Airbus Group N.V.

Financial Statements 2014

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1. AIRBUS GROUP N.V. - CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Airbus Group N.V.
IFRS Consolidated Income Statements
for the years ended 31 December 2014 and 2013

(In € million)	Note	2014	2013 [1]
Revenues	5, 6	**60,713**	**57,567**
Cost of sales	7	(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	8	(3,391)	(3,118)
Other income	9	330	272
Other expenses	10	(179)	(259)
Share of profit from investments accounted for under the equity method	16	840	434
Other income from investments	17	55	49
Profit before finance costs and income taxes	5	**3,991**	**2,570**
Interest income		142	161
Interest expense		(462)	(493)
Other financial result		(458)	(278)
Total finance costs	11	(778)	(610)
Income taxes	12	(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
Earnings per share		**€**	**€**
Basic	37	2.99	1.86
Diluted	37	2.99	1.85

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

(1) Previous year figures are adjusted due to the application of IFRS10 and IFRS11.

Airbus Group N.V.
IFRS Consolidated Statements of Comprehensive Income
for the years ended 31 December 2014 and 2013

(In € million)	2014	2013 [1]
Profit for the period	**2,350**	**1,483**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement of the defined benefit liability (asset)	(2,034)	(67)
Remeasurement of the defined benefit liability (asset) from investments using the equity method	(131)	(1)
Related tax on items that will not be reclassified to profit or loss	577	20
Items that will be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	244	(138)
Effective portion of changes in fair value of cash flow hedges	(6,748)	1,841
Net change in fair value of cash flow hedges transferred to profit or loss	358	425
Net change in fair value of available-for-sale financial assets	90	12
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(19)	(30)
Changes in other comprehensive income from investments accounted for using the equity method	(22)	(12)
Related tax on income and expense recognized directly in equity	1,961	(702)
Other comprehensive income, net of tax	**(5,724)**	**1,348**
Total comprehensive income of the period	**(3,374)**	**2,831**
Attributable to:		
Equity owners of the parent	(3,362)	2,829
Non-controlling interests	(12)	2

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(1) Previous year figures are adjusted due to the application of IFRS10 and IFRS11.

Airbus Group N.V.
IFRS Consolidated Statements of Financial Position
at 31 December 2014, 2013 and adjusted opening 1 January 2013

(In € million)	Note	2014	2013 [1]	Adjusted opening 2013 [1]
Assets				
Non-current assets				
Intangible assets	13	12,758	12,500	12,271
Property, plant and equipment	14	16,321	15,585	14,902
Investment property	15	67	69	72
Investments accounted for under the equity method	16	3,391	3,858	3,584
Other investments and other long-term financial assets	17	1,769	1,756	1,965
Non-current other financial assets	20	586	2,076	1,386
Non-current other assets	21	1,822	1,651	1,413
Deferred tax assets	12	5,717	3,733	4,425
Non-current securities	22	5,989	4,298	5,987
		48,420	**45,526**	**46,005**
Current assets				
Inventories	18	25,355	24,023	22,201
Trade receivables	19	6,798	6,628	6,183
Current portion of other long-term financial assets	17	167	132	271
Current other financial assets	20	1,164	1,591	1,444
Current other assets	21	2,389	1,960	1,934
Current tax assets		605	628	450
Current securities	22	3,183	2,585	2,331
Cash and cash equivalents	31	7,271	7,201	8,171
		46,932	**44,748**	**42,985**
Assets of disposal groups classified as held for sale	4	750	0	0
Total assets		**96,102**	**90,274**	**88,990**
Equity and liabilities				
Equity attributable to equity owners of the parent				
Capital stock		785	783	827
Share premium		4,500	5,049	7,253
Retained earnings		2,989	2,167	753
Accumulated other comprehensive income		(1,205)	2,915	1,511
Treasury shares		(8)	(50)	(84)
		7,061	**10,864**	**10,260**
Non-controlling interests		18	42	16
Total equity	23	**7,079**	**10,906**	**10,276**
Non-current liabilities				
Non-current provisions	25	10,400	9,604	9,411
Long-term financing liabilities	26	6,278	3,804	3,312
Non-current other financial liabilities	27	9,922	7,154	7,454
Non-current other liabilities	28	12,849	10,764	10,496
Deferred tax liabilities	12	1,130	1,454	1,459
Non-current deferred income	30	267	237	211
		40,846	**33,017**	**32,343**
Current liabilities				
Current provisions	25	5,712	5,222	5,940
Short-term financing liabilities	26	1,073	1,826	1,463
Trade liabilities	29	10,183	9,668	9,271
Current other financial liabilities	27	3,480	1,465	1,712
Current other liabilities	28	25,222	26,570	26,485
Current tax liabilities		738	616	441
Current deferred income	30	1,089	984	1,059
		47,497	**46,351**	**46,371**
Liabilities of disposal groups classified as held for sale	4	680	0	0
Total liabilities		**89,023**	**79,368**	**78,714**
Total equity and liabilities		**96,102**	**90,274**	**88,990**

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

(1) Previous year figures are adjusted due to the application of IFRS10 and IFRS11.

Airbus Group N.V.
IFRS Consolidated Statements of Cash Flows
for the years ended 31 December 2014 and 2013

(In € million)	Note	2014	2013 [1]
Profit for the period attributable to equity owners of the parent (Net income) [1]		**2,343**	**1,473**
Profit for the period attributable to non-controlling interests		7	10
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(142)	(161)
Interest expense		462	493
Interest received		99	99
Interest paid		(303)	(304)
Income tax expense		863	477
Income taxes paid		(115)	(243)
Depreciation and amortization		2,150	1,927
Valuation adjustments		562	48
Results on disposals of non-current assets		(93)	(58)
Results of investments accounted for by the equity method		(840)	(434)
Change in current and non-current provisions		415	816
Reimbursement from / contribution to plan assets		(462)	(223)
Change in other operating assets and liabilities:		**(2,386)**	**(2,091)**
- Inventories		(3,252)	(3,102)
- Trade receivables		(700)	(83)
- Trade liabilities		130	522
- Advance payments received		1,715	580
- Other assets and liabilities		(387)	311
- Customer financing assets		124	(327)
- Customer financing liabilities		(16)	8
Cash provided by operating activities		**2,560**	**1,829**
Investments:			
- Purchases of intangible assets, property, plant and equipment, investment property		(2,548)	(2,918)
- Proceeds from disposals of intangible assets, property, plant and equipment, investment property		232	48
- Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	31	(47)	(16)
- Proceeds from disposals of subsidiaries (net of cash)	31	(34)	0
- Payments for investments in associates, joint ventures, other investments and other long-term financial assets		(36)	(293)
- Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		1,083	154
- Dividends paid by companies valued at equity		143	146
Payments for investments in securities		(5,526)	(1,398)
Proceeds from disposals of securities		3,510	2,665
Cash (used for) investing activities		**(3,223)**	**(1,612)**
Increase in financing liabilities		2,038	1,667
Repayment of financing liabilities		(1,108)	(534)
Cash distribution to Airbus Group N.V. shareholders		(587)	(467)
Dividends paid to non-controlling interests		(2)	(2)
Changes in capital and non-controlling interests		52	171
Change in treasury shares		102	(1,915)
Cash provided by (used for) financing activities		**495**	**(1,080)**
Effect of foreign exchange rate changes on cash and cash equivalents		256	(107)
Net increase (decrease) in cash and cash equivalents		**88**	**(970)**
Cash and cash equivalents at beginning of period		**7,201**	**8,171**
Cash and cash equivalents at end of period		**7,289**	**7,201**
Thereof presented as cash and cash equivalents		7,271	7,201
Thereof presented as part of disposal groups classified as held for sale		18	0

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

(1) Previous year figures are adjusted due to the application of IFRS10 and IFRS11.

Airbus Group N.V.

IFRS Consolidated Statements of Changes in Equity
for the years ended 31 December 2014 and 2013

(In € million)	Note	Equity attributable to equity holders of the parent								Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Accumulated other comprehensive income			Treasury shares	Total		
					Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments				
Balance at 31 December 2012, as reported		**827**	**7,253**	**894**	**563**	**(417)**	**1,367**	**(84)**	**10,403**	**17**	**10,420**
Adjustments [1]		0	0	(141)	31	(7)	(26)	0	(143)	(1)	(144)
Balance at 1 January 2013, adjusted [1]		**827**	**7,253**	**753**	**594**	**(424)**	**1,341**	**(84)**	**10,260**	**16**	**10,276**
Profit for the period [1]		0	0	1,473	0	0	0	0	1,473	10	1,483
Other comprehensive income [1]		0	0	(48)	31	1,525	(152)	0	1,356	(8)	1,348
Total comprehensive income of the period [1]		0	0	1,425	31	1,525	(152)	0	2,829	2	2,831
Capital increase	23	9	233	0	0	0	0	0	242	2	244
Capital decrease	23	0	(74)	0	0	0	0	0	(74)	0	(74)
Share-based Payment (IFRS 2)	35	0	0	107	0	0	0	0	107	0	107
Cash distribution to Airbus Group N.V. Shareholders / dividends paid to non-controlling interests		0	(467)	0	0	0	0	0	(467)	(2)	(469)
Equity transaction (IAS 27)		0	0	(118)	0	0	0	0	(118)	24	(94)
Change in non-controlling interests		0	0	0	0	0	0	0	0	0	0
Change in treasury shares	23	0	0	0	0	0	0	0	0	0	0
Cancellation of treasury shares	23	(53)	(1,896)	0	0	0	0	34	(1,915)	0	(1,915)
Balance at 31 December 2013, adjusted [1]		**783**	**5,049**	**2,167**	**625**	**1,101**	**1,189**	**(50)**	**10,864**	**42**	**10,906**
Profit for the period		0	0	2,343	0	0	0	0	2,343	7	2,350
Other comprehensive income		0	0	(1,585)	45	(4,411)	246	0	(5,705)	(19)	(5,724)
Total comprehensive income of the period		0	0	758	45	(4,411)	246	0	(3,362)	(12)	(3,374)
Capital increase	23	2	50	0	0	0	0	0	52	0	52
Capital decrease	23	0	(12)	0	0	0	0	0	(12)	0	(12)
Share-based Payment (IFRS 2)	35	0	0	(5)	0	0	0	0	(5)	0	(5)
Cash distribution to Airbus Group N.V. Shareholders / dividends paid to non-controlling interests		0	(587)	0	0	0	0	0	(587)	(2)	(589)
Equity transaction (IAS 27)		0	0	(3)	0	0	0	0	(3)	7	4
Change in non-controlling interests		0	0	0	0	0	0	0	0	(17)	(17)
Change in treasury shares	23	0	0	72	0	0	0	0	72	0	72
Cancellation of treasury shares	23	0	0	0	0	0	0	42	42	0	42
Balance at 31 December 2014		**785**	**4,500**	**2,989**	**670**	**(3,310)**	**1,435**	**(8)**	**7,061**	**18**	**7,079**

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).
(1) Previous year figures are adjusted due to the application of IFRS10 and IFRS11.

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

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BASIS OF PRESENTATION

1. The Company

The accompanying IFRS Consolidated Financial Statements present the financial position and the result of the operations of **Airbus Group N.V.** (formerly European Aeronautic Defence and Space Company EADS N.V.) and its subsidiaries (the "Group"), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands). On 1 January 2014, the Group has been rebranded from EADS to Airbus Group as part of a wider reorganization including integration of the Group's defence and space activities. The Group's core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems, defence electronics and the rendering of services related to these activities. Airbus Group has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Consolidated Financial Statements were authorised for issue by the Group's Board of Directors on 26 February 2015. They are prepared and reported in euro ("€"), and all values are rounded to the nearest million appropriately.

2. Summary of Significant Accounting Policies

Basis of preparation — The Group's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code. The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain items for which other measurement models are used in accordance with the applicable Standards' requirements. The measurement models used when the historical cost model does not apply (mainly in the area of fair value measurement of derivative financial instruments and employee benefits) are further described below.

In accordance with Article 402 Book 2 of the Netherlands Civil Code the Statement of Income of the **Airbus Group N.V. company financial statements** is presented in abbreviated form.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in the last subsection "Management judgment and use of Accounting Estimates" of this Note 2.

The Group changed the presentation of its Consolidated Financial Statements to one comparison period in line with prevailing practice of other European public companies.

New, revised or amended IFRS Standards

The IFRS accounting principles applied by the Group for preparing its 2014 year-end Consolidated Financial Statements are the same as for the previous financial year except for the application of new or amended Standards as detailed below.

The application of the following amendments to IFRS is mandatory for the Group for the fiscal year starting 1 January 2014. Their application did not have a material impact on the Group's Consolidated Financial Statements as well as its basic and diluted earnings per share.

Amendments to IAS 32 "Financial Instruments: Presentation" clarifying the IASB's requirements for offsetting financial instruments.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" provide an exception to the requirement for the discontinuation of hedge accounting in IAS 39 and IFRS 9 in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations.

In 2011, the IASB issued **IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities"** and **consequential amendments to IAS 27 "Separate Financial Statements" and to IAS 28**

"Investments in Associates and Joint Ventures". In 2012, the IASB issued the Transition Guidance (Amendments for IFRS 10, IFRS 11 and IFRS 12). The main purpose of the new set of standards is the introduction of i) one consistent principle of control applicable for the consolidation assessment of all kinds of entities, ii) the distinction between two types of joint arrangement, joint ventures and joint operations based on the rights and obligations arising from the underlying arrangement, iii) termination of the proportionate method for recognition of joint ventures and iv) disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, structured entities (formerly referred to as "special purpose entities") and off-balance sheet vehicles in one single standard (see "Consolidation").

The first time application of IFRS 10 and IFRS 11 had an impact on Airbus Group's Consolidated Financial Statements: The application of the new control concept as defined by IFRS 10 resulted in the exclusion of five structured entities which were previously fully consolidated from the consolidation scope (see Note 3 "Scope of consolidation"). Additionally, twelve entities which were previously classified as joint ventures under IAS 31 and consolidated using the proportional consolidation method in accordance with the Airbus Group accounting policy choice under IAS 31 are now accounted for using the equity method (see significant policy relative to joint arrangements). Accordingly, application of IFRS 11 had a material impact on the Group's financial statements. The first time application of IFRS 11 did not result in any reassessment regarding the classification of Airbus Group entities as joint ventures.

The following tables summarise the impacts on the comparative information on the Group's financial position, income statement and statement of cash flows resulting from the change in consolidation scope:

Consolidated statement of financial position as at 31 December 2013

(In € million)	As previously reported	IFRS 10 and 11	As restated
Assets			
Non-current assets			
Intangible assets	13,653	(1,153)	12,500
Property, plant and equipment	15,856	(271)	15,585
Investment property	69	0	69
Investments accounted for under the equity method	2,902	956	3,858
Other investments and other long-term financial assets	1,864	(108)	1,756
Non-current other financial assets	2,076	0	2,076
Non-current other assets	1,653	(2)	1,651
Deferred tax assets	3,840	(107)	3,733
Non-current securities	4,300	(2)	4,298
	46,213	**(687)**	**45,526**
Current assets			
Inventories	25,060	(1,037)	24,023
Trade receivables	7,239	(611)	6,628
Current portion of other long-term financial assets	181	(49)	132
Current other financial assets	1,557	34	1,591
Current other assets	2,074	(114)	1,960
Current tax assets	632	(4)	628
Current securities	2,590	(5)	2,585
Cash and cash equivalents	7,765	(564)	7,201
	47,098	**(2,350)**	**44,748**
Total assets	**93,311**	**(3,037)**	**90,274**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock	783	0	783
Share premium	5,049	0	5,049
Retained earnings	2,300	(133)	2,167
Accumulated other comprehensive income	2,929	(14)	2,915
Treasury shares	(50)	0	(50)
	11,011	**(147)**	**10,864**
Non-controlling interests	43	(1)	42
Total equity	**11,054**	**(148)**	**10,906**
Non-current liabilities			
Non-current provisions	10,046	(442)	9,604
Long-term financing liabilities	3,956	(152)	3,804
Non-current other financial liabilities	7,158	(4)	7,154
Non-current other liabilities	10,790	(26)	10,764
Deferred tax liabilities	1,487	(33)	1,454
Non-current deferred income	239	(2)	237
	33,676	**(659)**	**33,017**
Current liabilities			
Current provisions	5,323	(101)	5,222
Short-term financing liabilities	1,645	181	1,826
Trade liabilities	10,372	(704)	9,668
Current other financial liabilities	1,467	(2)	1,465
Current other liabilities	28,159	(1,589)	26,570
Current tax liabilities	616	0	616
Current deferred income	999	(15)	984
	48,581	**(2,230)**	**46,351**
Total liabilities	**82,257**	**(2,889)**	**79,368**
Total equity and liabilities	**93,311**	**(3,037)**	**90,274**

Consolidated statement of financial position as at 1 January 2013

(In € million)	As previously reported	IFRS 10 and 11	As restated
Assets			
Non-current assets			
Intangible assets	13,429	(1,158)	12,271
Property, plant and equipment	15,196	(294)	14,902
Investment property	72	0	72
Investments accounted for under the equity method	2,662	922	3,584
Other investments and other long-term financial assets	2,115	(150)	1,965
Non-current other financial assets	1,386	0	1,386
Non-current other assets	1,415	(2)	1,413
Deferred tax assets	4,532	(107)	4,425
Non-current securities	5,987	0	5,987
	46,794	**(789)**	**46,005**
Current assets			
Inventories	23,216	(1,015)	22,201
Trade receivables	6,788	(605)	6,183
Current portion of other long-term financial assets	287	(16)	271
Current other financial assets	1,448	(4)	1,444
Current other assets	2,046	(112)	1,934
Current tax assets	458	(8)	450
Current securities	2,328	3	2,331
Cash and cash equivalents	8,756	(585)	8,171
	45,327	**(2,342)**	**42,985**
Total assets	**92,121**	**(3,131)**	**88,990**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock	827	0	827
Share premium	7,253	0	7,253
Retained earnings	894	(141)	753
Accumulated other comprehensive income	1,513	(2)	1,511
Treasury shares	(84)	0	(84)
	10,403	**(143)**	**10,260**
Non-controlling interests	17	(1)	16
Total equity	**10,420**	**(144)**	**10,276**
Non-current liabilities			
Non-current provisions	9,850	(439)	9,411
Long-term financing liabilities	3,506	(194)	3,312
Non-current other financial liabilities	7,458	(4)	7,454
Non-current other liabilities	10,524	(28)	10,496
Deferred tax liabilities	1,502	(43)	1,459
Non-current deferred income	212	(1)	211
	33,052	**(709)**	**32,343**
Current liabilities			
Current provisions	6,039	(99)	5,940
Short-term financing liabilities	1,273	190	1,463
Trade liabilities	9,921	(650)	9,271
Current other financial liabilities	1,715	(3)	1,712
Current other liabilities	28,183	(1,698)	26,485
Current tax liabilities	458	(17)	441
Current deferred income	1,060	(1)	1,059
	48,649	**(2,278)**	**46,371**
Total liabilities	**81,701**	**(2,987)**	**78,714**
Total equity and liabilities	**92,121**	**(3,131)**	**88,990**

Consolidated income statement for the year ended 31 December 2013

(In € million)	As previously reported	IFRS 10 and 11	As restated
Revenues	**59,256**	**(1,689)**	**57,567**
Cost of sales	(50,895)	1,282	(49,613)
Gross margin	**8,361**	**(407)**	**7,954**
Selling expenses	(1,217)	77	(1,140)
Administrative expenses	(1,696)	74	(1,622)
Research and development expenses	(3,160)	42	(3,118)
Other income	236	36	272
Other expenses	(263)	4	(259)
Share of profit from investments accounted for under the equity method	295	139	434
Other income from investments	51	(2)	49
Profit before finance costs and income taxes	**2,607**	**(37)**	**2,570**
Interest income	168	(7)	161
Interest expense	(497)	4	(493)
Other financial result	(301)	23	(278)
Total finance costs	(630)	20	(610)
Income taxes	(502)	25	(477)
Profit for the period	**1,475**	**8**	**1,483**
Attributable to:			
Equity owners of the parent **(Net income)**	1,465	8	1,473
Non-controlling interests	10	0	10

EPS 2013 reported: basic 1.85, diluted 1.84 / EPS 2013 restated due to the application of IFRS 10 and 11: basic 1.86, diluted 1.85

