasis is on increasing customer focus and improving feedback loops in operations, ensuring robust practical problem-solving and providing teams with the means to perform tasks correctly the first time. A significant training, up-skilling and quality awareness programme has commenced as part of this programme, on top of the normal quality training schedule. More than 600 employees already have participated.

The CTO also worked to fully implement Product Lifecycle Management ("**PLM**"), which is a core industrial enabler for new Airbus Group products such as the X4, X6 helicopters, the Ariane 6 launcher and E-Fan, but also for incremental innovation developments in the Airbus commercial new engine option jetliner range. Achievements during 2014 included the simplification and streamlining of overall PLM governance, the release of a major international standard of interoperability (STEP AP242), and contributions to the successful ramp-up for Airbus Helicopters' EC175 programme by supporting on-time delivery of the advanced PLM suite.

The Ludwig Bölkow Campus – founded in 2012 on the Airbus Group campus in Ottobrunn, Germany – continued its own development, as well. The first research projects, initiated in 2013, are making good progress and the funding for additional projects – involving an increasing number of research institutions and companies (including several small and medium-sized enterprises) – was secured. Construction of the first two new operational buildings at the campus also began, with entry-into-service forecasted for 2015.

6. Financial Targets for 2015

As the basis for its 2015 guidance, Airbus Group expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes no major disruptions.

Airbus deliveries should be slightly higher than in 2014, and the commercial aircraft order book is again expected to grow.

In 2015, before mergers & acquisitions (M&A), Airbus Group expects an increase in revenues and targets a slight increase in EBIT* before one-off.

Based on its current view of the industrial ramp-up, Airbus Group targets breakeven free cash flow in 2015 before M&A.

Airbus Group targets its EPS and dividend per share to increase further in 2015.

7. Airbus Group Strategy

7.1 Commercial Leadership, Defence and Space Optimisation and Value Creation

The new Strategy 2.0 is not a revolution, but rather a natural evolution from Vision 2020. Airbus Group aims for leadership of the commercial aeronautics, military aircraft, and space markets. To achieve this, the Group is driving innovation, globalisation, services and value-chain optimisation, all of which will result in improved profitability and performance.

Internally, the Group needs to consolidate and adapt the way it works. Due to the current institutional budget downturn in our home markets, it is imperative to secure the profitability and competitive position of our defence and space business by improving the cost base and gaining access beyond home markets. Hence, the pooling of the Group's scattered defence activities in Airbus Defence and Space and streamlining the portfolio have been necessary steps, as well as the transformation programme launched in Airbus Helicopters.

Furthermore, to optimise the market recognition and value, and to continue the integration of the Group, the rebranding and renaming under a common Airbus brand for all key businesses have been important steps forward.

The 7 strategic paths of the Airbus Group Strategy are as follows:

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

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

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

Defence can no longer be a tool to manage and hedge against commercial cycles, but we aim to remain strong and actively shape our defence, space and government business. The focus will involve (i) developing high-performing, low-equity businesses such as missiles, launchers, combat and transport aircraft, entering into new growth areas when they are backed by government-funding, and (ii) focusing on productivity improvements both through internal means and in the context of European optimisation to enable efficiencies and improve the Group's positioning on export markets. In Space, the market is evolving and through the JV with Safran on a future Ariane 6, Airbus is creating a one-stop-shop. By vertically integrating prime role and propulsion provider, the objective is to gain cost control and competitiveness.

Some business areas have been identified as divestment candidates as they do not fit the strategic goals and for which the Company sees possibilities to increase their development potential in different set-ups. This concerns, first of all, the Group's commercial and para-public communication business (including Professional Mobile Radio and commercial satellite communications services activities), which will have better chances for growth and market success in different ownership structures. Airbus Group further intends to sell some of Airbus Defence and

Space' subsidiaries and participations, including Fairchild Controls, Rostock System-Technik, AvDef, ESG and Atlas Elektronik. For the Division's Security and Defence Electronics businesses further industrial alternatives will be explored in order to best develop and position these businesses for future growth and value creation. As for the Dassault investment, the focus is on an orderly exit to maximise value. Despite the Company's strong track record and good prospects, this minority stake has no strategic interest for Airbus Group.