Consolidated statements of cash flows as of 31 December 2013

(In € million)	As previously reported	IFRS 10 and 11	As restated
Profit for the period attributable to equity owners of the parent (Net income)	**1,465**	**8**	**1,473**
Profit for the period attributable to non-controlling interests	10	0	10
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income	(168)	7	(161)
Interest expense	497	(4)	493
Interest received	119	(20)	99
Interest paid	(323)	19	(304)
Income tax expense	502	(25)	477
Income taxes paid	(243)	0	(243)
Depreciation and amortization	1,968	(41)	1,927
Valuation adjustments	16	32	48
Results on disposals of non-current assets	(58)	0	(58)
Results of investments accounted for by the equity method	(295)	(139)	(434)
Change in current and non-current provisions	605	211	816
Reimbursement from / contribution to plan assets			(223)
Change in other operating assets and liabilities:	**(2,164)**	**73**	**(2,091)**
- Inventories	(3,151)	49	(3,102)
- Trade receivables	(58)	(25)	(83)
- Trade liabilities	584	(62)	522
- Advance payments received	513	67	580
- Other assets and liabilities	267	44	311
- Customer financing assets	(214)	(113)	(327)
- Customer financing liabilities	(105)	113	8
Cash provided by operating activities	**1,931**	**121**	**1,829**
Investments:			
- Purchases of intangible assets, property, plant and equipment, investment property	(2,949)	31	(2,918)
- Proceeds from disposals of intangible assets, property, plant and equipment, investment property	60	(12)	48
- Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	(16)	0	(16)
- Proceeds from disposals of subsidiaries (net of cash)	0	0	0
- Payments for investments in associates, joint ventures, other investments and other long-term financial assets	(292)	(1)	(293)
- Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets	157	(3)	154
- Dividends paid by companies valued at equity	52	94	146
Payments for investments in securities	(1,401)	3	(1,398)
Proceeds from disposals of securities	2,673	(8)	2,665
Change in cash from changes in consolidation	(26)	26	0
Cash (used for) investing activities	**(1,742)**	**130**	**(1,612)**
Increase in financing liabilities	1,679	(12)	1,667
Repayment of financing liabilities	(534)	0	(534)
Cash distribution to Airbus Group N.V. shareholders	(467)	0	(467)
Dividends paid to non-controlling interests	(2)	0	(2)
Changes in capital and non-controlling interests	171	0	171
Change in treasury shares	(1,915)	0	(1,915)
Cash (used for) financing activities	**(1,068)**	**(12)**	**(1,080)**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	(112)	5	(107)
Net (decrease) in cash and cash equivalents	**(991)**	**244**	**(970)**
Cash and cash equivalents at beginning of period	**8,756**	**(585)**	**8,171**
Cash and cash equivalents at end of period	**7,765**	**(341)**	**7,201**

New, revised or amended IFRS Standards and Interpretations issued but not yet applied

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2014 and have not been applied in preparing these Consolidated Financial Statements and early adoption is not planned:

Standards and amendments	IASB effective date for annual reporting periods beginning on or after	Endorsement status
IFRS 9 Financial instruments	1 January 2018	Not yet endorsed
IFRS 15 Revenue from contracts with customers	1 January 2017	Not yet endorsed
Amendment to IAS 1 Disclosure initiative	1 January 2016	Not yet endorsed
Amendments to IFRS 10 & IAS 28 Sale or contribution of assets between an investor and its associate or Joint Venture	1 January 2016	Not yet endorsed
Amendments to IFRS 11 Accounting for acquisition of interests in joint operations	1 January 2016	Not yet endorsed
Amendments to IAS 16 & IAS 38 Clarification of acceptable methods of depreciation and amortisation	1 January 2016	Not yet endorsed
Amendments to IAS 19 Defined Benefit Plans: Employee Contribution	1 July 2014	17 December 2014
Annual improvements to IFRSs:		
- 2010-2012 Cycle, IFRSs 2011-2013 Cycle	1 July 2014	17 December 2014
- 2012-2014 Cycle	1 January 2016	18 December 2014
IFRIC 21 Levies	1 January 2014	13 June 2014

The potential impacts from the application of those newly issued standards and amendments are currently under investigation. If not otherwise stated, these new, revised or amended IFRS are not expected to have a material impact on the Group's Consolidated Financial Statements as well as its basic and diluted earnings per share.

IFRS 9 – "Financial instruments"

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

Assessment of materiality of IFRS 9 impact on the Group's Financial Statements is currently being performed.

IFRS 15 – "Revenue from contracts with customers"

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

The implementation of the Standard is expected to considerably impact the Group's Financial Statements and is currently under assessment.

Amendments to IAS 1– Disclosure initiative

These amendments to IAS 1 Presentation of Financial Statements address some of the concerns expressed about existing presentation and disclosure requirements and ensure that entities are able to use judgement when applying IAS 1.

Amendments to IFRS 10 & IAS 28 – "Sale or contribution of assets between an investor and its associate or Joint Venture"

The amendments address an acknowledged inconsistency between the respective requirements in IFRS 10 and in IAS 28, when determining impacts from the sale or contribution of assets between an investor and its associate or joint venture in exchange for shares in the associate or Joint Venture.

Amendments to IFRS 11 – "Accounting for acquisition of interests in joint operations"

These amendments provide guidance on the accounting for the acquisition of a joint operation that constitutes a business as defined under IFRS 3 "Business combinations" and the creation of a joint operation from an existing business which is contributed to the joint operation by one of the parties which participates in the joint operation. The amendments state that the principles on accounting for business combinations in IFRS 3 and other standards should be applied.

Amendments to IAS 16 & IAS 38 – "Clarification of acceptable methods of depreciation and amortisation"

The amendments of IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments of IAS 38 introduce a presumption that revenue is not an appropriate basis for amortisation except in limited circumstances.

Amendment to IAS 19 "Defined Benefit Plans: Employee Contribution"

The amendments clarify which employee (or third party) contributions may be accounted for as a reduction of the service cost in the period in which the related service is rendered.

IFRIC 21 "Levies"

This interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what is the obligating event that gives rise to pay a levy and when should a liability be recognized.

Significant Accounting Policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

Consolidation – The Group's Consolidated Financial Statements include the financial statements of all material entities controlled by the Group. An entity is controlled by the Group regardless the level of the Group's equity interest in the entity, when the Group has power over the entity, when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to use its power to affect those returns.

In determining whether control exists, the Group considers all relevant facts and circumstances to assess its control over an entity such as contractual commitments and potential voting rights held by the Group if they are substantive.

"Subsidiaries" are all kind of entities controlled by the Group including so-called Structured Entities ("SE") which are created to accomplish a narrow and well-defined objective and for which control is usually not purely assessed by majority of voting rights but based on assessment of contractual arrangements.

Subsidiaries are fully consolidated from the date control has been transferred to the Group and de-consolidated from the date control ceases. The Group's subsidiaries prepare their financial statements at the same reporting date as the Group's Consolidated Financial Statements and apply the same accounting policies for similar transactions.

Business Combinations – Business combinations are accounted for under the acquisition method of accounting as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill is measured at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Before recognising a gain on a purchase in the Consolidated Income Statement, a reassessment is made of whether all of the assets acquired and all of the liabilities assumed have been correctly identified and a review is undertaken of the measurement procedures used.

Any non-controlling interest will be measured at either fair value (full goodwill method), or at its proportionate interest in the identifiable assets and liabilities of the acquiree (partial goodwill method), on a transaction-by-transaction basis.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised separately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Impacts of the replacement of share-based payments awards are included in the measurement of the consideration transferred in a business combination in accordance with the measurement method of IFRS 2 *Share-based Payment* at the acquisition date.

Goodwill is tested for impairment in the fourth quarter of each financial year and whenever there is an indication for impairment. After initial recognition goodwill is measured at cost less accumulated impairment losses. For impairment testing purpose, goodwill is allocated to those Cash Generating Units ("CGUs") or group of CGUs that are expected to benefit from the synergies arising from the business combination.

***Interests in equity-accounted investees* –** Airbus Group's interest in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which Airbus Group exercises its significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the entity but it does not have the power to control or jointly control the entity. Significant influence in an entity is presumed to exist when the Group owns 20% or more of the entity's voting rights.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associate and a joint venture are accounted for using the equity method and are initially recognised at cost. The investments in associates include goodwill as recognised at the acquisition date net of any accumulated impairment loss. The entire carrying amount of the investments is tested for impairment when required (see "Impairment of financial assets").

The investments' carrying amount is adjusted by the cumulative movements in recognised income, expense and other comprehensive income. When the Group's share in losses equals or exceeds its interest in an associate or joint venture, including any other unsecured receivables, no further losses are recognised, unless the Group has incurred obligations or made payments on behalf of the associate or joint venture respectively.

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

***Joint operations* –** A joint operation is a joint arrangement where the parties that have joint control (i.e. joint operators) have direct rights to the assets and obligations for the liabilities of the arrangement. The joint operator will have direct access and exposure to the income and expenses generated by the use of the assets and liabilities it makes available throughout the entire terms of the arrangement. IFRS 11 requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement applicable to the particular assets, liabilities, revenues and expenses.

***Foreign currency translation* –** The Consolidated Financial Statements are presented in euro. A legal entity's functional currency is the currency of the primary economic environment in which the entity operates. The assets and liabilities of foreign entities, whose functional currency is other than euro, are translated using period-end exchange rates, whilst the statements of income are translated using average exchange rates during the period, approximating the foreign exchange rate at the dates of the transactions. All resulting translation differences are recognised as a separate component of total equity ("Accumulated other comprehensive income" or "AOCI"). If a foreign subsidiary is a not wholly owned, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

Transactions in currencies other than the functional currency are translated into the functional currency at the foreign exchange rate prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currency at the exchange rate in effect at that date. These foreign exchange gains and losses arising from translation are recognised in the Consolidated Income Statement except when deferred in equity as qualifying cash flow hedges.

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

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative translation reserve is allocated to non-controlling interests. When the Group disposes of only part of its investment in an associate or in a joint arrangement that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative translation reserve is reclassified to profit or loss.

Current and non-current assets and liabilities – The classification of an asset or liability as current or non-current in general depends on whether the item is related to serial production or subject to long-term production. In the serial production business, an asset or liability is classified as current when the item is realised or settled within 12 months after the reporting period, and as non-current otherwise. In the construction contract business, an asset or liability is classified as current when the item is realised or settled within the Group's normal operating cycle for such contracts, and as non-current otherwise. As a result, assets and liabilities relating to the construction contract business, such as inventories, trade receivables and payables and receivables from Percentage of Completion ("PoC"), that are sold, consumed or settled as part of the normal operating cycle are classified as current even when they are not expected to be realised within 12 months after the reporting period.

Revenue recognition – Revenue is recognised to the extent that it is probable that the economic benefit arising from the ordinary activities of the Group will flow to Airbus Group, that revenue can be measured reliably and that the recognition criteria, as stated below for each type of revenue-generating activity, have been met. Revenue is measured at the fair value of the consideration received or receivable after deducting any discounts, rebates, liquidated damages and value added tax. For the preparation of the Consolidated Income Statement intercompany revenues are eliminated.

Revenues from the sale of goods are recognised upon the transfer of risks and rewards of ownership to the buyer which is generally on delivery and acceptance of the goods.

Revenues from services rendered are recognised in proportion to the stage of completion of the transaction at the end of the reporting period.

Interest income from financing activities undertaken by the Group's financial service providers are recognised using the effective interest rate method and are reported as revenues.

When the Group entities provide more than one element of revenue in a contract (goods and/or services), the consideration received is allocated by reference to the relative fair values of the separate elements of revenue when the amounts are separately identifiable.

For construction contracts, when the outcome can be estimated reliably, revenues and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

Contract revenues includes the purchase price agreed with the customer considering escalation formulas, contract amendments and claims and penalties when assessed probable.

Depending on the nature of the contract, the percentage of completion is determined, and revenue recognised, as contractually agreed technical milestones are reached, as units are delivered or as the work progresses. Whenever the outcome of a construction contract cannot be estimated reliably – for example during the early stages of a contract or when this outcome can no longer be estimated reliably during the course of a contract's completion – all related contract costs that are incurred are immediately expensed and revenues are recognised only to the extent of those costs being recoverable ("early stage method of accounting"). Once the outcome of such contracts can (again) be estimated reliably, revenue is accounted for according to the PoC method henceforward, without restating the revenues previously recorded under the early stage method of accounting. The effects of a change in the estimate of contract revenue or contract cost, or the effect of a change in the estimate of the outcome of a contract are recognized in profit or loss in the period in which the changes are made and in subsequent periods. Contracts are reviewed regularly and in case of probable losses, loss-at-completion provisions are recorded. For construction contracts such loss-at-completion provisions are not discounted.

Construction contract accounting is applied for military programmes, space projects as well as for launch customer contracts in the civil aircraft business if customers have significantly influenced the structural design and technology of the aircraft type under the contract. Considering certain airline customer's increasing involvement in the development and production process of the A350 XWB programme, Airbus applies IAS 11 to a fixed number of launch customer contracts of the A350 XWB programme for existing backlog. This change in accounting policy has no material effect on Airbus Group Financial Statements and is thus applied prospectively.

Sales of aircraft that include asset value guarantee commitments are accounted for as operating leases when these commitments are considered substantial compared to the fair value of the related aircraft. Revenues then comprise lease income from such operating leases.

Revenue related to construction or upgrade services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts.

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

Dividend income / distributions **–** Dividend income as well as the obligation to distribute dividends to the Group's shareholders is recognised when the shareholders' right to receive payment is established (see "Available for sale financial assets").

Leasing **–** The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of (i) whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and (ii) the arrangement conveys a right to use the asset(s).

The Group is a lessor and a lessee of assets, primarily in connection with commercial aircraft sales financing. Lease transactions where substantially all risks and rewards incident to ownership are transferred from the lessor to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases.

Assets leased out under operating leases are included in property, plant and equipment at cost less accumulated depreciation (see Note 14 "Property, plant and equipment"). Rental income from operating leases (*e.g.* aircraft) is recorded as revenue on a straight-line basis over the term of the lease. Assets leased out under finance leases cease to be recognised in the Consolidated Statement of Financial Position after the inception of the lease. Instead, a finance lease receivable representing the discounted future lease payments to be received from the lessee plus any discounted unguaranteed residual value is recorded as part of other long-term financial assets (see Note 17 "Other investments and other long-term financial assets"). Unearned finance income is recorded over time in "Interest income". Revenues and the related cost of sales are recognised at the inception of the finance lease.

Assets obtained under finance leases are included in property, plant and equipment at cost less accumulated depreciation and impairment if any (see Note 14 "Property, plant and equipment"), and give rise to an associated liability from finance leases. If such assets are further leased out to customers, they are classified either as an operating lease or as a finance lease, with the Group being the lessor (headlease-sublease transactions), and accounted for accordingly. When the Group is the lessee under an operating lease contract, rental payments are recognised on a straight line basis over the lease term (see Note 33 "Commitments and contingencies" for future operating lease commitments). An operating lease may also serve as a headlease in a headlease-sublease transaction. If so, the related sublease is an operating lease as well. Headlease-sublease transactions typically form part of commercial aircraft customer financing transactions.

Product-related expenses **–** Expenses for advertising, sales promotion and other sales-related expenses are charged to expense as incurred. Provisions for estimated warranty costs are recorded at the time the related sale is recorded.

Research and development expenses **–** Research and development activities can be (i) contracted or (ii) self-initiated.

(i) Costs for contracted research and development activities, carried out in the scope of externally financed research and development contracts, are expensed when the related revenues are recorded.

(ii) Costs for self-initiated research and development activities are assessed whether they qualify for recognition as internally generated intangible assets. An intangible asset may only be recognised if technical as well as commercial feasibility can be demonstrated and cost can be measured reliably. It must also be probable that the intangible asset will generate future economic benefits and that it is clearly identifiable and allocable to a specific product.

Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalised. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project related costs are treated as if they were incurred in the research phase only.

Capitalised development costs are generally amortised over the estimated number of units produced. In case the number of units produced cannot be estimated reliably capitalised development cost are amortised over the estimated useful life of the internally generated intangible asset. Amortisation of capitalised development costs is recognised in cost of sales. Internally generated intangible assets are reviewed for impairment annually when the asset is not yet in use and further on whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time (generally more than 12 months) to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. The Group capitalises borrowing costs for qualifying assets where construction was commenced on or after 1 January 2009.

Intangible assets – Intangible assets comprise (i) internally generated intangible assets, *i.e.* internally developed software and other internally generated intangible assets (see above: "Research and development expenses"), (ii) acquired intangible assets, and (iii) goodwill (see above: "Consolidation").

Separately acquired intangible assets are initially recognised at cost. Intangible assets acquired in a business combination are recognised at their fair value at acquisition date. Acquired intangible assets with finite useful lives are generally amortised on a straight line basis over their respective estimated useful lives (3 to 10 years) to their estimated residual values. The amortisation expense on intangible assets with finite lives is recognised in the Consolidated Income Statement within the expense category consistent with the function of the related intangible asset. The amortisation method and the estimate of the useful lives of the separately acquired intangible asset is reviewed at least annually and changed if appropriate.

Intangible assets having an indefinite useful life are not amortised but tested for impairment at the end of each financial year as well as whenever there is an indication that the carrying amount exceeds the recoverable amount of the respective asset (see below "Impairment of non-financial assets"). For such intangible assets the assessment for the indefinite useful life is reviewed annually on whether it remains supportable. A change from indefinite to finite useful life assessment is accounted for as change in estimate.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Income Statement when the asset is derecognised.

Property, plant and equipment – Property, plant and equipment is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. Such costs include the estimated cost of replacing, servicing and restoring part of such property, plant and equipment. Items of property, plant and equipment are generally depreciated on a straight-line basis. The costs of internally produced equipment and facilities include direct material and labour costs and applicable manufacturing overheads, including depreciation charges. The following useful lives are assumed: buildings 10 to 50 years; site improvements 6 to 30 years; technical equipment and machinery 3 to 20 years; and other equipment, factory and office equipment 2 to 10 years. The useful lives, depreciation methods and residual values applying to property, plant and equipment are reviewed at least annually and in case they change significantly, depreciation charges for current and future periods are adjusted accordingly. If the carrying amount of an asset exceeds its recoverable amount an impairment loss is recognised immediately in profit or loss. At each end of the reporting period, it is assessed whether there is any indication that an item of property, plant and equipment may be impaired (see also below "Impairment of non-financial assets").

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and/or equipment as a replacement if the recognition criteria are satisfied. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in the Consolidated Income Statement of the period in which they are incurred. Cost of an item of property, plant and equipment initially recognised comprise the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located at the end of the useful life of the item on a present value basis. A provision presenting the asset retirement obligation is recognised in the same amount at the same date in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

Property, plant and equipment also includes capitalised development costs for tangible developments of specialised tooling for production such as jigs and tools, design, construction and testing of prototypes and models. In case recognition criteria are met, these costs are capitalised and generally depreciated using the straight-line method over five years or, if more appropriate, using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method). Especially for aircraft production programmes such as the Airbus A380 with an estimated number of aircraft to be produced using such tools, the sum-of-the-units method effectively allocates the diminution of value of specialised tools to the units produced. Property, plant and equipment is derecognised when it has been disposed of or when the asset is permanently withdrawn from use. The difference between the net disposal proceeds and the carrying amount of such assets is recognised in the Consolidated Income Statement in the period of derecognition.

Investment property – Investment property is property, *i.e.* land or buildings, held to earn rentals or for capital appreciation or both. The Group accounts for investment property at cost less accumulated depreciation and impairment losses, similar to other items of property, plant and equipment.

Inventories – Inventories are measured at the lower of acquisition cost (generally the average cost) or manufacturing cost and net realisable value. Manufacturing costs comprise all costs that are directly attributable to the manufacturing process, such as direct material and labor, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of the business less applicable variable selling expenses.

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

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In such a case the recoverable amount is determined for the CGU the asset belongs to. Where the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU’s carrying amount, firstly the related goodwill is impaired. Any exceeding amount of impairment is recognised on a pro rata basis of the carrying amount of each asset in the respective CGU.

The value in use is assessed by the present value of the future cash flows expected to be derived from an asset or a CGU. Cash flows are projected based on a detailed forecast approved by management over a period reflecting the operating cycle of the specific business. The discount rate used for determining an asset’s value in use is the pre-tax rate reflecting current market assessment of (i) the time value of money and (ii) the risk specific to the asset for which the future cash flow estimates have not been adjusted.

An asset’s fair value less costs to sell reflects the price the Group would obtain at its end of the reporting period from the asset’s disposal in an orderly transaction between market participants after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, its fair value is assessed by the use of appropriate valuation models dependent on the nature of the asset, such as by the use of discounted cash flow models. These calculations are corroborated by available fair value indicators such as quoted market prices or sector-specific valuation multiples.

Impairment losses of assets used in continuing operations are recognised in the Consolidated Income Statement in those expense categories consistent with the function of the impaired asset.

Impairment losses recognised for goodwill are not reversed in future periods. For any other non-financial assets an assessment is made at each end of the reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the Consolidated Income Statement.

Financial instruments – A financial instrument is any contract, including a derivative contract, that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's financial assets mainly consist in cash, short to medium-term deposits and securities. The Group's financial liabilities include trade liabilities, obligations towards financial institutions, issued bonds and refundable advances from European governments. The Group recognises a financial instrument on its Consolidated Statement of Financial Position when it becomes party to the contractual provision of the instrument. All purchases and sales of financial assets are recognised on settlement date according to market conventions. The settlement date is the date an asset is delivered to or by an entity. Financial instruments are initially recognised at fair value plus, in the case the financial instruments are not measured at fair value through profit or loss, directly attributable transaction costs. Financial instruments at fair value through profit or loss are initially recognised at fair value, transaction costs are recognised in the Consolidated Income Statement. Finance lease receivables are recognised at an amount equal to the net investment in the lease. The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. The Group derecognises a financial asset when the contractual rights to the asset's cash flows expire or the financial asset has been transferred and the transfer qualifies for derecognition under IAS 39. The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Fair value of financial instruments – The fair value of quoted investments is based on current market prices. If the market for financial assets is not active or in the case of unlisted financial instruments, the Group determines fair values by using generally accepted valuation techniques on the basis of market information available at the end of the reporting period. Such techniques consist discounted cash flow analysis or option pricing and other valuation models. Inputs to such techniques may include prices achieved in recent arm's length market transactions for the same or a similar instrument, or inputs, other than quoted or traded prices, that are observable for the financial instrument. Such input includes interest rates, foreign currency rates, credit spreads and volatilities.