3. **Pursue incremental innovation potential within product programmes while preparing next-generation breakthroughs and developing necessary skills and competencies required to compete in the future**

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

After many new product developments in recent years, the majority of the Group's revenues are generated today in segments where we have competitive, mature products that are far from the end of their lifecycle. Innovation will therefore focus on maintaining, expanding and continually leveraging the competitiveness of the current products. Focus will be to incrementally introduce innovations that differentiate the Group's current offering, preparing next generation game changers in areas that will shape the market and our future, while aligning R&T maps on Group level to ensure our long-term leadership more efficiently. A substantial effort is made to ensure that we are ahead of potential disruptions in our industry. In 2015, the Group will further strengthen its position in innovation hot-springs, like in Silicon Valley for which an Innovation-to-business centre is being planned as well as a venture capital arm.

In recent years, the industry has experienced an evolution towards "digitalisation", which translates into new thinking about business, innovation and opportunities by the integration of digital technologies into company and customer processes in order to create value and generate revenues. This digitalisation trend spreads in all industries with the combined effects of increased penetration of broadband connectivity, human-to-machine and machine-to-machine communication, miniaturisation of information storage & processing capabilities, and generation-Y talents entering the job markets. Airbus Group has decided to launch a fundamental digital transformation initiative. This transformation requires defining and driving a digital strategy at Group level, with concrete goals and objectives and will represent a major cultural change for the whole Group.

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

The Group benefits from having enough organic growth in the portfolio, but faces a profitability challenge. It is imperative to ensure financial performance parity with our peers to attract financing, invest in future products and growth, keep entrepreneurial independence and safeguard jobs. We will focus on fixing issues that result in poor performance or execution issues, while sustaining and expanding businesses with high performance in the portfolio. As a principle, there will be no-one to "pick-up the bill" when a business cannot deliver to its expectations.

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

Although European "by birth", Airbus Group has become the most international aerospace and defence company in the world and we will continue to build on this competitive advantage. The bulk of our backlog (80% versus 20%) as well as of our sales (60% versus 40%) comes from outside Europe. This global footprint is now reflected in the diversity of our staff and skills, with employees outside Europe more than doubling in the last five years. Most products today, and those foreseen for tomorrow, are single products for global markets competing with local ones. Locally, products may need to be adapted and definitely serviced, but the main logic going forward is that the industry will retain its "global products for local markets" dynamic. The Group will focus on a key set of countries and Group Executive Committee Members have been appointed for the coordination lead for such key countries. Greenfield approaches have proven to ensure us a controlled entry and real citizenship, whilst partnerships and acquisitions will be complementary tools. Airbus Group is streamlining its set-up by consolidating its international presence, for example in India, using a "one-roof" policy under the Airbus name.

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

The strategy going forward is to focus on services where the Group can differentiate and add value for its customers according to the motto "no one knows our products better then we". The Group will aim at developing long-term customer intimacy and bring competitive advantage to its customers. As services are executed locally, the portfolio will be adapted to the increasingly global customer base. The Group has doubled its revenues in the service segment between 2008 and 2013 to reach 15% of its total business. Looking ahead, cooperation with military customers is set to increase substantially through maintenance and support services for the several hundred military helicopters and aircraft Airbus Group expects to deliver in the coming years, including over 140 Eurofighter, over 160 A400M aircraft, and almost 100 Tiger helicopters. In commercial, with production rates well above 600 aircraft, the installed base is expanding rapidly, and new innovative services are being offered successfully.