Derivative instruments are generally managed on the basis of the Group's net exposure to the credit risk of each particular counterparty, and fair value information is provided to the group's key management personnel on that basis. For these derivative instruments, the fair value is measured based on the price that would be received to sell a net long position, or transfer a net short position, for a particular credit risk exposure as further described in Note 34 "Information about financial instruments" b).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably estimated by alternative valuation methods, such as a discounted cash flow model, are measured at cost, less any accumulated impairment losses.

Investments and other financial assets – The Group's investments comprise investments in associates accounted for under the equity method, other investments and other long-term financial assets as well as current and non-current securities and cash equivalents. Except for investments accounted for under the equity method, the Group classifies its financial assets in the following three categories: i) at fair value through profit or loss, ii) loans and receivables and iii) available-for-sale financial assets. Their classification is determined by management when first recognised and depends on the purpose for their acquisition.

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

The majority of the Group's **securities** consists of debt securities and are classified as available-for-sale financial assets.

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

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

Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are classified as **trade receivables, other investments** and **other current / long-term financial assets**. Other financial assets include short-term and long-term loans advanced by Airbus Group Bank to its customers or to other financial institutions. After initial recognition loans and receivables are measured at amortised cost sing the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statement at disposal of the loans and receivables, through the amortisation process as well as in case of any impairment.

Trade receivables – Trade receivables include claims arising from revenue recognition that are not yet settled by the debtor as well as receivables relating to construction contracts. Trade receivables are initially recognised at fair value and, provided they are not expected to be realised within one year, are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statement when the receivables are derecognised or impaired as well as through the amortisation process.

Current / non-current other financial assets – Current / non-current other financial assets mainly include derivatives with positive fair values, receivables from related companies and loans, which are presented separately from current / non-current other assets.

Cash and cash equivalents – Cash and cash equivalents consist of cash on hand, cash in bank, checks, fixed deposits and securities having maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of financial assets – The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

After application of the at equity method to an **investment in an associate or a joint venture**, the Group determines whether it is necessary to recognise an impairment loss of the Group's investment in its associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investment in associate is impaired. Any reversal of the impairment loss is recognised as an adjustment to the investment in the associate or the joint venture to the extent that the recoverable amount of the investment or the joint venture increases. As such, the goodwill related to the Group's associates or joint venture is not individually tested for impairment.

For **financial assets carried at amortised cost**, at cost and for those classified as **available-for-sale**, a financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Equity investments classified as available-for-sale are considered for impairment in addition to the indicators stated above in case of a significant or prolonged decline of their fair value below their cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Consolidated Income Statement – is removed from AOCI and recognised in the Consolidated Income Statement. Impairment losses recognised in the Consolidated Income Statement on equity instruments are not reversed through the Consolidated Income Statement; increases in their fair value are recognised directly in AOCI.

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

If there is objective evidence regarding **loans and receivables** that the Group is not able to collect all amounts due according to the original terms of the financial instrument, an impairment charge has to be recognised. The amount of the impairment loss is equal to the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, *i.e.* the rate that exactly discounts the expected stream of future cash payments through maturity to the current net carrying amount of the financial asset. The carrying amount of the trade receivable is reduced through use of an allowance account. The loss is recognised in the Consolidated Income Statement. If in a subsequent period, the amount of impairment decreases and the decrease is objectively related to an event occurring after the impairment was recognised, the recognised impairment loss is reversed through the Consolidated Income Statement.

Non-current assets / disposal groups classified as held for sale — Non-current assets / disposal groups classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. Whilst classified as held for sale or part of a disposal group, the Group does not depreciate or amortise a non-current asset. In addition, equity accounting of investments in associates ceases once classified as held for sale or distribution. Liabilities directly associated with non-current assets held for sale in a disposal group are presented separately on the face of the Consolidated Statement of Financial Position. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale is continued to be recognised.

To be classified as held for sale the non-current assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale must be highly probable.

If a component of the Group has either been disposed of or is classified as held for sale and i) represents a separate major line of business or geographical area of operations, ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or iii) is a subsidiary acquired exclusively with a view to resale the component is a discontinued operation.

Derivative financial instruments – Within the Group derivative financial instruments are (i) used for hedging purposes in micro-hedging strategies to offset the Group's exposure to identifiable transactions or are (ii) a component of hybrid financial instruments that include both the derivative and host contract ("Embedded Derivatives").

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", derivative financial instruments are recognised and subsequently measured at fair value. The method of recognising resulting gains or losses depends on whether the derivative financial instrument has been designated as hedging instrument, and if so, on the nature of the item being hedged. While derivative financial instruments with positive fair values are recorded in "current / non-current other financial assets", such derivative financial instruments with negative fair values are recorded as "current / non-current other financial liabilities".

a) Hedging: The Group seeks to apply hedge accounting to all its Hedging Activities. Hedge accounting recognises symmetrically the offsetting effects on net profit or loss of changes in the fair values of the hedging instrument and the related hedged item. The conditions for such a hedging relationship to qualify for hedge accounting include: the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, the effectiveness of the hedge can be reliably measured and there is formal designation and documentation of the hedging relationships and the Group's risk management objective and strategy for undertaking the hedge at the inception of the hedge. The Group further documents prospectively at the inception of the hedge as well as at each closing retrospectively and prospectively its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items with regard to the hedged risk.

Depending on the nature of the item being hedged, the Group classifies hedging relationships that qualify for hedge accounting as either (i) hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments ("Fair Value Hedges"), or (ii) hedges of the variability of cash flows attributable to recognised assets or liabilities, or highly probable forecast transactions ("Cash Flow Hedges").

i) Fair value hedge: Fair value hedge accounting is mainly applied to certain interest rate swaps hedging the exposure to changes in the fair value of recognised assets and liabilities. For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging instrument and changes in the fair value of the hedged asset or liability attributable to the hedged risk are simultaneously recognised in the Consolidated Income Statement.

ii) Cash flow hedge: The Group applies cash flow hedge accounting generally to foreign currency derivative contracts on future sales, to certain interest rate swaps hedging the variability of cash flows attributable to recognised assets and liabilities, as well as as to equity swaps hedging the equity risk inherent in cash-settled share based payments (LTIP). Changes in fair value of the hedging instruments related to the effective part of the hedge are reported in AOCI, a separate component of total equity, net of applicable income taxes and recognised in the Consolidated Income Statement in conjunction with the result of the underlying hedged transaction, when realised. The ineffective portion is immediately recorded in "Profit for the period". Amounts accumulated in equity are recognised in the Consolidated Income Statement in the periods when the hedged transaction affects the Consolidated Income Statement, such as when the forecast sale occurs or when the finance income or finance expense is recognised in the Consolidated Income Statement. If hedged transactions are cancelled, gains and losses on the hedging instrument that were previously recorded in equity are generally recognised in "Profit for the period". Apart from derivative financial instruments, the Group also uses financial liabilities denominated in a foreign currency to hedge foreign currency risk inherent in forecast transactions. If the hedging instrument expires or is sold, terminated or exercised, or if its designation as hedging instrument is revoked, amounts previously recognised in equity remain in equity until the forecasted transaction or firm commitment occurs.

In addition, the Group uses certain foreign currency derivatives to mitigate its foreign currency exposure arising from changes in the fair value of recognised assets and liabilities (natural hedge). To reflect the largely natural offset those derivatives provide to the remeasurement gains or losses of specific foreign currency balance sheet items, the Group accordingly presents the gains or losses of those foreign exchange rate derivatives as well as the fair value changes of the relating recognised assets and liabilities in the Group's Consolidated Profit before finance costs and income taxes (EBIT) insofar as certain formal requirements are met.

Finally, in case certain derivatives or portions of these derivatives do not qualify for hedge accounting under the specific rules of IAS 39 "Financial Instruments: Recognition and Measurement" (for example, the non-designated time value of options or de-designated derivatives in general) or do not belong to a Natural Hedge, changes in fair value of such derivative financial instruments or its portions are recognised immediately as part of the financial result.

The fair values of various derivative financial instruments used as hedging instruments are disclosed in Note 34 "Information about financial instruments". Periodical movements in the AOCI, the separate component of total equity in which the effective portion of cash flow hedges are recognised, are disclosed in Note 34d).

b) Embedded derivatives: Derivative components embedded in a non-derivative host contract are separately recognised and measured at fair value if they meet the definition of a derivative and their economic risks and characteristics are not clearly and closely related to those of the host contract. Changes in the fair value of the derivative component of these instruments are recorded in "Other financial result", unless bifurcated foreign currency embedded derivatives are designated as hedging instruments.

See Note 34 "Information about financial instruments" for a description of the Group's financial risk management strategies, the fair values of the Group's derivative financial instruments as well as the methods used to determine such fair values.

Income taxes – Tax expense (tax income) is the aggregate amount included in the determination of net profit or loss for the period in respect of (i) Current tax and (ii) Deferred tax.

i) Current tax is the amount of income taxes payable or recoverable in a period. Current income taxes are calculated applying respective tax rates on the periodic taxable profit or tax loss that is determined in accordance with rules established by the competent taxation authorities. Current tax liabilities are recognised for current tax to the extent unpaid for current and prior periods. A current tax asset is recognised in case the tax amount paid exceeds the amount due to current and prior periods. The benefit of a tax loss that can be carried back to recover current taxes of a previous period is recognised as an asset provided that the related benefit is probable and can be measured reliably.

ii) Deferred tax assets and liabilities are generally recognised on temporary valuation differences between the carrying amounts of assets and liabilities and their respective tax bases, as well as for net operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period the new rates are enacted or substantially enacted. As deferred tax assets anticipate potential future tax benefits, they are recorded in the Consolidated Financial Statements of the Group only to the extent that it is probable that future taxable profits will be available against which deferred tax assets will be utilised. In principle, the recoverability test of deferred tax assets is assessed based on the Group's latest 5 year operative planning also taking into account existing deferred tax liabilities and certain qualitative aspects regarding the nature of the temporary differences. The carrying amount of deferred tax assets is reviewed at each financial year-end.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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

Share capital – Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown directly in equity – as a deduction – net of any tax effects. Own equity instruments which are reacquired are deducted from total equity and remain recognised as treasury shares until they are either cancelled or reissued. Any gains or losses net of taxes which are associated with the purchase, sale, issue or cancellation of the Group's own shares are recognised within equity.

Provisions – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation's amount can be made. When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to be required to settle the Group's present obligation. As discount factor, a pre-tax rate is used that reflects current market assessments of the time value of money and the risks specific to the obligation. The provision's increase in each period reflecting the passage of time is recognised as finance cost.

Provisions are reviewed at each closing and adjusted as appropriate to reflect the respective current best estimate. The change in the measurement of a provision for an asset retirement obligation (see above "Property, plant and equipment") is added or deducted from the cost of the respective asset that has to be dismantled and removed at the end of its useful life and the site on which it is located restored.

Provisions for **guarantees** corresponding to aircraft sales are recorded to reflect the underlying risk to the Group in respect of guarantees given when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amount of the obligation. The amount of these provisions is calculated to cover the difference between the Group's exposure and the estimated value of the collateral.

Insurance indemnification or reimbursements are recognised when it is virtually certain that they will be received. They are recognized as separable assets. In the statement of comprehensive income, the expense relating to a provision is presented net of the amount of the recognised reimbursement.

Outstanding costs are provided for at the best estimate of future cash outflows. Provision for **other risks and charges** relates to identifiable risks representing amounts expected to be realised.

Provisions for **contract losses** are recorded when it becomes probable that estimated contract costs based on a total cost approach will exceed total contract revenues. Contractual penalties are included in the contractual margin calculation. Provisions for loss making contracts are recorded as write downs of work-in-process for that portion of the work which has already been completed, and as provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and include foreign currency effects. Provisions for loss making contracts are updated regularly.

Provisions for i) **constructive obligations** and liquidated damages caused by delays in delivery and for ii) **terminating** existing customer orders are based on best estimates of future cash outflows for anticipated payments to customers. Provisions for **litigation and claims** are set in case legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Group which are a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required for the settlement and a reliable estimate of the obligation's amount can be made.

Restructuring provisions are only recognised when a detailed formal plan for the restructuring – including the concerned business or part of the business, the principal locations affected, details regarding the employees affected, the restructuring's timing and expenditures that will have to be undertaken – has been developed and the restructuring has either commenced or the plan's main features have already been publicly announced to those affected by it.

***Employee benefits* –** The valuation of **pension and post-retirement benefits** classified as defined benefit plans is based upon the projected unit credit method in accordance with IAS 19 "Employee Benefits".

The Group recognises remeasurements of the net defined benefit liability in full immediately in retained earnings and presents them in its Consolidated Statements of Comprehensive Income.

Past service costs and settlement gains (losses) are immediately recognised as an expense in the Group's Consolidated Income Statements when the plan amendment, curtailment or settlement occurs.

The Group applies defined benefit accounting for its defined benefit multi-employer plan. Accordingly, the Group accounts for its share in the related defined benefit plan.

Contributions to defined contribution plans are recognised as expenses in the Consolidated Income Statement when they are due.

Several German Group companies provide life time working account models, being employee benefit plans with a promised return on contributions or notional contributions that qualify as **other long-term employee benefits** under IAS 19. The employees' periodical contributions into their life time working accounts result in corresponding personnel expense in that period in the Consolidated Income Statement while plan assets and corresponding provisions are offset in the Consolidated Statement of Financial Position.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

***Share based compensation* –** In 2007, the Group also introduced a performance and restricted unit plan (LTIP) which qualifies as **cash settled share-based payment plan** under IFRS 2. For this type of plans, associated services received are measured at fair value and are calculated by multiplying the number of options (or units) expected to vest with the fair value of one LTIP unit as of grant date (end of the reporting period). The fair value of each LTIP unit) is determined using a forward pricing model.

The fair value of the services is recognised as personnel expense. In case of equity settled share based payment plans the personnel expense results in a corresponding increase in consolidated retained earnings over the vesting period of the respective plan. For cash settled share based payment plans a corresponding liability is recognised. Until the liability is settled its fair value is remeasured at each end of the reporting period through the Consolidated Income Statement.

Part of the grant of both types of share-base payment plans is conditional upon the achievement of non-market performance conditions and will only vest provided that the performance conditions are met. If it becomes obvious during the vesting period of an equity-settled share-based payment plan that some of the performance conditions will not be met and, hence, the number of equity instruments expected to vest differs from that originally expected, the expense is adjusted accordingly.

The Group offers its employees under the **employee stock ownership plan (ESOP)** Airbus Group shares at fair value matched with a number of free shares based on a determining ratio. The number of free shares is recognised at fair value as personnel expenses in the Group's Consolidated Income Statements at grant date.

Trade liabilities **–** Trade liabilities are initially recorded at fair value. Trade liabilities having a maturity of more than 12 months are subsequently measured at amortised cost using the effective interest rate method.

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

Financing liabilities to financial institutions include liabilities from securities lending transactions. In a securities lending transaction Airbus Group receives cash from its counterparty and transfers the securities subject to the lending transaction as collateral. The amount of cash received is recognised as a financing liability. The securities lent are not derecognised, but remain on the Group's balance sheet. Their carrying amount is disclosed in Note 22 "Securities".

Current / non-current other financial liabilities **–** Current / non-current other financial liabilities mainly include refundable advances and derivatives with a negative market value. Refundable advances from European Governments are provided to the Group to finance research and development activities for certain projects on a risk-sharing basis, *i.e.* they have to be repaid to the European Governments subject to the success of the project.

The Group designates certain financial liabilities representing payment obligations towards airlines denominated in USD as hedging instruments to hedge the foreign currency risk inherent in future aircraft sales under a cash flow hedge.

Current / non-current other liabilities **–** Current / non-current other liabilities mainly consist of advance payments received from customers.

Liability for puttable instruments **–** Under certain circumstances, the Group records a financial liability rather than an equity instrument for the exercise price of a written put option on an entity's equity. Re-measurement of any written put options on non-controlling interest after initial recognition is recognised in equity.

Litigation and claims **–** Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. The Group believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Group to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term "reasonably possible" is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely. For further details please refer to Note 32 "Litigation and claims".

Management judgment and use of Accounting Estimates

The Group's significant accounting policies, as described above, are essential for the understanding of the Group's results of operations, financial positions and cash flows. Certain of these accounting policies require accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

Judgements have to be made in particular when assessing whether a contract with a customer qualifies as a construction contract and in determining the amount of loss making contract provisions as well as in the area of assessing provisions and contingent liabilities for litigations and claims.

Accounting estimates could change from period to period and might have a material impact on the Group's results of operations, financial positions and cash flows. The assumptions and estimates used by the Group's management are based on parameters which are derived from the knowledge at the time of preparing the Consolidated Financial Statements.

In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry specific environment were used to estimate the Company's future business performance. Where these conditions develop differently than assumed, and beyond the control of the Company, the actual figures may differ from those anticipated. In such cases, the assumptions, and if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Subjects that involve assumptions and estimates and that have a significant influence on the amounts recognised in the Group's Consolidated Financial Statements are further described or are disclosed in the respective Notes mentioned below.

Revenue recognition on construction contracts – The Group conducts a significant portion of its business under construction contracts with customers, for example within aerospace related governmental programmes. The Group generally accounts for construction projects using the PoC method, recognising revenue as performance on a contract progresses measured either on a milestone or on a cost-to-cost basis depending on contract terms. This method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. The Management of the operating Divisions continually review all estimates involved in such construction contracts and adjusts them as necessary. See Note 19 "Trade receivables" for further information.

Business combinations – In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market prices. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Group either consults with an independent external valuation expert or develops the fair value internally, using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. See Note 4 "Acquisitions and disposals" and Note 13 "Intangible assets" for further information.

Goodwill impairment test and recoverability of assets – The Group tests at least annually whether goodwill has suffered any impairment, in accordance with its accounting policies. The determination of the recoverable amount of a Cash Generating Unit (CGU) or the group of CGUs to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced by several assumptions including for example growth assumptions of CGUs, availability and composition of future defence and institutional budgets, foreign exchange fluctuations or implications arising from the volatility of capital markets. The Group generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations basically use five-year projections that are based on the operative plans approved by management. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using estimated growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, WACC, tax rates and foreign exchange rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Likewise, whenever property, plant and equipment and other intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment. See Note 13 "Intangible assets" for further information.

Trade and other receivables – The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends including potential impacts from the EU sovereign debt crisis and analysis of historical bad debts. See Note 19 "Trade receivables" for further information.

Employee benefits – The Group accounts for pension and other post-retirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including the discount rate, expected salary increases and mortality rates. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds with an AA rating. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in post-retirement employee benefit obligations and the related future expense. See Note 25 “Provisions” b) for further information.

Provisions – The determination of provisions, for example for onerous contracts, warranty costs, restructuring measures and legal proceedings is based on best available estimates. Onerous sales contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which also requires significant judgement related to achieving certain performance standards as well as estimates involving warranty costs. Depending on the size and nature of the Group’s contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. In particular, the introduction of new commercial aircraft programmes (such as the A350 XWB) or major derivative aircraft programmes particularly involves an increased level of estimates and judgements associated with the expected development, production and certification schedules and expected cost components. A commercial aircraft contract or amendment to a contract may include option clauses for extension as well as termination of full or part of the contract. The assessment of the probability of execution of these options is based on management’s best estimates. Estimates and judgements are subject to change based on new information as contracts and related programmes progress. Furthermore, the complex design and manufacturing processes of the Group’s industry require challenging integration and coordination along the supply chain including an on-going assessment of suppliers’ assertions which may additionally impact the outcome of these monitoring processes. See Note 25 “Provisions” c) for further information.

Legal contingencies – Group companies are parties to litigations related to a number of matters as described in Note 32 “Litigation and claims”. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Group. Management regularly analyses current information about these matters and provides provisions for probable cash outflows, including the estimate of legal expenses to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against Group companies or the disclosure of any such suit or assertions, does not automatically indicate that a provision may be appropriate. See Note 32 “Litigation and claims” for further information.

Income taxes – The Group operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgments are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the current income tax liabilities and deferred income tax liabilities in the period in which such determinations are made. At each end of the reporting period, the Group assesses whether the realisation of future tax benefits is probable to recognise deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group’s ability to utilise future tax benefits. In principle, the basis for the recoverability test of deferred tax assets is the same as the Group’s latest 5 year operative planning also taking into account certain qualitative aspects regarding the nature of the temporary differences. The further looking into the future is necessary to seek sufficient taxable profits, the more subjective the projections become. However, as a general cut off of the lookout period would be arbitrary, the Group determines the lookout period applied for an entity also considering qualitative factors. Consideration of such qualitative factors could result in not applying the full 5 year operative planning period for the deferred tax asset recoverability assessment as well as the contrary, i.e. extending the period to the strategic planning period. Qualitative factors include but are not limited to an entity’s history of planning accuracy, performance records, business model, backlog, existence of long term contracts as well as the nature of temporary differences. See Note 12 “Income taxes” for further information.

3. Scope of Consolidation

Perimeter of consolidation (31 December 2014) – The Consolidated Financial Statements include, in addition to Airbus Group N.V.:

- 2014: 286 (2013 adjusted: 257) companies which are fully consolidated;
- 2014: 50 (2013: 47) investments in joint ventures, accounted for using the equity method;
- 2014: 17 (2013 adjusted: 19) investments in associates accounted for using the equity method. The number of investments in associates only comprises the respective parent company.

Non-controlling interests do not have a material interest in the Group's activities and cash flows (please refer to Note 23 "Total equity" b). The Group holds interests in certain Structured Entities ("SE"), in particular with respect to its aircraft financing activities. The nature and extent of these interests and the risks associated with interests in SE that the group does not consolidate are further described in the Note 33 "Commitments and Contingencies".

Significant subsidiaries, associates and joint ventures are listed in the Appendix entitled "Information on principal investments".

4. Acquisitions and Disposals

a) Acquisitions and other M&A transactions

On 25 July 2014, Airbus Group N.V., Leiden (Netherlands) acquired 100% shares in Salzburg München Bank AG from Raiffeisenverband Salzburg. The Salzburg München Bank AG is a fully-licensed bank based in Munich (Germany) with around €300 million of total assets serving small and medium enterprises and private clients. The acquisition of Salzburg München Bank AG aims to provide additional financing options for the Group's businesses. Between the acquisition date and year-end 2014, Salzburg München Bank AG reported revenues of €4.7 million.

On 28 July 2014, Airbus Operations S.L.U., Getafe (Spain), acquired additional 58.49% shares in Alestis Aerospace S.L., La Rinconada (Spain) for a total consideration of €28 million including €6 million due to the separate recognition of settlements of pre-existing relationships. This provides Airbus Group with a majority shareholding of in total 60.16% in Alestis Aerospace S.L. Airbus' investment is intended to secure the supply chain for civil and military programmes. Alestis Aerospace S.L. reported revenues of €148 million for the full year 2014.

The following table summarises for the individually and collectively insignificant M&A transactions mentioned above the consideration transferred, the fair value of identifiable assets acquired, liabilities assumed and any non-controlling interest as at the acquisition date.

Fair value recognised on acquisition (In € million)	**2014 individually and collectively insignificant acquisitions**
Intangible assets	
Technologies (1)	95
Other	1
Property, plant and equipment	107
Financial assets	315
Inventories	25
Trade receivables	21
Deferred tax assets	13
Other assets	16
Cash	14
Total assets acquired	**607**
Provisions and contingent liabilities (2)	22
Trade liabilities	23
Financial liabilities (on which liabilities to banks and customer deposits)	542
Tax liabilities and other liabilities	27
Total liabilities assumed	**614**
Net liabilities assumed	**(7)**
Non-controlling interests (3)	(17)
Consideration transferred	**63**
Preliminary goodwill arising on acquisition (4)	54
Gain on acquisition	1

(1) The technologies acquired are expected to be amortised over a period between 5-7 years.

(2) Includes contingent liabilities for €2.4 million.

(3) Non-controlling interests portion related to acquisition of Alestis, measured at their proportional share in net assets.

(4) None of the goodwill of the Group's 2014 M&A transactions is considered to be tax deductible in the respective local tax accounts.

b) Disposals

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

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

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

On 27 November 2014, Airbus Group in an off-market lock trade sold to Dassault Aviation a total of 810,072 Dassault Aviation shares at a price of €980 per share representing a total amount of €794 million pre transaction costs. The gain recognized in share of profit from investments amounted to €343 million. After this transaction, Airbus Group held 38.82% of Dassault Aviation's share capital and associated voting rights and then following the cancellation by Dassault Aviation of 9% of its shares, as of 31 December 2014, Airbus Group holds 42.11% with associated voting rights.

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

c) Disposal groups classified as held for sale

As of 31 December 2014, Airbus Group accounted for non-current assets / disposal groups classified as held for sale in the amount of €750 million (2013: €0 million). The disposal groups in 2014 include liabilities directly associated with non-current assets classified as held for sale amounting to €680 million (2013: €0 million). The disposal groups classified as held for sale comprise the following transactions:

Airbus Safran Launcher Joint Venture ("ASL")

On 16 June 2014, Airbus Group and Safran announced the intention to create a 50/50 joint-venture consolidating their respective launcher and propulsion system activities in France and Germany.

On 3 December 2014, the joint venture Airbus Safran Launchers has been created after the approval of the development and production of a new Ariane 6 launcher at the ESA Ministerial Conference. The partners decided to structure the operation in two phases with the first phase consisting in the joint venture entity taking responsibility and gathering resources to coordinate programme management of civil activities of the launcher business and also carrying relevant participation. In a second phase all assets, contracts and industrial capabilities shall be contributed enabling the joint venture to carry out all activities relating to the design, development, manufacturing and selling of launchers, propulsion systems, satellite and space vehicle propulsion for civil and military applications and the selling and commercialization of civil launch services. Implementation of the second phase is subject to the joint venture entering into a development contract for Ariane 6.

After approval of the ESA Ministerial Conference implementation of first phase was confirmed and associated assets and liabilities have been classified as held for sale as at 31 December 2014.

On 14 January 2015, Airbus Group and Safran have completed the first phase of the integration process enabling Airbus Safran Launchers to become operational.

Electronics Oostkamp ("EO")

On 23 December 2014, Airbus Group signed an agreement with Parter Capital Group AG for the sale of Airbus Defence and Space's Electronics Oostkamp facility in Belgium. Airbus Group has recognised an associated loss of €7 million in other expenses in 2014. The transaction was closed on 21 January 2015.

The assets and liabilities of the disposal groups consist in:

(In € million)	**31 December 2014**
Goodwill	23
Inventory	447
Trade receivables	262
Cash and cash equivalents	18
Assets of disposal groups classified as held for sale	**750**
Provisions	3
Customer advance payments	674
Other liabilities	3
Liabilities of disposal groups classified as held for sale	**680**

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

5. Segment Reporting

Having conducted a strategy review and in order to improve competitiveness and better adapt to shrinking traditional markets, the Group's defence and space businesses are combined into one segment from 1 January 2014 onwards. Improving access to international customers, creating cost and market synergies in the Group's operations and product portfolio and better focusing the Group's research and development activities are among the goals of this reorganization.

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

- **Airbus** (before 1 January 2014: Airbus Commercial) — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.
- **Airbus Helicopters** (before 1 January 2014: Eurocopter) — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Airbus Defence and Space** — Military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communications solutions and logistics; training, testing, engineering and other related services; development, manufacturing, marketing and sale of missiles systems; development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services; development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services. The former reportable segments Cassidian, Astrium and Airbus Military form the new reportable segment Airbus Defence and Space.

The following table presents information with respect to the Group's business segments. As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Airbus and Airbus Defence and Space and between Airbus Helicopters and Airbus. The Group's activities managed in the US, the holding function of the Group's Headquarters such as the newly acquired bank and other activities not allocable to the reportable segments, combined together with consolidation effects, are disclosed in the column "Others / HQ / Conso.". The corresponding prior period information has been restated.

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

a) Business Segment Information

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

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

Business segment information for the year ended the 31 December 2013 is as follows:

(In € million) (1)	Airbus (2)	Airbus Helicopters	Airbus Defence and Space (2)	Total Segments	Others / HQ / Conso. (2)	Consolidated
Total revenues	39,494	6,297	13,121	58,912	457	59,369
Internal revenues	(933)	(486)	(382)	(1,801)	(1)	(1,802)
Revenues	**38,561**	**5,811**	**12,739**	**57,111**	**456**	**57,567**
EBIT pre-goodwill impairment and exceptionals	**1,593**	**397**	**659**	**2,649**	**(25)**	**2,624**
thereof:						
- depreciation and amortisation	*(1,208)*	*(136)*	*(521)*	*(1,865)*	*(62)*	*(1,927)*
- research and development expenses	*(2,433)*	*(306)*	*(344)*	*(3,083)*	*(35)*	*(3,118)*
- share of profit from investments accounted for under the equity method	*59*	*3*	*121*	*183*	*251*	*434*
- additions to other provisions (see Note 25c) (3)	*(1,043)*	*(533)*	*(1,150)*	*(2,726)*	*(513)*	*(3,239)*
Impairment and disposal of goodwill	0	0	0	0	(15)	(15)
Exceptionals depreciation / disposal	(26)	(1)	(11)	(38)	(1)	(39)
Profit before finance costs and income taxes	**1,567**	**396**	**648**	**2,611**	**(41)**	**2,570**
Interest result						(332)
Other financial result						(278)
Income taxes						(477)
Profit for the period						**1,483**

(1) Previous year figures are adjusted due to the new segment structure.

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

(3) Includes (€292 million adjusted) expenses for restructuring provisions associated to the Group's reorganisation mainly in the defence and space business.

Segment Capital Expenditures (1) (In € million)	**2014**	**2013**
Airbus (2)	1,713	2,116
Airbus Helicopters	303	279
Airbus Defence and Space (2)	497	466
Others / HQ / Conso.	35	57
Total capital expenditures (2)	**2,548**	**2,918**

(1) Excluding expenditure for leased assets.

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

Segment Assets (In € million)	**2014**	**2013**
Airbus (1)	41,342	39,812
Airbus Helicopters	10,248	9,775
Airbus Defence and Space (1)	17,660	18,678
Others / HQ / Conso. (1)	3,337	3,564
Total segment assets (1)	**72,587**	**71,829**
Unallocated		
Deferred and current tax assets (1)	6,322	4,361
Securities (1)	9,172	6,883
Cash and cash equivalents (1)	7,271	7,201
Assets classified as held for sale	750	0
Total assets (1)	**96,102**	**90,274**

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

b) Revenues by geographical area

(In € million)	**2014**	**2013 (1)**
Germany	4,448	4,297
France	4,294	4,585
United Kingdom	3,540	2,967
Spain	1,493	1,512
Other European Countries	6,479	6,948
Asia/Pacific	19,379	19,252
North America	9,731	8,670
Middle East	6,520	5,118
Latin America	3,844	3,398
Other Countries	985	820
Revenues by geographical area	**60,713**	**57,567**

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

Revenues are allocated to geographical areas based on the location of the customer.

c) Property, Plant and Equipment by geographical area

	31 December	
(In € million)	**2014**	**2013**
France (1)	6,438	6,037
Germany (1)	4,428	4,411
United Kingdom (1)	2,891	2,778
Spain	1,534	1,364
Other Countries (1)	817	644
Property, plant and equipment by geographical area	**16,108**	**15,234**

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

Property, plant and equipment split by geographical area excludes leased assets of €213 million (2013 adjusted: €351 million).

6. Revenues and Gross Margin

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

For a breakdown of revenues by business segment and geographical area, refer to Note 5 “Segment reporting”.

Details of **Revenues**:

(In € million)	**2014**	**2013 (1)**
Revenues from construction contracts	7,916	8,854
Other revenues	52,797	48,713
Total	**60,713**	**57,567**
Thereof service revenues including sale of spare parts	*8,279*	*7,517*

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

Revenues of €60,713 million (2013 adjusted: €57,567 million) increase by +€3,146 million (5%) mainly at Airbus (+€2,786 million). The revenue growth in Airbus results from a more favourable delivery mix. Airbus delivered more aircraft (629 with revenue recognition versus 626 in the previous year). Airbus Helicopters contributed also positively. Airbus Defence and Space revenues decrease slightly and include revenues related to the A400M of €1,561 million (2013: €1,006 million).

The **Gross Margin** increases by €+983 million to €8,937 million compared to €7,954 million (adjusted) in 2013 with contribution mainly from Airbus. Gross margin rate increased from 13.8% to 14.7%. In Airbus, the increase was driven by operational improvement including A380 progress towards breakeven and the favourable evolution of maturing hedges, partially offset by increased A350 XWB support costs. In the last quarter 2013, a negative charge of €434 million was recorded on the A350 XWB programme contributing to the improvement seen in 2014.

The A350 XWB Entry into service occurred at the end of 2014, with the first A350 being delivered to Qatar Airways on 22 December. Despite this important achievement, significant challenges remain. The industrial ramp up preparation is underway and associated risks will continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customer’s commitment.

After eight aircraft deliveries in 2014, the A400M programme is in a phase of progressive enhancement of military capabilities with delays incurred. The sequence of progressive enhancements and associated deliveries are under negotiation with the customers to reflect revised programme baseline and delivery schedule.

In the last quarter of 2014, Management has reviewed the programme evolution mostly driven by military functionality challenges and industrial ramp-up together with associated mitigation actions. As a result of this review, Airbus Defence and Space has recorded based on Management best estimate an additional net charge of €551 million for the period ended 31 December 2014.

The A400M SOC 1 milestone remains to be achieved. SOC 1 fell due end October 2013, and the termination right related thereto became exercisable by OCCAR/Nations on 1 November 2014 after a 12-month grace period. It has not at the date hereof been exercised. Management judges that it is highly unlikely that this termination right will be exercised.

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

7. Functional Costs

Inventories recognised as an expense during the period amount to €41,523 million (2013 adjusted: €39,385 million).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of €43 million (2013 adjusted: €39 million).

Personnel expenses are:

(In € million)	2014	2013 (1)
Wages, salaries and social contributions	12,291	12,147
Net periodic pension cost (see Note 25 "Provisions" b)	549	536
Total	**12,840**	**12,683**

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

8. Research and Development Expenses

Research and development expenses in 2014 amount to €3,391 million compared to €3,118 million (adjusted) in 2013, primarily reflecting R&D activities at Airbus. The main contribution to the expenses comes from the A350 XWB programme. In addition, an amount of €58 million of development costs for the A350 XWB programme has been capitalized.

9. Other Income

(In € million)	2014	2013
Other income (1)	330	272
Thereof income from sale of fixed assets (1)	108	66
Thereof rental income (1)	67	14
Thereof release of allowances	2	5

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

Other income increased by €+58 million mainly as a result of the sale of the Paris Headquarters building.

10. Other Expenses

(In € million)	2014	2013
Other expenses (1)	179	259
Thereof goodwill impairment charge	0	15
Thereof loss from disposal of fixed assets (1)	20	5

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

11. Total Finance Costs

Interest result in 2014 comprises interest income of €142 million (2013 adjusted: €161 million) and interest expense of €-462 million (2013 adjusted: €-493 million). Included in interest income is the return on cash and cash equivalents, securities and financial assets such as loans and finance leases. Interest expense includes interests on financing liabilities and on European Government refundable advances of €-205 million (2013: €-254 million).

Other financial result in 2014 amounts to €-458 million (2013 adjusted: €-278 million) and mainly includes charges from the unwinding of discounts by €-117 million (2013: €-171 million), the negative impact from foreign exchange translation of monetary items of €-121 million (2013: €-64 million) and the negative revaluation of financial instruments of €-240 million (2013 adjusted: €-31 million).

In 2014, the Group capitalised €20 million of borrowing cost on the production of qualifying assets (2013: €12 million). The Group's borrowing rate at the end of 2014 was 2.12% (2013: 2.24%).

12. Income Taxes

The expense for income taxes is comprised of the following:

(In € million)	2014	2013 (1)
Current tax expense	(546)	(430)
Deferred tax expense	(317)	(47)
Total	**(863)**	**(477)**

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

The Group's parent company, Airbus Group N.V., legally seated in Amsterdam, The Netherlands, applies Dutch tax law using an income tax rate of 25.0% for 31 December 2014 and for 31 December 2013.

In France a tax law has been enacted in December 2013 changing the rate for income taxes to 38% for the years 2013 and 2014. This change has been prolonged for the year 2015. For subsequent years the tax rate should go down again to 34.43%. Deferred taxes are calculated accordingly.

Regarding German subsidiaries, the German federal corporate tax rate amounts to 15%. In addition, there is a surcharge ("Solidaritätszuschlag") of 5.5% on the amount of federal corporate taxes. In addition to corporate taxation, the trade taxes amount to 14.2% on average. In aggregate, the enacted tax rate which has been applied to German deferred taxes amounts to 30% in 2014 and 2013.

With respect to the Spanish subsidiaries, the corporate income tax rate amounts to 30% in 2014 and 2013. In November 2014, a tax law has been enacted changing the rate from income tax to 28% for the year 2015 and to 25% thereafter. Deferred taxes are calculated accordingly.

All other foreign subsidiaries apply their national tax rates.

The following table shows a reconciliation from the theoretical income tax (expense) – using the Dutch corporate tax rate of 25.0% in 2014 and 2013 to the reported tax (expense). The reconciling items represent, besides the impact of tax rate differentials and tax rate changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported Consolidated Financial Statements according to IFRS rules.

(In € million)	2014	2013 (1)
Profit before income taxes	3,213	1,960
* Corporate income tax rate	25.0%	25.0%
Expected (expense) for income taxes	(803)	(490)
Effects from tax rate differentials	(270)	(183)
Income from investments/ associates	265	119
Tax credit for R&D expenses	77	72
Change of tax rate	(47)	(45)
Change in valuation allowances	(72)	110
Non-deductible expenses and tax-free income	(25)	(47)
Other	12	(13)
Reported tax (expense)	**(863)**	**(477)**

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

Changes in valuation allowances represent reassessments of the recoverability of deferred tax assets based on future taxable profits of certain companies mainly for Airbus in Germany and Airbus Defence and Space in the United Kingdom. The amount of change in valuation allowances of €-72 million in 2014 (2013 adjusted: €110 million) excludes a positive impact of €4 million (2013 adjusted: €65 million) from a change in tax rates which is presented in the line "change of tax rate".

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

(In € million)	1 January 2014 [(1)]		Other movements		Movement through income statement		31 December 2014	
	Deferred Tax assets	Deferred Tax liabilities	OCI / IAS 19	Others[(2)]	R&D tax credits	Deferred tax benefit (expense)	Deferred Tax assets	Deferred Tax liabilities
Intangible assets	146	(456)	0	3	0	(118)	50	(475)
Property, plant and equipment	418	(1,284)	0	24	0	(23)	490	(1,355)
Investments and other long-term financial assets	337	(155)	(30)	0	0	13	332	(167)
Inventories	1,116	(236)	0	(10)	0	(108)	1,219	(457)
Receivables and other assets	246	(2,866)	599	(17)	0	168	397	(2,267)
Prepaid expenses	3	(6)	0	0	0	5	2	0
Provision for retirement plans	1,137	0	577	20	0	163	1,897	0
Other provisions	2,425	(347)	0	1	0	(155)	2,422	(498)
Liabilities	795	(971)	1,392	(10)	0	258	2,335	(871)
Deferred income	82	(46)	0	0	0	(5)	53	(22)
Net operating loss and tax credit carry forwards	2,441	0	0	74	12	(447)	2,080	0
Deferred tax assets / (liabilities) before offsetting	**9,146**	**(6,367)**	**2,538**	**85**	**12**	**(249)**	**11,277**	**(6,112)**
Valuation allowances on deferred tax assets	(500)	0	0	(10)	0	(68)	(578)	0
Set-off	(4,913)	4,913	0	0	0	0	(4,982)	4,982
Net Deferred tax assets / (liabilities)	**3,733**	**(1,454)**	**2,538**	**75**	**12**	**(317)**	**5,717**	**(1,130)**

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

(2) “Others” mainly comprises changes in the consolidation scope and foreign exchange rate effects.

Deferred income taxes as of 31 December 2013 are related to the following assets and liabilities:

	1 January 2013 (1)		Other movements (1)		Movement through income statement (1)		31 December 2013 (1)	
(In € million)	Deferred Tax assets	Deferred Tax liabilities	OCI / IAS 19	Others(2)	R&D tax credits	Deferred tax benefit (expense)	Deferred Tax assets	Deferred Tax liabilities
Intangible assets	153	(402)	0	1	0	(62)	146	(456)
Property, plant and equipment	380	(1,137)	0	1	0	(110)	418	(1,284)
Investments and other long-term financial assets	313	(107)	13	0	0	(37)	337	(155)
Inventories	1,690	(37)	0	3	0	(776)	1,116	(236)
Receivables and other assets	85	(2,292)	(391)	(3)	0	(19)	246	(2,866)
Prepaid expenses	1	(9)	0	0	0	5	3	(6)
Provision for retirement plans	1,078	0	20	0	0	39	1,137	0
Other provisions	2,366	(262)	0	(2)	0	(24)	2,425	(347)
Liabilities	677	(1,276)	(324)	(1)	0	748	795	(971)
Deferred income	224	(36)	0	(96)	0	(56)	82	(46)
Net operating loss and tax credit carry forwards	2,376	0	0	(56)	51	70	2,441	0
Deferred tax assets / (liabilities) before offsetting	**9,343**	**(5,558)**	**(682)**	**(153)**	**51**	**(222)**	**9,146**	**(6,367)**
Valuation allowances on deferred tax assets	(819)	0	0	144	0	175	(500)	0
Set-off	(4,099)	4,099	0	0	0	0	(4,913)	4,913
Net Deferred tax assets / (liabilities)	**4,425**	**(1,459)**	**(682)**	**(9)**	**51**	**(47)**	**3,733**	**(1,454)**

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

(2) “Others” mainly comprises changes in the consolidation scope and foreign exchange rate effects.

Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of €115million (in 2013 adjusted: €12 million). Assessments show that these deferred tax assets will be recovered in future through either (i) own projected profits, or (ii) profits of other companies integrated in the same fiscal group ("régime d'intégration fiscale" in France, "steuerliche Organschaft" in Germany) or (iii) via the "loss surrender-agreement" in Great Britain.