7. **Strengthen the value chain position**

The Group's core capability is to master programme management and architect/integrator capabilities in order to market, develop and manufacture large-scale aeronautics/space platforms, integrated systems and related services. As the Group is much based on a strong platform prime role, managing the supplier base and ensure control of the value-add when delivering to the final customer, will be key. We aim to strengthen and optimise selected strategic value chain areas to protect our Intellectual property, manage risks, increase profit, access services and differentiate our offerings. The Group's suppliers provide a large proportion of the value in our products, necessitating a robust supply-chain governance framework, backed by processes and tools that foster partnership, risk mitigation and supplier performance development. Therefore the approach will be pragmatic and flexible and could lead to investing into vertical integration or divestments during the next years.

7.2 Key Divisional Priorities 2015

Airbus

- Ensure A350 XWB smooth entry-into-service with first customers; ramp-up production in line with target rate of 10 per month in 4 years.
- First delivery of A320neo by the fourth quarter of 2015.
- Validate design and advance industrial process for A330neo.
- Secure a smooth industrial transition between A330ceo and neo versions.
- Deliver extended range A330 242 tonne to first customers.

Airbus Helicopters

- Major military sales campaigns include Poland (EC725-type multi-role rotorcraft), South Korea (for medium twin civil and military helicopters in the EC155 category), Kuwait (EC725), and Qatar (NH90).
- Building on 2014's advances in services and support – underscored by the increasing fleet availability among customers and operators – the focus continues on reliability, timely deliveries of spares, and ensuring the maturity of new rotorcraft at service entry.
- An extended helicopter warranty offer, effective 1 January 2015, is aligned with the division-wide transformation plan and demonstrates the efforts placed on customer satisfaction.

Airbus Defence and Space

- Secure profitable growth by winning further business and strategic orders including Eurofighter exports, the MALE2020 development, further A330 MRTT export orders, satellite contracts, Ariane 6 contracts and export orders for naval and ground radars in new market.
- Shape the new Airbus Defence and Space business model by implementing the portfolio decisions in 2015, complete the industrial merger of Airbus Safran Launchers and invest in its core business to ensure competitiveness and leadership. This also covers the objective to look for the right partners and buyers for those areas identified for divestment to ensure a sustainable future for the businesses and a secure partner for our customers.
- Boost business excellence by delivering on industrial and financial promises, recovering on critical programmes (including A400M) and driving innovation and new business approaches.

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

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

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

- the financial statements for the year ended 31 December 2014 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company and undertakings included in the consolidation taken as a whole; and
- this Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2014 financial year of the Company and undertakings included in the consolidation taken as a whole, and the principal risks facing the Company have been described herein.

The Board of Directors

Denis Ranque, Chairman

Tom Enders, Chief Executive Officer

Manfred Bischoff, Director

Ralph Dozier Crosby, Jr., Director

Hans-Peter Keitel, Director

Hermann-Josef Lamberti, Director

Anne Lauvergeon, Director

Lakshmi N. Mittal, Director

Sir John Parker, Director

Michel Pébereau, Director

Josep Piqué i Camps, Director

Jean-Claude Trichet, Director

Leiden, 26 February 2015

Financial Statements 2014

(included in a separate booklet)

The financial information for 2014, as set forth below, forms part of the Documentation for the Annual General Meeting as well as the Registration Document 2014, and is incorporated by reference herein:

- Airbus Group Consolidated Financial Statements (IFRS);
- Notes to the Consolidated Financial Statements (IFRS);
- Company Financial Statements;
- Notes to the Company Financial Statements;
- Other supplementary Information including the Independent Auditor's report.