Deferred taxes on Net Operating Losses and Tax Credit carry forwards:

(In € million)	**France**	**Germany**	**Spain**	**UK**	**Other countries**	**31 December 2014**	**31 December 2013 (1)**
Net Operating Losses (NOL)	900	1,903	167	2,982	458	6,410	7,347
Trade tax loss carry forwards	0	2,240	0	0	0	2,240	2,217
Tax credit carry forwards	0	0	393	0	5	398	369
Tax effect	**342**	**617**	**435**	**596**	**90**	**2,080**	**2,441**
Valuation allowances	(6)	(234)	(95)	(90)	(15)	(440)	(395)
Deferred tax assets on NOL's and tax credit carry forwards	**336**	**383**	**340**	**506**	**75**	**1,640**	**2,046**

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

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable in France, Germany, Great Britain and in Spain. In Spain, tax credit carry forwards still expire after 18 years. The first tranche of tax credit carry forwards (€3 million) will expire in 2021.

Roll forward of deferred taxes:

In € million	**2014**	**2013 (1)**
Net deferred tax asset beginning of the year	**2,279**	**2,966**
Deferred tax (expense) in income statement	(317)	(47)
Deferred tax recognised directly in AOCI (IAS 39)	1,961	(702)
Deferred tax on remeasurement of the net defined benefit liability	577	20
Others	87	42
Net deferred tax asset at year end	**4,587**	**2,279**

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

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

In € million	**2014**	**2013 (1)**
Available-for-sale investments	(51)	(21)
Cash flow hedges	1,465	(526)
Deferred tax on remeasurement of the net defined benefit liability	1,548	971
Total	**2,962**	**424**

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

NOTES TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

13. Intangible Assets

A schedule detailing gross values, accumulated depreciation and impairment and net values of intangible assets as of 31 December 2014 is as follows:

Cost

(In € million)	Balance at 1 January 2014 (1)	Exchange differences	Additions	Changes in consolidation scope (2)	Reclassification (3)	Disposals	Balance at 31 December 2014
Goodwill	11,061	90	0	54	(23)	(105)	11,077
Capitalised development costs	2,280	27	225	(16)	(5)	(4)	2,507
Other intangible assets	2,900	55	195	117	35	(37)	3,265
Total	**16,241**	**172**	**420**	**155**	**7**	**(146)**	**16,849**

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

(2) Includes intangible assets related to Alestis acquisition (see Note 4 "Acquisitions and disposals").

(3) Includes intangible assets reclassified to assets of disposal groups classified as held for sale.

Amortisation/Impairment

(In € million)	Balance at 1 January 2014 (1)	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2014
Goodwill	(1,189)	(8)	0	0	0	99	(1,098)
Capitalised development costs	(683)	(12)	(137)	12	(1)	2	(819)
Other intangible assets	(1,869)	(21)	(282)	(23)	(8)	29	(2,174)
Total	**(3,741)**	**(41)**	**(419)**	**(11)**	**(9)**	**130**	**(4,091)**

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

Net Book Value

In € million	Balance at 1 January 2014 (1)	Balance at 31 December 2014
Goodwill	9,872	9,979
Capitalised development costs	1,597	1,688
Other intangible assets	1,031	1,091
Total	**12,500**	**12,758**

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

A schedule detailing gross values, accumulated depreciation and impairment and net values of intangible assets as of 31 December 2013 is as follows:

Cost

(In € million)	Balance at 1 January 2013	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2013
Goodwill [1]	11,100	(50)	0	11	0	0	11,061
Capitalised development costs [1]	1,915	(7)	417	0	(42)	(3)	2,280
Other intangible assets [1]	2,667	(43)	225	10	108	(67)	2,900
Total [1]	**15,682**	**(100)**	**642**	**21**	**66**	**(70)**	**16,241**

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

Amortisation/Impairment

(In € million)	Balance at 1 January 2013	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2013
Goodwill	(1,174)	0	(15)	0	0	0	(1,189)
Capitalised development costs [1]	(581)	4	(106)	0	0	0	(683)
Other intangible assets [1]	(1,656)	12	(274)	(3)	(10)	62	(1,869)
Total [1]	**(3,411)**	**16**	**(395)**	**(3)**	**(10)**	**62**	**(3,741)**

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

Net Book Value

(In € million)	Balance at 1 January 2013 [1]		Balance at 31 December 2013 [1]
Goodwill	9,926		9,872
Capitalised development costs	1,334		1,597
Other intangible assets	1,011		1,031
Total	**12,271**		**12,500**

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

Additions to amortisation/impairment include impairment of capitalised development costs (€-14 million) and impairment of other intangible assets (€-10 million) at Airbus Defence and Space.

Development Costs

The Group has capitalised development costs in the amount of €1,688 million as of 31 December 2014 (€1,597 million adjusted as of 31 December 2013) as internally generated intangible assets mainly for the Airbus A380 and A350XWB programme. The amortisation for the A380 programme development costs is performed on a unit of production basis. Capitalisation for development costs of the A350 XWB programme started in the second quarter 2012 when the first aircraft entered the final assembly line. Since 1 April 2012, a total amount of €777 million was capitalised.

Impairment tests

The Group performed impairment tests for goodwill and capitalized development costs not yet available for use in the fourth quarter of the financial year on Cash Generating Unit ("CGU") level.

As of 31 December 2014 and 2013, goodwill was allocated to CGUs or Group of CGUs, which is summarized in the following schedule on segment level:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space [(1)]	Others/ HQ/Conso. [(1)]	Consolidated [(1)]
Goodwill as of 31 December 2014	6,768	310	2,887	14	9,979
Goodwill as of 31 December 2013	6,680	302	2,876	14	9,872

(1) Previous year figures are adjusted due to the application of IFRS 10 and IFRS 11 and the Group's reorganisation that resulted in the merger of Airbus defence business into Airbus Defence and Space.

Due to the first time application of IFRS 11 and in accordance with the IFRS 11 transition guidance, Goodwill in the total amount of €1,090 million (including €658 million for MBDA) has been allocated to Airbus Group joint ventures, that are now accounted for by using the equity method and is therefore no longer allocated to Airbus Group CGUs. As part of the re-branding of EADS to Airbus Group, and the accompanied reorganisation including the integration of the Group's defence and space activities in the beginning of 2014, the business activities and related former CGUs of former Cassidian, Astrium and Airbus Military were merged into the CGU of Airbus Defence and Space.

General assumptions applied in the planning process

The discounted cash flow method has been applied as a primary valuation approach to determine the value in use of the CGUs. Generally, cash flow projections used for the Group's impairment testing are based on operative planning.

The operative planning takes into account general economic data derived from external macroeconomic and financial studies and covers a planning horizon of 5 years. The operative planning assumptions reflect for the periods under review specific inflation rates and future labour expenses in the European countries where the major production facilities are located. Regarding the expected future labour expenses, an increase of 2% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA.

The Group follows an active policy of foreign exchange risk hedging. As of 31 December 2014, the total hedge portfolio with maturities up to 2022 amounts to US$88 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2015 to 2019). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2022 amounts to 1.33 US$/€ and for the US$/GBP hedge portfolio until 2020 amounts to 1.59 US$/GBP. For the determination of the operative planning in the CGUs, management assumed future exchange rates of 1.35 US$/€ from 2015 onwards to convert in € the portion of future US$ which are not hedged. Foreign exchange exposure arises mostly from Airbus and to a lesser extent from the other Airbus Group segments.

The assumption for the perpetuity growth rate used to calculate the terminal values as of 31 December 2014 has been determined with 1% (previous year: 1%). This assumption is lower than experienced in past economic cycles in order to reflect current uncertainty regarding market developments in the long-term.

The main assumptions and the total of the recoverable amounts obtained have been compared for reasonableness to market data.

Key assumptions on which management has based its determination of value in use include amongst others, weighted average cost of capital pre-tax (WACC) and estimated growth rates as well as the underlying foreign exchange rates. These estimates, including the methodology used, can have a material impact on the respective values and hence are subject to uncertainties.

Airbus

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

The assessment was based on the following key specific assumptions, which represent management's current best assessment as of the date of these Consolidated Financial Statements:

- projected cash flows for the next five years were presented to the Group's Board of Directors in the frame of the operative plan. This planning scenario takes into account the decision to ramp-up the production of the A320 programme to 50 a/c per month in 2017, and to adapt the production rate on the Long Range-programme at rate to 6 a/c per month in 2016, and to stabilize A380 production at the current level. In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value. The terminal value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade;

- long-term commercial assumptions are based on General Market Forecast updated in 2014. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities.
- cash flows are discounted using a euro weighted WACC of 9.4% (in 2013: 10.1%);
- carrying value as well as planned cash flows include impacts from the existing hedge portfolio.

With regard to the assessment of the value in use for the CGU Airbus, management believes that the likelihood of a change in the above key assumptions to an extent that would cause the recoverable amount to fall below the carrying value is remote.

The recoverable amount is particularly sensitive to the following areas:

- change of the euro against the US$ (reference scenario at 1.35 US$/€): A change by 10 cents, + or - would not imply an impairment charge in the Group's accounts;
- change of the WACC: An increase of 50 basis points in the WACC would not imply an impairment charge in the Group accounts.

The current positive difference between the recoverable value and the carrying value of Airbus' net assets indicates that the assessed (negative) impacts of the sum of these sensitivities would not imply an impairment charge in Group accounts.

Airbus Helicopters

In order to reflect the different underlying business risks, a segment specific WACC factor has been applied. For Airbus Helicopters the projected cash flows were discounted using a WACC of 9.0% (in 2013: 9.5%).

The main key achievements in 2014 are the certification and entry into Service of new products (EC175, EC145 T2, EC135P3/T3), the full return to service of EC225, the continuing deliveries of NH90 in Europe (Sweden, Greece, Italy, Belgium, Finland, Germany), and of Super Puma throughout the world. Following continued efforts for globalisation and product renewal, the Division continuously expects an increasing performance over the next years thanks to a renewed range planned for entry into service, to the ramp-up of transformation plan setup this year, to the cost efficiency improvements on key programmes and to capitalize on the Airbus Helicopters brand.

Airbus Defence and Space

In order to reflect the different underlying business risks, a segment specific WACC factor has been applied. Airbus Defence and Space applied a WACC of 8.7% (in 2013: 8.7% for Cassidian and Airbus Military and 9.6% for Astrium). Cash flow projections are based on operative planning covering a five-year planning period.

The main key achievements in 2014 are related to order intakes at Space Systems (Ariane 5PB+, Falcon Eye and several telecommunications satellites) as well as at Military Aircraft (International Light & Medium aircraft orders, A400M UK ISS Contract and Eurofighter E-Scan radar). The main deliveries in 2014 were related to A400M ramp-up and continuing Tanker and Light & Medium deliveries, successful Ariane 5 and further satellites launches. Based on these achievements, the planning period is characterised by further order intake in home countries and export market in key areas such as Tankers, Combat Air systems, Earth Observation, launchers and Satellite Communications. The profitability is assumed to increase over the operating planning period, leading to improved performance and also cost synergies (costs reductions).

14. Property, Plant and Equipment

Schedules detailing gross values, accumulated depreciation and impairment and net values of property, plant and equipment show the following as of 31 December 2014:

Cost

(In € million)	Balance at 1 January 2014 (1)	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2014
Land, leasehold improvements and buildings including buildings on land owned by others	8,519	57	125	94	375	(296)	8,874
Technical equipment and machinery	16,524	398	405	111	1,519	(107)	18,850
Other equipment, factory and office equipment	4,113	119	183	(5)	43	(258)	4,195
Construction in progress	2,536	30	1,500	(7)	(1,935)	(19)	2,105
Total	**31,692**	**604**	**2,213**	**193**	**2**	**(680)**	**34,024**

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

Depreciation/Impairment

(In € million)	Balance at 1 January 2014 (1)	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2014
Land, leasehold improvements and buildings including buildings on land owned by others	(3,960)	(17)	(307)	4	(30)	244	(4,066)
Technical equipment and machinery	(9,342)	(234)	(1,085)	(45)	(1)	103	(10,604)
Other equipment, factory and office equipment	(2,805)	(67)	(300)	24	(7)	122	(3,033)
Construction in progress	0	0	0	0	0	0	0
Total	**(16,107)**	**(318)**	**(1,692)**	**(17)**	**(38)**	**469**	**(17,703)**

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

Net Book Value

(In € million)	Balance at 1 January 2014 (1)	Balance at 31 December 2014
Land, leasehold improvements and buildings including buildings on land owned by others	4,559	4,808
Technical equipment and machinery	7,182	8,246
Other equipment, factory and office equipment	1,308	1,162
Construction in progress	2,536	2,105
Total	**15,585**	**16,321**

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

Additions to depreciation/impairment include impairment of other equipment (€-25 million) at Airbus and of technical equipment and machinery (€-8 million), of other equipment (€-5 million), and of land and buildings (€-1 million) at Airbus Defence and Space.

Schedules detailing gross values, accumulated depreciation and impairment and net values of property, plant and equipment show the following as of 31 December 2013:

Cost

(In € million)	Balance at 1 January 2013	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2013
Land, leasehold improvements and buildings including buildings on land owned by others (1)	8,261	(35)	100	0	319	(126)	8,519
Technical equipment and machinery (1)	15,073	(109)	414	4	1,277	(135)	16,524
Other equipment, factory and office equipment (1)	3,410	(51)	340	0	1,104	(690)	4,113
Construction in progress (1)	3,525	(27)	1,582	0	(2,534)	(10)	2,536
Total (1)	**30,269**	**(222)**	**2,436**	**4**	**166**	**(961)**	**31,692**

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

Depreciation/Impairment

(In € million)	Balance at 1 January 2013	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2013
Land, leasehold improvements and buildings including buildings on land owned by others (1)	(3,810)	11	(291)	0	31	99	(3,960)
Technical equipment and machinery (1)	(9,255)	68	(893)	(1)	620	119	(9,342)
Other equipment, factory and office equipment (1)	(2,302)	24	(289)	0	(665)	427	(2,805)
Construction in progress	0	0	0	0	0	0	0
Total (1)	**(15,367)**	**103**	**(1,473)**	**(1)**	**(14)**	**645**	**(16,107)**

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

Net Book Value

(In € million)	Balance at 1 January 2013 (1)	Balance at 31 December 2013 (1)
Land, leasehold improvements and buildings including buildings on land owned by others	4,451	4,559
Technical equipment and machinery	5,818	7,182
Other equipment, factory and office equipment	1,108	1,308
Construction in progress	3,525	2,536
Total	**14,902**	**15,585**

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

Additions to depreciation/impairment include impairment of other equipment (€-20 million) at Airbus and of technical equipment and machinery at Airbus Defence and Space (€-2 million).

Property, plant and equipment include at 31 December 2014 and 2013, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of €154 million and €146 million, net of accumulated depreciation of €79 million and €91 million. The related depreciation expense for 2014 was €10 million (2013: €13 million).

Other equipment, factory and office equipment include the net book value of "aircraft under operating lease" for €213 million and €351 million as of 31 December 2014 and 2013 (adjusted), respectively; related accumulated depreciation is €162 million and €264 million (adjusted). Depreciation expense for 2014 amounts to €31 million (2013 adjusted: €38 million).

The "aircraft under operating lease" includes Group's sales finance activity in the form of aircraft which have been leased out to customers and are classified as operating leases: They are reported net of the accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 33 "Commitments and contingencies" for details on sales financing transactions).

The corresponding non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at 31 December 2014 are as follows:

(In € million)	
not later than 2015	42
later than 2015 and not later than 2019	72
later than 2019	0
Total	**114**

The total net book values of aircraft under operating lease are as follows:

	31 December	
(In € million)	**2014**	**2013 (1)**
Net book value of aircraft under operating lease before impairment charge	327	485
Accumulated impairment	(114)	(134)
Total net book value of aircraft under operating lease	**213**	**351**

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

For details please refer to Note 33 "Commitments and contingencies".

Contractual commitments for purchases of "Land, leasehold improvements and buildings including buildings on land owned by others" amount to €276 million as of 31 December 2014 compared to 2013 of €345 million (adjusted).

15. Investment Property

The Group owns investment property that is leased to third parties. Buildings held as investment property are depreciated on a linear basis over their useful life up to 20 years. The values assigned to investment property are as follows:

(In € million)	Historical cost	Accumulated depreciation 31 December 2013	Book value 31 December 2013	Disposal at historical cost	Depreciation/ disposal of depreciation	Accumulated depreciation 31 December 2014	Book value 31 December 2014
Book value of investment property	211	(142)	69	(2)	0	(142)	67

As of 31 December 2014, the fair value of the Group's investment property amounts to €92 million (in 2013: €83 million). For the purposes of IAS 40 "Investment property", the fair values have been determined by using external appraisal reports or using discounted cash flow projections for estimated rental income less rental expenses. Related rental income in 2014 is €11 million (in 2013: €9 million) with direct operating expenses amounting to €2 million (in 2013: €2 million).

16. Investments Accounted for Under the Equity Method

The following table sets forth the composition of investments in associates and joint ventures accounted for under the equity method:

	31 December	
(In € million)	2014	2013 [(1)]
Investments in associates	2,506	2,894
Investments in joint ventures	885	964
Investments accounted for under the equity method	**3,391**	**3,858**

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

The following table shows the composition of the related share of profit from investments accounted for under the equity method:

(In € million)	2014	2013 [(1)]
Share of profit from investments in associates	721	295
Share of profit from investments in joint ventures	119	139
Share of profit from investments accounted for under the equity method	**840**	**434**

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

The share of profit from investments in associates includes a gain of €343 million from the partial sale of shares of Dassault Aviation and a gain of €47 million from the disposal of shares of Patria (for more details, please see Note 4 "Acquisitions and disposals").

A list of major investments in associates and joint ventures and the proportion of ownership is included in Appendix "Information on principal investments".

a) Investments in associates

The Group's only individually material investment in associates is Dassault Aviation (42.11% and 46.32% at 31 December 2014 and 2013) of €2,429 million and €2,747 million (for the disposal of a part of this investment in 2014, see Note 4 "Acquisitions and disposals"). Dassault Aviation, Paris (France) is active in the market for military jet aircraft and business jets. The Group's 42.11% interest in Dassault Aviation's market capitalisation (2013: 46.32%), derived from an observable free float of 3.5%, amounts to €4,124 million as of 31 December 2014 (as of 31 December 2013: €4,352 million).

The most recent available financial information of Dassault Aviation is the published consolidated IFRS financial statements as of 30 June 2014 (as of 31 December 2013: the published consolidated IFRS financial statements as of 30 June 2013). As there is no published Dassault Aviation financial information for the second half-year 2014 at the date of authorisation for issue of the Airbus Group 2014 financial statements, best estimates have been used based on the available Dassault Aviation financial information as of

31 December 2014. Thus, adjustments for the effects of significant transactions or events that occurred between the 1 July 2014 and the 31 December 2014 are included. The equity investment in Dassault Aviation includes IFRS catch-up adjustments for income and other comprehensive income for prior periods.

The following table reflects summarised financial information of Dassault Aviation, based on its most recent published consolidated financial statements in accordance with IFRS:

(In € million)	2014	2013
Revenues	1,514	4,593
Profit for the period	220	459
Other comprehensive income	(62)	(31)
Total comprehensive income (100%)	**158**	**428**
Non-current assets	5,262	5,457
Current assets	4,816	4,611
Non-current liabilities	201	205
Current liabilities	4,699	4,751
Total equity (100%)	**5,178**	**5,112**

The development of the investment is as follows:

(In € million)	2014	2013
Group's interest in equity on investee at beginning of the year	**2,747**	**2,519**
Profit from continuing operations attributable to the Group (1)	255	247
Other comprehensive income attributable to the Group (1)	(29)	25
Dividends received during the year	(42)	(44)
Disposal of shares (2)	(502)	0
Carrying amount of the investment at 31 December	**2,429**	**2,747**

(1) Includes adjustments and estimates as defined above.

(2) For more details on the partial sale of Dassault Aviation shares, please see Note 4 "Acquisitions and disposals"

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

(In € million)	2014	2013
Group's interest in equity on investee at beginning of the year	**147**	**135**
Profit from continuing operations attributable to the Group	76	48
Other comprehensive income attributable to the Group	(35)	(28)
Dividends received during the year	(20)	(8)
Disposal of shares (1)	(91)	0
Carrying amount of the investment at 31 December	**77**	**147**

(1) For more details, please see Note 4 "Acquisitions and disposals"

The cumulative unrecognized comprehensive loss amounts to €-147 million and €-55 million as of 31 December 2014 and 2013, respectively (thereof €-92 million for the period).

b) Investments in joint ventures

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

The Group's material joint ventures are MBDA S.A.S., Paris (France) and Atlas Elektronik GmbH ("Atlas"), Bremen (Germany) as parent companies of their respective groups. Both groups are not publicly listed.

The Group holds a 37.5% stake in MBDA at 31 December 2014 and 2013, which is a joint venture between the Group, BAE Systems and Finmeccanica. MBDA offers missile systems capabilities that cover the whole range of solutions for air dominance, ground-based air defence and maritime superiority, as well as advanced technological solutions for battlefield engagement.

Atlas is a joint venture of Thyssen Krupp and the Group (49% at 31 December 2014 and 2013). It provides maritime and naval solutions above and below the ocean surface and holds a leading position in all fields of maritime high technology from command and control systems to coastal surveillance systems and in in-house support.

The carrying amount and the respective results of both, MBDA and Atlas, are reported in the Defence and Space segment.

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

	MBDA		**Atlas**	
(In € million)	**2014**	**2013 (1)**	**2014**	**2013 (1)**
Revenues	2,394	2,829	416	441
Depreciation and amortisation	(83)	(71)	(14)	(14)
Interest income	16	14	1	1
Interest expense	(1)	(6)	(5)	(2)
Income tax expense	(64)	(86)	(9)	(6)
Profit from continuing operations	148	199	12	19
Other comprehensive income	(189)	(16)	(15)	(2)
Total comprehensive income (100%)	**(41)**	**183**	**(3)**	**17**
Non-current assets	1,967	1,850	197	158
Current assets	5,298	5,059	555	604
thereof cash and cash equivalents	*1,521*	*1,514*	*255*	*281*
Non-current liabilities	1,307	1,103	297	177
thereof non-current financial liabilities (excluding trade and other payables and provisions)	*13*	*12*	*3*	*2*
Current liabilities	5,845	5,553	293	374
thereof current financial liabilities (excluding trade and other payables and provisions)	*26*	*3*	*2*	*0*
Total equity (100%)	**113**	**253**	**162**	**211**

	MBDA		**Atlas**	
(In € million)	**2014**	**2013 (1)**	**2014**	**2013 (1)**
Group's interest in equity on investee	**42**	**95**	**79**	**103**
Goodwill	282	282	257	257
Fair value adjustments and modifications for differences in accounting policies	(18)	4	(9)	(9)
Carrying amount of the investment at 31 December	**306**	**381**	**327**	**351**

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

The development of these investments is as follows:

(In € million)	MBDA		Atlas	
	2014	**2013 (1)**	**2014**	**2013 (1)**
Group's interest in equity on investee at beginning of the year	**381**	**354**	**351**	**347**
Profit from continuing operations attributable to the Group	56	75	6	10
Other comprehensive income attributable to the Group	(74)	(6)	(7)	(1)
Dividends received during the year	(57)	(42)	(23)	(5)
Carrying amount of the investment at 31 December	**306**	**381**	**327**	**351**

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

The Group's share of contingent liabilities of MBDA and of Atlas as of 31 December 2014 is €329 million (2013: €315 million) and €15 million (2013: €8 million), respectively.

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

(In € million)	**2014**	**2013 (1)**
Group's interest in equity on investee at beginning of the year	**232**	**229**
Profit from continuing operations attributable to the Group	57	54
Other comprehensive income attributable to the Group	16	(5)
Dividends received during the year	(53)	(48)
FX impact	0	2
Carrying amount of the investment at 31 December	**252**	**232**

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

The Group's share of contingent liabilities of its joint ventures as of 31 December 2014 amounts to €2 million (2013: €6 million).

17. Other Investments and Other Long-Term Financial Assets

The following table sets forth the composition of other investments and other long-term financial assets:

(In € million)	31 December	
	2014	**2013 (1)**
Non-current other investments and other long-term financial assets		
Other investments	617	607
Other long-term financial assets	1,152	1,149
Total non-current other investments and other long-term financial assets	**1,769**	**1,756**
Current portion of other long-term financial assets	**167**	**132**

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

Other investments mainly comprise the Group's participations, the most significant being at 31 December 2014 the participations in CARMAT SAS (Group share: 24.2%, 2013: 27.3%) amounting to €68 million (2013: €136 million) and AviChina (Group share: 5.0%) amounting to €140 million (2013: €116 million).

As of 31 December 2014, **other income from investments** amounts to €55 million (€49 million adjusted as of 31 December 2013).

Other long-term financial assets of €1,152 million (2013 adjusted: €1,149 million) and the **current portion of other long-term financial assets** of €167 million (2013 adjusted: €132 million) encompass other loans in the amount of €876 million and €767 million (adjusted) as of 31 December 2014 and 2013, and the Group's sales finance activities in the form of finance lease receivables and loans from aircraft financing. They are reported net of accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 33 "Commitments and contingencies" for details on sales financing transactions).

Loans from aircraft financing are provided to customers to finance the sale of aircraft. These loans are long-term and normally have a maturity which is linked to the use of the aircraft by the customer. The calculation of the net book value is:

	31 December	
(In € million)	**2014**	**2013** [(1)]
Outstanding gross amount of loans to customers	605	478
Accumulated impairment	(179)	(156)
Total net book value of loans	**426**	**322**

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

Finance lease receivables from aircraft financing are as follows:

	31 December	
(In € million)	**2014**	**2013** [(1)]
Minimum lease payments receivables	21	212
Unearned finance income	(4)	(17)
Accumulated impairment	0	(3)
Total net book value of finance lease receivables	**17**	**192**

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

Future minimum lease payments from investments in finance leases to be received are as follows (not discounted):

(In € million)	
not later than 2015	3
later than 2015 and not later than 2019	12
later than 2019	6
Total	**21**

18. Inventories

Inventories at 31 December 2014 and 2013 consist of the following:

	31 December	
In € million	**2014**	**2013** [(1)]
Raw materials and manufacturing supplies	2,717	2,575
Work in progress	17,255	16,070
Finished goods and parts for resale	2,196	2,049
Advance payments to suppliers	3,187	3,329
Total	**25,355**	**24,023**

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

The increase in work in progress of €+1,185 million is mainly driven by Airbus programmes, partly offset by Airbus Helicopters and Airbus Defence and Space programmes. Raw materials were built-up at Airbus and at Airbus Defence and Space. Finished goods and parts for resale increased at Airbus.

The finished goods and parts for resale before write down to net realisable value amount to €2,964 million in 2014 (2013 adjusted: €2,733 million) and work in progress before write down to net realisable value amounts to €21,667 million (2013 adjusted: €19,032 million). Write downs for inventories are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2014, write downs of inventories in the amount of €-501 million (2013 adjusted: €-374 million) are recognised in cost of sales, whereas reversal of write downs amounts to €160 million (2013 adjusted: €62 million). At 31 December 2014 €5,563 million of work in progress and €1,706 million of finished goods and parts for resale were carried at net realisable value.

19. Trade Receivables

Trade receivables at 31 December 2014 and 2013 consist of the following:

In € million	31 December 2014	31 December 2013 [(1)]
Receivables from sales of goods and services	7,087	6,942
Allowance for doubtful accounts	(289)	(314)
Total	**6,798**	**6,628**

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

The **trade receivables** increase by €+170 million mainly caused by Airbus Helicopters and Airbus, partly compensated by a decrease at Airbus Defence and Space.

Trade receivables are classified as current assets. As of 31 December 2014 and 2013 (adjusted), respectively, €2,224 million and €1,357 million of trade receivables are not expected to be collected within one year.

In application of the **percentage of completion** (PoC) method, as of 31 December 2014 an amount of €1,941 million (in 2013 adjusted: €2,366 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses) to date** amounts to €68,543 million (in 2013 adjusted: €63,029 million).

The **gross amount due from customers** for construction work amounts to €3,828 million (in 2013 adjusted: €4,690 million) and relates to construction contracts where incurred contract costs plus recognised profits less the sum of recognised losses exceed progress billings. Due to the nature of certain contracts and the respective recognition of revenues, these incurred costs also include associated work in progress and respective contract losses.

The **gross amount due to customers** amounts to €2,535 million (in 2013: €1,030 million) and corresponds to the construction contracts whose total of incurred contract costs plus recognised profits less the sum of recognised losses and progress billings is negative.

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

In € million	2014	2013
Allowance balance at 1 January [(1)]	(314)	(320)
Foreign currency translation adjustment	(1)	1
Utilisations / disposals	34	25
(Additions)	(8)	(20)
31 December [(1)]	**(289)**	**(314)**

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

Based on historic default rates, the Group believes that no allowance for doubtful accounts is necessary in respect of trade receivables not past due in the amount of €4,917 million (in 2013 adjusted: €4,933 million).

20. Other Financial Assets

Other financial assets at 31 December 2014 and 2013 consist of the following:

	31 December	
In € million	2014	2013
Non-current other financial assets		
Positive fair values of derivative financial instruments	502	1,993
Others	84	83
Total	**586**	**2,076**
Current other financial assets		
Positive fair values of derivative financial instruments (1)	208	716
Receivables from related companies (1)	582	593
Loans	28	2
Others	346	280
Total (1)	**1,164**	**1,591**

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

21. Other Assets

Other assets at 31 December 2014 and 2013 consist of the following:

	31 December	
In € million	2014	2013
Non-current other assets		
Prepaid expenses	1,603	1,480
Others (1)	219	171
Total (1)	**1,822**	**1,651**
Current other assets		
Value added tax claims (1)	1,371	1,082
Prepaid expenses (1)	487	429
Others (1)	531	449
Total (1)	**2,389**	**1,960**

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

22. Securities

The Group's security portfolio amounts to €9,172 million and €6,883 million (adjusted) as of 31 December 2014 and 2013, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of €5,985 million (in 2013 adjusted: €4,294 million) and securities designated at fair value through profit and loss of €4 million (in 2013: €4 million) as well as a **current portion** of available-for-sale-securities of €3,183 million (in 2013 adjusted: €2,585 million).

Included in the securities portfolio as of 31 December 2014 and 2013, respectively, are corporate and government bonds bearing either fixed rate coupons (€8,666 million nominal value; comparably in 2013: €6,374 million) or floating rate coupons (€250 million nominal value; comparably in 2013: €387 million) and foreign currency Funds of Hedge Funds (€8 million nominal value; 2013: €8 million).

When the Group enters into securities lending activities, the securities pledged as collateral continue to be recognised on the balance sheet. The carrying amount of such securities pledged as of 31 December 2014, including accrued coupon interest, was €0 million (2013: €613 million).

23. Total Equity

a) Equity attributable to Equity owners of the parent

The following table shows the development of the number of shares outstanding:

(In number of shares)	2014	2013
Issued as at 1 January	**783,157,635**	**827,367,945**
Issued for ESOP	0	2,113,245
Issued for exercised options	1,871,419	6,873,677
Cancelled	-248,469	-53,197,232
Issued as at 31 December	**784,780,585**	**783,157,635**
Treasury shares as at 31 December	-431,832	-2,835,121
Outstanding as at 31 December	**784,348,753**	**780,322,514**

Airbus Group's shares are exclusively ordinary shares with a par value of €1.00. The authorised share capital consists of 3,000,000,000 shares.

On 27 May 2014, the Shareholders' General Meeting of Airbus Group delegated the authorisation to the Board of Directors 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 and share related Long-Term Incentive Plans (such as stock option, performance and restricted share plans), provided that such powers shall be limited to an aggregate of 0.2% of the Company's authorised 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 2015. The mentioned 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.

Furthermore, the Shareholders' General Meeting authorised the Board of Directors 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 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 2015. The mentioned 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.

The Shareholders' General Meeting on 27 May 2014 renewed the authorisation given to the Board of Directors for a new period of 18 months from the date of the 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 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 (i) supersedes and replaces the authorisation given by the Annual General Meeting of 29 May 2013 and (ii) is in addition, and without prejudice, to the repurchase authorisation granted by the Extraordinary General Meeting held on 27 March 2013.

On 27 May 2014, the Shareholders' General Meeting decided to add the net profit of the fiscal year 2013 of €1,465 million to retained earnings. It also decided to distribute a gross amount of €0.75 per share, which was paid on 3 June 2014. For the fiscal year 2014, the Group's Board of Directors proposes a cash distribution payment of €1.20 per share.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of €1,871,419 (in 2013: €6,873,677) in compliance with the implemented stock option plans and by employees of €0 million (in 2013: €2,113,245) under the Employee Stock Ownership Plans.

Share premium mainly results from contributions in kind in the course of the creation of Airbus Group, cash contributions from the Initial Public Offering, capital increases and reductions due to the issuance and cancellation of shares as well as cash distributions to Airbus Group N.V. shareholders. In 2014, €31 million are reclassified from currency translation adjustments to profit or loss. Treasury shares represent the amount paid for own shares held in treasury.

b) Non-Controlling Interests

The non-controlling interests (NCI) from non-wholly owned subsidiaries amount to €18 million as of 31 December 2014 (in 2013 adjusted: €42 million). These non-controlling interests do not have a material interest in Airbus Group's activities and cash flows.

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

	Elbe Flugzeugwerke GmbH		**GEW Technnologies (Pty) Ltd.**		**Alestis Aerospace S.L.**		**PFW Aerospace GmbH**	
Principal place of business	Dresden (Germany)		Pretoria (South Africa)		La Rinconada (Spain)		Speyer (Germany)	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Ownership interest held by NCI	35%	35%	25%	25%	38.84%	N/A	25.10%	25.10%
NCI (in € million)	21	26	11	10	(25)	N/A	(21)	(8)
Profit (loss) allocated to NCI (in € million)	2	1	1	1	(10)	N/A	1	1

24. Capital Management

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

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

Airbus Group's long-term rating with Standard & Poor's stands at A with a stable outlook after an upgrade in September 2013 from A-.The Group's short-term rating with Standard & Poor's stands at A1 and reflects the Group's Exceptional liquidity.

Airbus Group's long term rating with Moody's Investors Services currently stands at A2. It is a Government Related Issuer (GRI) rating and includes a notch up from the Baseline Credit Assessment (BCA) that stands at A3. This notch up reflects a moderate probability of implicit support from France and Germany.

The Group's long-term unsolicited rating with Fitch Ratings stands at A- with a stable outlook and was upgraded from BBB+ in October 2013.

The Group's stand-alone ratings mainly reflect improving credit metrics, the competitive position and strong backlog providing revenue visibility, key progresses made on the A350 XWB programme and Management's strong focus towards profitability and cash generation enhancement as well as the structural currency risk.

In accordance with its conservative financial policy, a strong rating is key to maintain a wide array of funding sources at attractive conditions, increase hedging capacity and strengthen the Group's position as a solid counterparty for its customers and suppliers.

Among other indicators, the Group uses a Value Based Management approach in order to guide the Company towards sustainable value creation by generating financial returns above the cost of capital. The key elements of the Value Based Management concept are:

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

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

Financial value is created if profits relative to the Group's Capital Employed exceed the company's cost of the capital. Value can be measured by comparing RoCE to the WACC. A five year plan for a value creation ambition is constructed annually, and is composed of (1) RoCE, (2) EBIT pre-goodwill impairment and exceptionals, and (3) Free Cash Flow, which is defined as Cash provided by operating activities and Cash used for investing activities less Change of securities, Contribution to plan assets for pensions and realized Treasury swaps. The Company's long-term aspiration is to reach the first quartile of RoCE performance among our aerospace and defence peers.

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

The Group generally satisfies its obligations arising from share-based payment plans by issuing new shares. In order to avoid any dilution of its current shareholders out of these share-based payment plans, the Group has accordingly decided to buy back and cancel its own shares following the decisions of the Board of Directors and approval of the Annual General Meeting. Apart from this purpose, the Group generally does not trade with treasury shares.

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

25. Provisions

Provisions are comprised of the following:

	31 December	
(In € million)	**2014**	**2013 (1)**
Provision for retirement plans (see Note 25b)	7,567	5,809
Provision for deferred compensation (see Note 25a)	683	460
Retirement plans and similar obligations	**8,250**	**6,269**
Other provisions (see Note 25c)	7,862	8,557
Total	**16,112**	**14,826**
Thereof non-current portion	10,400	9,604
Thereof current portion	5,712	5,222

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

As of 31 December 2014 and 2013, respectively, €7,864 million and €5,866 million (adjusted) of retirement plans and similar obligations and €2,536 million and €3,738 million (adjusted) of other provisions mature after more than one year.

a) Provisions for Deferred Compensation

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

Change in defined benefit obligations:

(In € million)	2014	2013
Defined benefit obligations as of 1 January (1)	**529**	**430**
Service cost (1)	85	53
Interest cost (1)	18	15
Remeasurements: Actuarial and losses arising		
from changes in financial assumptions	121	10
from changes in experience adjustments	6	29
Transfer and change in consolidation (1)	(12)	(6)
Benefits paid	(3)	(2)
Defined benefit obligations as of 31 December (1)	**744**	**529**

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

Change in plan assets:

(In € million)	2014	2013
Fair value of plan assets as of 1 January	**74**	**0**
Additions (Reclassification)	3	73
Interest income from plan assets	3	2
Remeasurement of plan assets	1	(1)
Fair value of plan assets as of 31 December	**81**	**74**

Recognized as:

(In € million)	2014	2013
Provision (1)	683	460
Other non-current and current assets	20	5
Total (1)	**663**	**455**

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

The portion of the obligation, which is not protected by the pension guarantee association or PSV ("Pensions-Sicherungs Verein") in case of an insolvency of the Group companies concerned, is covered by securities. On 31 January 2013, a new trust agreement ("Treuhandvereinbarung") between the trust and the participant companies was concluded qualifying these securities as plan assets from this date onwards. The securities, which were accounted before as available-for-sale financial assets, were reclassified on this date and deduct the related provision. The trustee agreements stipulate that some portions of the obligation must be covered with securities in the same amount, while other portions must be covered by 115% leading to an overfunding of the related part of the obligation. These amounts are recognized as other non-current and current assets.

b) Provisions for Retirement Plans

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

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

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

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

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

Moreover, the Group participates in the UK in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. These plans qualify as multi-employer defined benefit plans under IAS 19 "Employee Benefits". The Group's most significant investments in terms of employees participating in these BAE Systems UK pension plans is Airbus Operations Ltd (before the application of IFRS 11: Airbus Operations Ltd and MBDA UK Ltd). Participating Airbus Operations Ltd employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between the Group and BAE Systems and a change in UK pensions legislation enacted in April 2006.

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

Due to the contractual arrangements between the Group and BAE Systems, Airbus Group's contributions in respect of its investments for the most significant pension scheme (Main Scheme) were capped until July 2011 for Airbus Operations Ltd. Contributions exceeding the respective capped amounts were paid by BAE Systems. Even after the expiry of the contribution cap the unique funding arrangements between BAE Systems and the Group create a situation for the Group different from common UK multi-employer plans with special regulations limiting regular contributions that have to be paid by Airbus Operations Ltd to rates applicable to all participating employers.

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

In 2014, the share of Airbus in BAE Systems' main schemes amounts to 19.65% (in 2013: 19.45%). The impact of this change is mainly reflected in the remeasurements of the period.

In the event that an employer who participates in the BAE pension schemes fails or cannot be compelled to fulfil its obligations as a participating employer, the remaining participating employers are obliged to collectively take on its obligations. The Group considers the likelihood of this event as remote.

Risks

The defined benefit obligation exposes the Group to actuarial risks, including the following ones:

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

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

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

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

Actuarial assessments are regularly made to determine the amount of the Group's commitments with regard to retirement indemnities. These assessments include an assumption concerning changes in salaries, retirement ages and long-term interest rates. It comprises all the expenses the Group will be required to pay to meet these commitments.

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

	Pension plans in							
	Germany		France		UK		Multi-employer (UK)	
Assumptions in %	2014	2013	2014	2013	2014	2013	2014	2013
Discount rate	1.9	3.6	2.1	3.4	3.8	4.6	3.6	4.5
Rate of compensation increase	3.25	3.25	2.5	3.1	3.0	3.5	3.2	3.0
Rate of pension payment increase	1.7	2.0	- / 2.0	- / 2.0	2.8	3.0	2.3 - 3.2	1.9 - 3.7
Inflation rate	1.7	2.0	1.7	2.0	2.9	3.2	3.2	3.4

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

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

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

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

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

Change in defined benefit obligations

(In € million)	Pension plans of the Group	Share of multi-employer plan in UK	Total
Defined benefit obligations as of 1 January 2013 (1)	**8,456**	**3,343**	**11,799**
Service cost (1)	275	60	335
Interest cost (1)	305	141	446
Curtailments	(5)	0	(5)
Remeasurements: Actuarial and losses arising			
from changes in demographic assumptions	1	0	1
from changes in financial assumptions (1)	15	85	100
from changes in experience adjustments (1)	118	12	130
Change in consolidation, transfers and others (1)	(13)	4	(9)
Benefits paid (1)	(316)	(118)	(434)
Foreign currency translation adjustment (1)	(14)	(67)	(81)
Defined benefit obligations as of 31 December 2013 / 1 January 2014 (1)	**8,822**	**3,460**	**12,282**
Service cost	288	63	351
Interest cost	309	160	469
Settlements	(143)	0	(143)
Remeasurements: Actuarial (gains) and losses arising			
from changes in demographic assumptions	161	65	226
from changes in financial assumptions	1,370	584	1,954
from changes in experience adjustments	165	(134)	31
Change in consolidation, transfers and others	(77)	4	(73)
Benefits paid	(323)	(129)	(452)
Foreign currency translation adjustment	53	264	317
Defined benefit obligations as of 31 December 2014	**10,625**	**4,337**	**14,962**

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

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

The weighted average duration of the defined benefit obligation for retirement plans and deferred compensation is 15 years at 31 December 2014 (31 December 2013: 15 years).