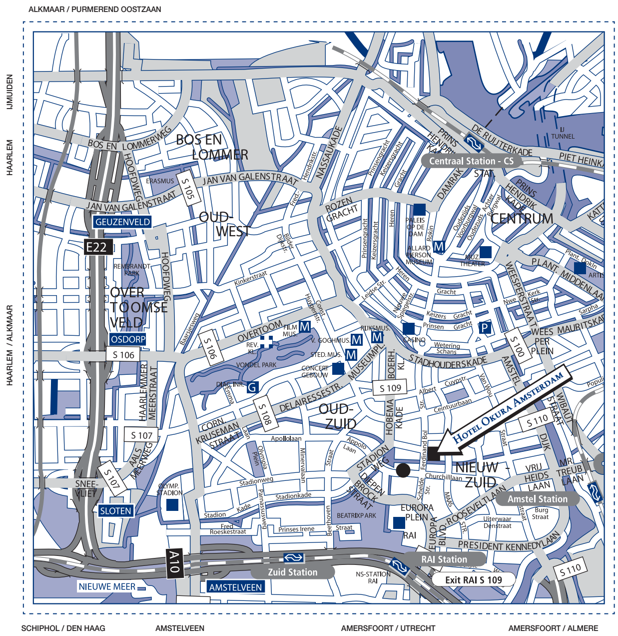
Copies of the financial information for 2014 are available at the following addresses:

- in The Netherlands: Mendelweg 30, 2333 CS, Leiden;
- in France: 4, rue du Groupe d'Or, bâtiment AURIGA, 31700 Blagnac and 5, quai Marcel Dassault, 92150 Suresnes;
- in Germany: Willy-Messerschmitt-Str. – Tor 1, 85521 Ottobrunn;
- in Spain: Avenida de Aragón 404, 28022 Madrid;
- on our website: **www.airbusgroup.com** (Investors & Shareholders);
- at Airbus Group Securities Department: BNP Paribas Securities Services, CTS Assemblées, 9, rue du Débarcadère – 93761 Pantin Cedex, France (Tel.: +33 1 57 43 35 00).

Useful Information

How to attend the Meeting

Hotel Okura Amsterdam,
Ferdinand Bolstraat 333,
1072 LH Amsterdam, The Netherlands
Tel.: +31 (0)20 678 71 11



By car

Hotel Okura is located at about 30 minutes from Amsterdam-Schiphol international airport, right next to the RAI Congress Center.

From all directions, follow Ring Amsterdam (A10). Exit RAI (S109) and turn right at the traffic lights, direction RAI / Centrum (S109).

Follow direction Zuid (S109). After passing the roundabout, take the second street on your right (Scheldestraat). After 500 metres, Hotel Okura appears on your right hand side.

Parking at the Hotel Okura Amsterdam.

By public transport

From Schiphol Airport

- **First itinerary:** Take the train (direct rail link of 15 minutes) to Centraal Station – in the main arrival plaza – and then see the hereafter indications.
- **Second itinerary:** Take a stop train, direction Lelystad Centrum, Hilversum or Utrecht Centraal to the first stop (Zuid Station), and then, follow the hereafter indications.
- **Third itinerary:** Take a stop train, direction Hilversum or Almere Oostvaarders to the RAI station, and then, follow the hereafter indications.

From Centraal Station – CS

Take the metro line 51, 53, or 54 to the fifth stop (Amstel Station) and then see the hereafter indications.

From RAI Station

Walk in the direction of Europa Boulevard. Go straight away to Europaplein and then to Scheldestraat. After 500 metres, Hotel Okura appears on your right hand side, just after the bridge. Walking time: 10 minutes.

From Amstel Station

Take the tram number 12, direction Station Sloterdijk, to the fifth stop (Scheldestraat, see the map ●), or bus number 15, direction Station Zuid, to the seventh stop (Scheldestraat, see the map ●). Walk in Churchilllaan for 100 metres, and then turn left in Ferdinand Bolstraat. After 100 metres, just after the bridge, Hotel Okura appears on your right hand side. Walking time: 3 minutes.

From Zuid Station

Take the bus number 65, direction KNSM Eiland, to the fourth stop (Scheldestraat, see the map ●). Walk in Churchilllaan for 100 metres, and then turn left in Ferdinand Bolstraat. After 100 metres, Hotel Okura appears on your right hand side, just after the bridge. Walking time: 3 minutes.

www.airbusgroup.com

Shareholders Information

Toll-free number from:

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Spain:	00 800 00 02 2002

Phone: +33 800 01 2001

E-mail box: ir@airbus.com

Airbus Group N.V.

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