The split of the defined benefit obligation for retirement plans and deferred compensation between active, deferred and pensioner members for the most significant plans is as follows (as of 31 December 2014 unless otherwise noted):

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

(1) as of 5 April 2013

(2) as of 31 March 2014

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

	Change in actuarial assumptions	Impact on defined benefit obligations	
		Change as of 31 December	
		2014	2013 (1)
Present value of the obligation		15,706	12,812
Discount rate	Increase by 0.5%-point	(1,333)	(840)
	Decrease by 0.5%-point	1,416	834
Salary growth	Increase by 0.25%-point	356	213
	Decrease by 0.25%-point	(457)	(214)
Pension growth	Increase by 0.25%-point	345	237
	Decrease by 0.25%-point	(452)	(237)
Life expectancy	Increase by 1 year	421	296
	Reduction by 1 year	(537)	(299)

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

Sensitivities are calculated based on the same method (present value of the defined benefit obligation calculated with the projected unit method) as applied when calculating the post-employment benefit obligations. The sensitivity analyses are based on a change of one assumption while holding all other assumptions constant. This is unlikely to occur in practice and changes of more than one assumption may be correlated leading to different impacts on DBO than disclosed above. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

The development of plan assets is as follows:

Change in plan assets

(In € million)	Pension plans of the Group	Share of multi-employer plan in UK	Total
Fair value of plan assets as of 1 January 2013 (1)	**3,602**	**2,497**	**6,099**
Interest income from plan assets (1)	138	107	245
Remeasurement of plan assets (1)	15	176	191
Contributions by employer (1)	138	88	226
Contributions by other plan participants	7	4	11
Transfers	2	0	2
Benefits paid (1)	(124)	(119)	(243)
Foreign currency translation adjustments (1)	(10)	(48)	(58)
1 January 2014 (1)	**3,768**	**2,705**	**6,473**
Interest income from plan assets	144	127	271
Remeasurement of plan assets	140	162	302
Contributions by employer	372	90	462
Contributions by other plan participants	8	4	12
Settlements	(116)	0	(116)
Benefits paid	(130)	(129)	(259)
Foreign currency translation adjustments	51	199	250
Fair value of plan assets as of 31 December 2014	**4,237**	**3,158**	**7,395**

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

In 2014, contributions in the amount of €372 million (2013: €138 million) are made into the pension plans of the Group, mainly relating to the relief fund in Germany with €50 million (2013: €74 million), the Airbus Group UK scheme with €50 million (2013: €49 million) and the CTA with €265 million (2013: €10 million).

Contributions of approximately €200 million are expected to be made in 2015.

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

(In € million)	31 December 2014 Quoted prices	Unquoted prices	Total	31 December 2013 Quoted prices	Unquoted prices	Total
Equity securities						
Europe (1)	1,086	0	1,086	1,195	0	1,195
Rest of the world	102	0	102	569	0	569
Emerging markets	248	0	248	256	0	256
Global (1)	1,452	0	1,452	594	0	594
Bonds						
Corporates (1)	2,289	0	2,289	1,317	0	1,317
Governments (1)	1,317	0	1,317	1,575	0	1,575
Covered	0	0	0	60	0	60
Pooled Investment Vehicles (1)	310	15	325	237	19	256
Commodities	176	0	176	167	0	167
Hedge Funds	121	0	121	86	0	86
Derivatives	0	(47)	(47)	6	(6)	0
Property (1)	346	5	351	257	5	262
Cash and Money Market Funds (1)	197	0	197	252	0	252
Others (1)	2	(143)	(141)	41	(83)	(42)
	7,646	(170)	7,476	6,612	(65)	6,547

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

As a rule, quoted prices are available on active markets.

The majority of funded plans apply broadly an asset-liability matching (ALM) framework. The strategic asset allocation (SAA) of the plans takes into account the characteristics of the underlying obligations. Investments are widely diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2014 consists of fixed income instruments, equities, and although the Group also invests in property, commodities and hedge funds. The Group is reassessing the characteristics of the pension obligations from time to time or as required by the applicable regulation or governance framework. This typically triggers a subsequent review of the SAA.

The defined benefit obligation at the end of the year is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. Related plan assets are deducted from the obligation leading to the funded status which corresponds to the recognized provision. The amount recorded as provision in the Consolidated Statement of Financial Position can be allocated to the significant countries as follows:

Recognised Provision for retirement plans

(In € million)	Pension plans of the Group Germany	France	UK	Others	Share of multiemployer plan in the UK (1)	Total
Defined benefit obligation (1)	6,637	1,352	691	142	3,460	12,282
Plan assets (1)	2,997	17	644	110	2,705	6,473
Recognised in the statements of financial position as of 31 December 2013 (1)	**3,640**	**1,335**	**47**	**32**	**755**	**5,809**
Defined benefit obligation	8,144	1,561	909	11	4,337	14,962
Plan assets	3,392	17	828	0	3,158	7,395
Recognised in the statements of financial position as of 31 December 2014	**4,752**	**1,544**	**81**	**11**	**1,179**	**7,567**

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

The movements during the year are as follows:

Balance at 31 December 2013 (1)	Service and net interest cost	Remea-surements	Settlement	Contribution (employer and other plan participants)	Benefits paid	Change in consolidation, transfers and others	Foreign currency translation adjustments	Balance at 31 December 2014
5,809	549	1,909	(27)	(474)	(193)	(73)	67	**7,567**

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

The components of the net periodic pension cost, included in "Profit before finance costs and income taxes", are as follows:

(In € million)	**2014**	**2013 (1)**
Service cost	351	335
Interest cost	469	446
Interest income	(271)	(245)
Net periodic pension cost	**549**	**536**

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

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2014 amount to €674 million (in 2013 adjusted: €671 million).

c) Other Provisions

Movements in provisions during the year were as follows:

(In € million)	Balance at 1 January 2014	Exchange differences	Increase from passage of time	Additions	Reclassi-fication/ Change in consolidated group	Used	Released	Balance at 31 December 2014
Contract losses	1,780	2	0	823	(1,398)	(249)	(58)	900
Outstanding costs	2,479	47	0	838	146	(895)	(246)	2,369
Aircraft financing risks	671	123	43	3	0	(125)	(28)	687
Personnel charges	954	3	4	329	(3)	(344)	(113)	830
Obligation from services and maintenance agreements	346	3	7	395	1	(124)	(30)	598
Warranties	559	1	3	110	(6)	(189)	(40)	438
Restructuring measures / pre-retirement part-time work	496	2	7	57	9	(129)	(17)	425
Litigations and claims	154	8	0	19	(5)	(12)	(20)	144
Asset retirement	121	1	3	6	0	0	(1)	130
Other risks and charges	997	18	4	849	(144)	(254)	(129)	1,341
Total	**8,557**	**208**	**71**	**3,429**	**(1,400)**	**(2,321)**	**(682)**	**7,862**

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

In 2014, provision for contract losses mainly includes A350 XWB (€627 million). The additions to the contract losses provision include the net charge of €551 million for the A400 M. "Reclassification/Change in consolidated group" mainly relates to offsetting of A400M and A350 contract provisions to respective inventories.

The majority of the addition to provisions for outstanding costs relates to Airbus Defence and Space (€400 million) and corresponds among others to the Eurofighter programme and to diverse tasks to complete on construction contracts, as well as to Airbus Helicopters (€359 million), mainly for the NH90 programme.

The provision for aircraft financing risks fully covers, in line with the Group's policy for sales financing risk, the net exposure to aircraft financing of €69 million (€82 million at 31 December 2013 adjusted) and asset value risks of €618 million (€589 million at 31 December 2013) related to Airbus and Airbus Helicopters (see Note 33 "Commitments and contingencies").

Included in provision for obligation from service and maintenance agreements 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.

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

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

26. Financing Liabilities

The Group has issued under its EMTN Programme (Euro Medium Term Note Programme) four currently outstanding euro denominated bonds. The first currently outstanding bond was issued in September 2003 for a total of €0.5 billion and matures in September 2018. It carries a coupon of 5.5% (effective interest rate 5.58%) and was swapped into variable rate of 3M-Euribor +1.72% in 2005. The second currently outstanding bond was issued in August 2009 for a total of €1 billion. It matures in August 2016 and carries a coupon of 4.625% (effective interest rate 4.68%), which was swapped into variable rate of 3M-Euribor +1.57%. The third currently outstanding bond was issued in April 2014 for a total of €1 billion and matures in April 2024. It carries a coupon of 2.375% (effective interest rate 2.394%). The fourth and last currently outstanding bond was issued in October 2014 for a total of €0.5 billion and matures in October 2029. It carries a coupon of 2.125% (effective interest rate 2.194%).

Furthermore, on 17 April 2013, the Group placed an inaugural US$1 billion issue on the U.S. institutional market under 144A/Reg S format. The bond carries a fixed coupon of 2.70% (effective interest rate 2.73%) and matures in April 2023.

The Group can issue commercial paper under the so called "billet de trésorerie" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of €2 billion, increased in 2013 to a maximum volume of €3 billion.

In 2004, the EIB (European Investment Bank) granted a long-term loan to the Group in the amount of US$ 421 million and bearing a fixed interest rate of 5.11% (effective interest rate 5.11%). This loan was maturing and has been consequently fully repaid in August 2014. In January 2011, the Group entered into a US$300 million loan agreement maturing in January 2021 with the Development Bank of Japan with a variable interest rate of 3 month USD Libor + 1.15%. Concurrently, the Group swapped the variable interest rate into a fixed rate of 4.76%. In August 2011, the Group entered into a US$ 721 million loan agreement with EIB maturing in August 2021 with a variable interest rate of 3 month USD Libor + 0.85%. Concurrently, the Group swapped the variable interest rate into fixed rate of 3.2%. In February 2013, the Group entered into a US$406 million loan agreement with EIB maturing in February 2020 with a variable interest rate of 3 month USD Libor + 0.93%. In December 2014, the Group entered into a US$627 million loan agreement with the EIB maturing in December 2024 with a fixed 2.52% interest rate.

Furthermore, Airbus received in 1999 a Reinvestment Note from Deutsche Bank AG in the amount of US$800 million, bearing a fixed interest rate of 9.88% with an outstanding debt of €147 million (2013: €157 million).

Liabilities from financial institutions at 31 December 2014 include no short-term liabilities from securities lending activities (2013: €608 million).

Financing liabilities include liabilities connected with sales financing transactions amounting to €46 million (2013 adjusted: €50 million), mainly at variable interest rates.

Non-recourse Airbus financing liabilities (risk is supported by external parties) amount to €46 million (2013 adjusted: €50 million).

(In € million)	31 December 2014	2013
Bonds	3,917	2,340
thereof due in more than five years: 2,374 (31 December 2013: 780)		
Liabilities to financial institutions [(1)]	1,751	1,070
thereof due in more than five years: 1,225 (31 December 2013: 754)		
Loans [(1)]	424	232
thereof due in more than five years: 181 (31 December 2013: 30)		
Liabilities from finance leases	186	159
thereof due in more than five years: 116 (31 December 2013: 97)		
Others	0	3
thereof due in more than five years: 0 (31 December 2013: 3)		
Long-term financing liabilities [(1)]	**6,278**	**3,804**
Bonds	1	0
Liabilities to financial institutions [(1)]	22	923
Loans	285	116
Liabilities from finance leases	12	13
Others [(1)]	753	774
Short-term financing liabilities (due within one year) [(1)]	**1,073**	**1,826**
Total [(1)]	**7,351**	**5,630**

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

Included in "Others" are financing liabilities to joint ventures.

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

(In € million)	
2015	1,073
2016	1,240
2017	196
2018	723
2019	223
Thereafter	3,896
Total	**7,351**

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2013 as follows:

(In € million)	
2014 [(1)]	1,826
2015 [(1)]	157
2016 [(1)]	1,222
2017 [(1)]	136
2018 [(1)]	625
Thereafter	1,664
Total	**5,630**

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

27. Other Financial Liabilities

(In € million)	31 December 2014	31 December 2013
Non-current other financial liabilities		
European Governments refundable advances [(1)]	6,020	5,907
Liabilities for derivative financial instruments	3,271	671
Others	631	576
Total [(1)]	**9,922**	**7,154**
Current other financial liabilities		
European Governments refundable advances	508	455
Liabilities for derivative financial instruments [(1)]	2,232	302
Liabilities to related companies	50	52
Others [(1)]	690	656
Total [(1)]	**3,480**	**1,465**

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

Regarding the interest expenses on European Governments refundable advances see Note 11 "Total finance costs". Due to their specific nature, namely their risk-sharing features and the fact that such advances are generally granted to the Group on the basis of significant development projects, European Governments refundable advances are accounted for by the Group within "Non-current/ current other financial liabilities" on the statement of financial position including accrued interests and presented within "cash provided by operating activities" in the Consolidated Statements of Cash Flows.

Included in "Other financial liabilities" are €3,470 million (2013 adjusted: €1,495 million) due within one year and €4,402 million (2013: €4,237 million) maturing after more than five years.

28. Other Liabilities

(In € million)	31 December 2014	31 December 2013 [(1)]
Non-current other liabilities		
Customer advance payments	12,231	10,203
Others	618	561
Total	**12,849**	**10,764**
Current other liabilities		
Customer advance payments	22,174	23,723
Tax liabilities (excluding income tax)	675	573
Others	2,373	2,274
Total	**25,222**	**26,570**

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

Included in "Other liabilities" are €24,291 million (2013 adjusted: €23,172 million) due within one year and €4,531 million (2013 adjusted: €4,295 million) maturing after more than five years.

Advance payments received relating to construction contracts amount to €7,840 million (2013 adjusted: €9,746 million) mainly resulting from Airbus Defence and Space (€6,499 million) and Airbus Helicopters (€1,273 million).

29. Trade Liabilities

As of 31 December 2014, trade liabilities amounting to €280 million (€184 million adjusted as of 31 December 2013) mature after more than one year.

30. Deferred Income

(In € million)	31 December 2014	2013 (1)
Non-current deferred income	267	237
Current deferred income	1,089	984
Total	**1,356**	**1,221**

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

NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

31. Consolidated Statements of Cash Flows

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2014**	**2013**
Bank account & petty cash [1]	2,280	2,126
Short-term securities (at fair value through profit & loss)	3,261	2,933
Short-term securities (available for sale)	1,744	2,130
Others [1]	4	12
Total cash and cash equivalents [1]	**7,289**	**7,201**
Thereof presented as cash and cash equivalents	7,271	7,201
Thereof presented as part of disposal groups classified as held for sale	18	0

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

As of 31 December 2014, bank account and petty cash are mostly denominated in €, USD and GBP.

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

The following chart provides details on cash flow for **acquisitions** (resulting in additional assets and liabilities acquired) of subsidiaries, joint ventures and businesses:

(In € million)	**2014**	**2013**
Total purchase price	(61)	(17)
thereof paid in cash and cash equivalents	(61)	(17)
Cash and cash equivalents included in the acquired subsidiaries, joint ventures and businesses	14	1
Cash flow for acquisitions, net of cash	**(47)**	**(16)**

In 2014, the aggregate cash flow for acquisitions, net of cash of €-47 million, relates mainly to the acquisition of Alestis Aerospace S.L. (€-22 million) and of Salzburg München Bank AG (€-21 million).

In 2013, the aggregate cash flow for acquisitions, net of cash of €-16 million relates mainly to the acquisition of Arkoon Network Security SA (€-15 million).

(In € million)	2014	2013
Intangible assets, property, plant and equipment	207	4
Financial assets	315	
Inventories	25	0
Trade receivables	21	1
Other assets	29	8
Cash and cash equivalents	14	1
Assets	**611**	**14**
Provisions	(22)	(1)
Trade liabilities	(23)	0
Financing liabilities	(542)	(1)
Tax liabilities and other liabilities	(27)	(9)
Liabilities	**(614)**	**(11)**
Fair value of total net (liabilities) assets	**(3)**	**3**
Increase in non-controlling interests due to acquisitions	(17)	0
Fair value of net assets acquired	**(20)**	**3**
Goodwill arising on acquisitions	54	11
Total consideration	**34**	**14**
Gains related to business combinations	(1)	0
Consideration	28	0
Linked non-controlling interests squeeze out transactions	0	3
Less cash and cash equivalents of acquired subsidiaries, joint ventures and businesses	(14)	(1)
Cash flow for acquisitions, net of cash	**47**	**16**

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

(In € million)	2014
Total selling price	20
thereof received by cash and cash equivalents	20
Cash and cash equivalents included in the disposed subsidiaries	(54)
Cash flow from disposals, net of cash	**(34)**

The aggregate cash flow from disposals, net of cash, in 2014 of €-34 million, results from the sale of ND Satcom GmbH (€- 24 million) and Test and Services (€-10 million).

(In € million)	**2014**
Intangible assets, property, plant and equipment	(11)
Financial assets	(2)
Inventories	(31)
Trade receivables	(52)
Other assets	(17)
Cash and cash equivalents	(54)
Assets	**(167)**
Provisions	57
Trade liabilities	27
Other liabilities	59
Liabilities	**143**
Book value of net assets	**(24)**
Related disposal of goodwill	(5)
Result from disposal of subsidiaries	2
Non-cash effective consideration	7
Less cash and cash equivalents of disposed subsidiaries	54
Cash flow from disposals, net of cash	**34**

In 2013, no disposal had a significant impact on the cash flow.

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

32. Litigation and Claims

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

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

WTO

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

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

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

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

Securities Litigation

Following the dismissal of charges brought by the French Autorité des marchés financiers for alleged breaches of market regulations and insider trading rules with respect primarily to the A380 delays announced in 2006, a French investigating judge decided in November 2013 to send the case to trial (renvoi devant le tribunal correctionnel) against 7 current and former executives that exercised their stock options in March 2006 as well as two former shareholders. On 3 October 2014 the criminal court suspended the case on the merits and decided to request a preliminary ruling (question prioritaire de constitutionnalité) from the French Supreme Court on the constitutionality of the French dual prosecution system (AMF and judicial proceedings). On 17 December 2014, the French Supreme Court agreed to transmit the constitutional challenge to the Conseil Constitutionnel who are scheduled to make their ruling by the end of March 2015. After being directed by the criminal court to correct inaccuracies in the charges, the investigating magistrate issued revised charge in January 2015. It is unlikely that the case will resume before the second half of 2015.

GPT

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

Eurofighter Austria

In March 2012, the German public prosecutor, following a request for assistance by the Austrian public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust by current and former employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH as well as by third parties relating to the sale of Eurofighter aircraft to Austria in 2003. After having been informed on the investigation in 2012, Airbus Group retained law firm Clifford Chance to conduct a fact finding independent review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus Group in December 2013. Airbus Group provided the report to the public prosecutors in Germany. Airbus Group is cooperating fully with the authorities.

Other investigations

Following the publication of investigations by the Romanian authorities relating to the border surveillance project in Romania in mid-October 2014 Airbus Group confirms that Airbus Defence and Space GmbH has been informed that also the German prosecution office investigates with respect to potential irregularities in relation to this project, a project in Saudi Arabia and a project of Tesat-Spacecom GmbH & Co. KG. No legal entity of the Airbus Group is subject of any accusations.

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

Commercial disputes

In May 2013, the Group has been notified of a commercial dispute following the decision taken by the Group to cease a partnership for sales support activities in some local markets abroad. The Group believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the outcome of the proceedings cannot be fully assessed at this stage. The arbitration is not expected to be completed before the end of 2016.

In the course of another commercial dispute, the Group has received in the third quarter 2013 a statement of claim alleging liability for refunding part of the purchase price of a large contract which the customer claims it was not obliged to pay. The Group believes that this claim which goes back many years ago should be dismissed in principle. Options to resolve the dispute are under review but eventually it may be decided in the course of the arbitration.

In July 2013, the Group became the subject of a commercial dispute following the expiry of a partnership study for winglet devices with a US supplier. The Group believes it has solid grounds to legally object to the alleged breach of a commercial non-disclosure agreement. However, the outcome and consequences of this dispute cannot be assessed at this stage.

33. Commitments and Contingencies

Sales financing – With a view to facilitating aircraft sales for Airbus and Airbus Helicopters, the Group enters into sales financing transactions with selected customers. These transactions may take the form of operating leases, finance leases or loans. Sometimes, group-external investors share in the financing and if so, the transactions usually involve the creation of a Structured Entity ("SE"). Apart from investor interest protection, interposing an SE offers advantages such as flexibility, bankruptcy remoteness, liability containment and facilitating sell downs of the aircraft financed. An aircraft financing SE is typically funded, on a non-recourse basis, by a senior lender and one or more providers of subordinated financing. When Airbus Group acts as investor to such SEs it may take the role of the senior lender or the provider of subordinated financing. Airbus Group consolidates an aircraft financing SE if it is exposed to the SE's variable returns and has the ability to direct the relevant remarketing activities. Otherwise, it recognises its share in the SE financing as a loan from aircraft financing under Other long-term financial assets. At 31 December 2014 the carrying amount of its loans from aircraft financing amounts to €426 million. This amount also represents the Group's maximum exposure to loss from its interest in unconsolidated aircraft financing SEs.

Sales financing transactions, including those that are structured through SEs, are generally collateralised by the underlying aircraft. Additionally, Airbus and Airbus Helicopters benefit from protective covenants and from security packages tailored according to the perceived risk and the legal environment. The Group believes that the estimated fair value of the aircraft securing such commitments will substantially offset any potential losses from the commitments. Any remaining difference between the amount of financing commitments given and the collateral value of the aircraft financed is provided for as an impairment to the relating asset, if assignable, or as a provision for aircraft financing risk. The basis for this write down is a risk-pricing-model, which is applied at every closing to closely monitor the remaining value of the aircraft.

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for **on the statement of financial position** either as (i) an operating lease (see Note 14 "Property, plant and equipment") or (ii) a loan from aircraft financing or (iii) a finance lease receivable (see Note 17 "Other investments and other long-term financial assets") or (iv) inventory. As of 31 December 2014, related accumulated impairment amounts to €114 million (2013 adjusted: €134 million) for operating lease, to €179 million (2013 adjusted: €159 million) for loans and finance lease receivables and €42 million for inventories (2013 adjusted: €10). As part of provisions for aircraft financing risks €47 million (2013 adjusted: €43 million) are recorded (see Note 25 "Provisions" c).

Certain sales financing transactions include the sale and lease back of the aircraft with a third party lessor under operating lease. Unless the Group has sold down the relating operating lease commitments to third parties, who assume liability for the payments, it is exposed to future lease payments.

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2014 as follows:

(In € million)	
Not later than 2015	69
Later than 2015 and not later than 2019	142
Later than 2019	2
Total	**213**
Of which commitments where the transaction has been sold to third parties	(191)
Total aircraft lease commitments where the Group bears the risk (not discounted)	**22**

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2013 as follows:

(In € million)	
Not later than 2014	84
Later than 2014 and not later than 2018	174
Later than 2018	13
Total	**271**
Of which commitments where the transaction has been sold to third parties	(219)
Total aircraft lease commitments where the Group bears the risk (not discounted)	**52**

Total aircraft lease commitments of €213 million as of 31 December 2014 (2013: €271 million) arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of €159 million (2013: €188 million). A large part of these lease commitments (€191 million and €219 million as of 31 December 2014 and 2013) arises from transactions that were sold down to third parties, which assume liability for the payments. The Group determines its gross exposure to such operating leases as the present value of the related payment streams. The difference between gross exposure and the estimated value of underlying aircraft used as collateral, the net exposure, is provided for in full with an amount of €22 million as of 31 December 2014 (2013 adjusted: €39 million), as part of the provision for aircraft financing risks (see Note 25 "Provisions" c).

As of 31 December 2014 and 2013, the total consolidated **– on and off balance sheet –** Commercial Aviation Sales Financing Exposure is as follows (Airbus and Airbus Helicopters):

	31 December	
(In € million)	**2014**	**2013**
Total gross exposure	1,184	1,277
Estimated fair value of collateral (aircraft)	(780)	(892)
Net exposure (fully provided for)	**404**	**385**

Details of provisions / accumulated impairments are as follows:

	31 December	
(In € million)	**2014**	**2013**
Accumulated impairment on operating leases (see Note 14 "Property, plant and equipment") [(1)]	114	134
Accumulated impairment on loans from aircraft financing and finance leases (see Note 17 "Other investments and other long-term financial assets") [(1)]	179	159
Provisions for aircraft financing risk (on balance sheet) (see Note 25 "Provisions" c)	47	43
Impairment charge on second hand aircraft included in inventories (see Note 18 "Inventories")	42	10
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 25 "Provisions" c) [(1)]	22	39
Total provisions / accumulated impairments for sales financing exposure [(1)]	**404**	**385**

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

Asset value guarantees – Certain sales contracts may include the obligation of an asset value guarantee whereby Airbus or Airbus Helicopters guarantee a portion of the value of an aircraft at a specific date after its delivery. Management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2025. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease (see Note 14 "Property, plant and equipment" and Note 30 "Deferred income"). In addition, the Group is contingently liable in case asset value guarantees with less than 10% are provided to customers as part of aircraft sales. Counter guarantees are negotiated with third parties and reduce the risk to which the Group is exposed. As of 31 December 2013, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to €861 million (2013: €871 million), excluding €146 million (2013: €205 million) where the risk is considered to be remote. In many cases the risk is limited to a specific portion of the residual value of the aircraft. The present value of the risk inherent to the given asset value guarantees where a settlement is being considered as probable is fully provided for and included in the total amount of provisions for asset value risks of €618 million (2013: €589 million) (see Note 25 "Provisions" c). This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter guarantees into account.

While ***backstop commitments*** to provide financing related to orders on Airbus' backlog are also given, such commitments are not considered to be part of gross exposure until the financing is in place, which occurs when the aircraft is delivered. This is due to the fact that (i) past experience suggests it is unlikely that all such proposed financings actually will be implemented (although it is possible that customers not benefiting from such commitments may nevertheless request financing assistance ahead of aircraft delivery), (ii) until the aircraft is delivered, Airbus retain the asset and do not incur an unusual risk in relation thereto, and (iii) third parties may participate in the financing. In order to mitigate Airbus credit risks, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

Other commitments – Other commitments comprise contractual guarantees and performance bonds to certain customers as well as commitments for future capital expenditures.

Future nominal operating lease payments (for the Group as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to €756 million as of 31 December 2014 (2013: €731 million), and relate mainly to procurement operations (*e.g.* facility leases, car rentals).

Maturities as of 31 December 2014 are as follows:

(In € million)	
Not later than 2015	150
Later than 2015 and not later than 2019	347
Later than 2019	259
Total	**756**

The respective maturities as of 31 December 2013 are as follows:

(In € million)	
Not later than 2014	150
Later than 2014 and not later than 2018	377
Later than 2018	204
Total	**731**

34. Information about Financial Instruments

a) Financial Risk Management

By the nature of its activities, the Group is exposed to a variety of financial risks, as explained below: i) market risks, especially foreign currency exchange rate risks, interest rate risks, equity price risks and commodity price risks, ii) liquidity risk and iii) credit risk. The Group's overall financial risk management programme focuses on mitigating unpredictable financial market risks and their potential adverse effects on the Group's operational and financial performance.

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

Market Risk

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

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

Significant parts of Group revenues are denominated in US dollars, whereas a major portion of its costs are incurred in euros and to a smaller extent in GBP. Consequently, to the extent that the Group does not use financial instruments to cover its current and future foreign currency exchange rate exposure, its profits are affected by changes in the euro-US dollar exchange rate. As the Group intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, it uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits. The Group applies hedge accounting for a significant portion of its hedging portfolio.

For products such as aircraft, the Group typically hedges firmly committed sales in US dollar. The hedged items are defined as first firmly committed future cash inflows for a given month based upon final payments at delivery. Usually, the Group designates a portion of the total monthly cash inflows as the hedged position to cover its expected foreign currency exposure. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. Similarly, though to a lesser extent the Group hedges its expected foreign currency exposure arising from US dollar cash outflows in the commercial aircraft business on a first outflow basis. For the non-commercial aircraft business the Group hedges in- and outflows in foreign currencies from firmly committed or highly probable forecast sales and purchase contracts. In the non-aircraft business, hedges are typically contracted in lower volumes but follow similar first flow logic or are designated based on agreed milestone payments. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot rates and interest rates as well as the robustness of the commercial cycle. As hedging instruments, the Group primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and to a minor extent non-derivative financial instruments.

In addition, the Group hedges currency risk arising from financial transactions in other currencies than euro, such as funding transactions or securities.

The Company also has foreign currency derivative instruments which are embedded in certain purchase and lease contracts denominated in a currency other than the functional currency of any substantial party to the contract, principally USD and GBP. Gains or losses relating to such embedded foreign currency derivatives are reported in other financial result unless the derivatives are designated as a hedging instrument.

Interest rate risk – The Group uses an asset-liability management approach with the objective to limit its interest rate risk. The Group undertakes to match the risk profile of its assets with a corresponding liability structure. The remaining net interest rate exposure is managed through several types of interest rate derivatives, primarily interest rate swaps and to a lesser extent interest rate futures contracts, in order to minimise risks and financial impacts. The vast majority of related interest rate hedges qualify for hedge accounting as either fair value hedges or cash flow hedges.

The Group invests in financial instruments such as overnight deposits, certificates of deposits, commercial papers, other money market instruments and short-term as well as mid-term bonds. For its financial instruments portfolio, the Group holds on a regular basis an asset management committee which aims at limiting the interest rate risk on a fair value basis through a value-at-risk approach.

Commodity price risk – The Group is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. The Group manages these risks in the procurement process and to a certain extent uses derivative instruments in order to mitigate the risks associated with the purchase of raw materials.

Equity Price risk – The Group is to a small extent invested in equity securities mainly for operational reasons. The Group's exposure to equity price risk is hence limited. Further the Group is exposed under its Long-Term Incentive Plan (LTIP) to the risk of Airbus Group share price increases. The group limits these risks through the use of equity derivatives that have been designated as hedging instruments in a cash flow hedge.

Sensitivities of Market Risks – The approach used to measure and control market risk exposure within the Group's financial instrument portfolio is amongst other key indicators the value-at-risk ("VaR"). The VaR of a portfolio is the estimated potential loss that will not be exceeded on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by the Group is based upon a 95% confidence level and assumes a 5-day holding period. The VaR model used is mainly based on the so called "Monte-Carlo-Simulation" method. Deriving the statistical behaviour of the markets relevant for the portfolio out of market data from the previous two years and observed interdependencies between different markets and prices, the model generates a wide range of potential future scenarios for market price movements.

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

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

- A five-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% statistical probability that losses could exceed the calculated VaR.

- The use of historical data as a basis for estimating the statistical behaviour of the relevant markets and finally determining the possible range of future outcomes out of this statistical behaviour may not always cover all possible scenarios, especially those of an exceptional nature.

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

A summary of the VaR position of the Group's financial instruments portfolio at 31 December 2014 and 2013 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2014					
FX hedges for forecast transactions or firm commitments	1,052	0	1,135	0	122
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	407	401	33	0	32
Finance lease receivables and liabilities, foreign currency trade payables and receivables	55	0	19	0	57
Commodity contracts	9	0	2	9	0
Equity swaps	17	17	0	0	0
Diversification effect	(489)	(17)	(74)	0	(27)
All financial instruments	**1,051**	**401**	**1,115**	**9**	**184**
31 December 2013					
FX hedges for forecast transactions or firm commitments	577	0	615	0	46
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	156	161	16	0	19
Finance lease receivables and liabilities, foreign currency trade payables and receivables	28	0	4	0	28
Commodity contracts	13	0	1	12	0
Diversification effect	(157)	0	(18)	0	(38)
All financial instruments	**617**	**161**	**618**	**12**	**55**

The increase of total VaR compared to 31 December 2013 is mainly attributable to a strong increase of market volatilities, in particular FX and equity volatilities in combination with an increased net foreign exchange portfolio in comparison to year end 2013. The Group uses its derivative instruments entirely for hedging purposes. As a result, the respective market risks of these hedging instruments are – depending on the hedges' actual effectiveness – offset by corresponding opposite market risks of the underlying forecast transactions, assets or liabilities. Under IFRS 7 the underlying forecast transactions do not qualify as financial instruments and are therefore not included in the tables shown above. Accordingly, the VaR of the FX hedging portfolio in the amount of €1,052 million (2013: €577 million) cannot be considered as a risk indicator for the Group in the economic sense.

Liquidity Risk

The Group's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. The Group manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion as of 31 December 2014 and 2013) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. The Group continues to keep within the asset portfolio the focus on low counterparty risk. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, the Group may issue bonds, notes and commercial papers and may enter into security lending agreements. Adverse changes in the capital markets could increase the Group's funding costs and limit its financial flexibility.

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

(In € million)	**Carrying amount(1)**	**Contractual cash flows**	**< 1 year**	**1 year – 2 years**	**2 years – 3 years**	**3 years – 4 years**	**4 years – 5 years**	**More than 5 years**
31 December 2014								
Non-derivative financial liabilities	(18,905)	(20,008)	(11,625)	(1,786)	(586)	(956)	(353)	(4,702)
Derivative financial liabilities	(5,503)	(6,976)	(2,293)	(1,747)	(1,413)	(895)	(543)	(85)
Total	**(24,408)**	**(26,984)**	**(13,918)**	**(3,533)**	**(1,999)**	**(1,851)**	**(896)**	**(4,787)**
31 December 2013								
Non-derivative financial liabilities(1)	(16,582)	(17,114)	(11,807)	(406)	(1,438)	(398)	(919)	(2,146)
Derivative financial liabilities	(973)	(765)	(373)	(305)	(91)	(32)	(11)	47
Total	**(17,555)**	**(17,879)**	**(12,180)**	**(711)**	**(1,529)**	**(430)**	**(930)**	**(2,099)**

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

The above table analyses the Group's financial liabilities by relevant maturity groups based on the period they are remaining on Group Consolidated Statement of Financial Position to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows, comprising all outflows required to settle a liability such as repayments and interest payments, if applicable.

Non-derivative financial liabilities included in the table above comprise financing liabilities and finance lease liabilities as presented in the tables of Note 34 b) "Carrying amounts and fair values of financial instruments". Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments refundable advances, which amount to €6,528 million at 31 December 2014 (€6,362 at 31 December 2013 adjusted) are not included.

Credit Risk

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

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed on Group level. Issuers of financial securities for investments on cash, cash equivalents and securities as well as counterparties for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. For such financial transactions and investments the Group has set up a credit limit system to actively manage and limit its credit risk exposure. This limit system assigns maximum exposure lines to counterparts of financial transactions and issuers, taking into account the lowest of their credit ratings as published by Standard & Poors, Moody's and Fitch IBCA. Besides the credit rating, the limit system takes into consideration fundamental data, as well as sectoral and maturity allocations and further qualitative and quantitative criteria, e.g. expected default frequencies, credit default swap spreads, etc. The credit exposure of the Group is reviewed on a regular basis and the respective limits are regularly monitored and updated. Further, the Group constantly aims for maintaining a certain level of diversification in its portfolio between individual counterparties and issuers as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparties and issuers.

The Group is monitoring the performance of the individual financial instruments and the impact of the market developments on their performance. The Group has procedures in place that allow to hedge, to divest from or to restructure financial instruments having undergone a downgrade of the counterparts' credit rating or showing an unsatisfactory performance. These measures aim to protect the Group to a certain extent against credit risks from individual counterparts. Nevertheless, a potential negative impact resulting from a market-driven increase of systematic credit risks cannot be excluded.

The financial market environment was mostly stable in 2014 and saw credit spreads return to multi-year record low levels. This is, however, in Europe at least partly due to the ECB's very accommodative monetary policy, which is expected to even further increase its purchases of financial assets, including sovereign bonds. Despite these measures, economic fundamentals, especially anaemic global growth, could lead to the resurfacing of financial risks. Further, the Federal Reserve ending its low interest rate could cause volatility in financial markets and cause chain reactions, e.g in emerging markets. Therefore, adverse developments for credit and funding markets cannot be excluded and this could have a number of effects on the Group's business, including:

- Continued de-leveraging as well as mergers 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 Group for its businesses or restrict its ability to implement desired foreign currency hedges; and
- Default of cash investment securities or derivative counterparties and other financial institutions, which could negatively impact the Group's treasury operations.

Group 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.

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

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

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

(In € million)	**2014**	**2013 (1)**
Receivables, neither past due nor impaired	6,592	6,479
Not past due following negotiations and not impaired	94	27
Receivables impaired individually	405	351
Receivables not impaired and past due ≤ 3 months	1,173	1,173
Receivables not impaired and past due >3 and ≤ 6 months	271	122
Receivables not impaired and past due >6 and ≤ 9 months	95	165
Receivables not impaired and past due >9 and ≤ 12 months	141	165
Receivables not impaired and past due > 12 months	387	385
Total	**9,158**	**8,867**

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

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

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

b) Carrying amounts and fair values of Financial Instruments

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party. Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could realise in a current market environment.

Airbus Group assigns its financial instruments into classes based on their balance sheet category. The following tables present the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2014 and 2013:

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

(1) Other than those accounted for under the equity method.

(2) For certain unlisted equity investments price quotes are not available and fair values may not be reliably measurable using valuation techniques because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2014, the aggregate carrying amount of these investments was €409 million.

(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as "Other".

(4) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IAS 39. They are therefore assigned to the category "Other".

(5) The European Governments refundable advances of €6,528 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.

(6) This includes credit value adjustments of €-18 million, of which €-7 million is recognised in OCI.

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

31 December 2013 (8)	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities at amortised cost		Other(3)	Financial Instruments Total	
(In € million)	Held for trading	Designated	Fair value	Book value	Fair value	Amortised Cost	Fair value		Book Value	Fair value
Assets										
Other investments and other long-term financial assets										
- Equity investments (1) (2)	0	0	0	607	607	0	0	0	607	607
- Customer financings (3)	0	0	0	0	0	322	322	192	514	514
- Other loans	0	0	0	0	0	767	767	0	767	767
Trade receivables	0	0	0	0	0	6,628	6,628	0	6,628	6,628
Other financial assets										
- Derivative instruments (6)	275	0	2,434	0	0	0	0	0	2,709	2,709
- Non-derivative instruments	0	0	0	0	0	958	958	0	958	958
Securities	0	4	0	6,879	6,879	0	0	0	6,883	6,883
Cash and cash equivalents	0	2,933	0	2,130	2,130	2,138	2,138	0	7,201	7,201
Total	**275**	**2,937**	**2,434**	**9,616**	**9,616**	**10,813**	**10,813**	**192**	**26,267**	**26,267**
Liabilities										
Financing liabilities										
- Issued bonds & commercial papers	0	0	0	0	0	(2,340)	(2,432)	0	(2,340)	(2,432)
- Liabilities to banks & other financing liabilities	0	0	0	0	0	(3,118)	(3,156)	0	(3,118)	(3,156)
- Finance lease liabilities (4)	0	0	0	0	0	0	0	(172)	(172)	(172)
Other financial liabilities										
- Derivative instruments (7)	(229)	0	(744)	0	0	0	0	0	(973)	(973)
- European Governments refundable advances (5)	0	0	0	0	0	(6,362)	(6,362)	0	(6,362)	(6,362)
- Other	(180)	0	0	0	0	(1,104)	(1,104)	0	(1,284)	(1,284)
Trade liabilities	0	0	0	0	0	(9,668)	(9,668)	0	(9,668)	(9,668)
Total	**(409)**	**0**	**(744)**	**0**	**0**	**(22,592)**	**(22,722)**	**(172)**	**(23,917)**	**(24,047)**

(1) Other than those accounted for under the equity method.

(2) For certain unlisted equity investments price quotes are not available and fair values may not be reliably measurable using valuation techniques because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2013, the aggregate carrying amount of these investments was €359 million.

(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as “Other”.

(4) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IAS 39. They are therefore assigned to the category “Other”.

(5) The European Governments refundable advances of €6,362 million (adjusted) are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.

(6) This includes credit value adjustments of €-37 million, of which €-25 million is recognised in OCI.

(7) This includes debit value adjustments of €14 million, of which €7 million is recognised in OCI.

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

Financial Assets and Liabilities – Generally, fair values are determined by using quoted prices in active markets for the same or substantially the same instrument or if such prices are not available, by applying a valuation method, such as discounted cash flow analysis, using inputs other than quoted prices (such as interest rates, foreign exchange rates, credit spreads or volatilities) that are observable for the asset or liability.

For the fair value measurement of some instruments (such as written puts on non-controlling-interest), it may not be possible to derive all the inputs required for applying a valuation method from observable market data. In these situations, the fair value measurements perforce reflect estimates partly derived from the Group's own data and are based on assumptions that are inherently judgmental and involve various limitations.

The methodologies used are as follows:

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

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

Part-time retirement and deferred compensation assets – The fair values of these instruments reflect the quoted market price at the end of the reporting period.

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

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

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

Derivatives – The fair values of derivative instruments reflect quoted market prices, where available, but in most cases are determined using recognised valuation techniques such as option-pricing models and discounted cash flow models. The valuation is based on observable market data such as currency rates, currency forward rates, interest rates and yield curves, commodity forward prices as well as price and rate volatilities obtained from recognized vendors of market data. Furthermore, to the extent that these instruments are subject to master netting arrangements and similar agreements and managed on the basis of net credit exposure, their fair values reflect credit and debit value adjustments based on the net long or net short position that the Group has with each counterparty.

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

Trade Liabilities and Current Other Financial Liabilities – For the same reason, carrying amounts are used as reasonable fair value approximations for trade liabilities and current other financial liabilities.

Fair Value Hierarchy

The fair value hierarchy consists of the following levels:

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

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (*i.e.* as prices) or indirectly (*i.e.* derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input. Otherwise, fair values are determined mostly based on Level 1 and Level 2 input and to a minor extent on Level 3 input. The following tables present the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2014 and 2013, respectively:

(In € million)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Equity instruments	208	0	0	208
Derivative instruments	0	708	2	710
Securities	7,784	1,388	0	9,172
Cash equivalents	3,563	1,442	0	5,005
Total	**11,555**	**3,538**	**2**	**15,095**
Financial liabilities measured at fair value				
Derivative instruments	0	(5,503)	0	(5,503)
Other liabilities	0	0	(137)	(137)
Total	**0**	**(5,503)**	**(137)**	**(5,640)**

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

(In € million)	Balance at 1 January 2014	Total gains or losses in: Profit or loss	Total gains or losses in: Other comprehensive income	Purchases	Issues	Settle-ments	Reclassi-fication	Balance at 31 December 2014
Financial assets								
Derivative Instruments								
- Commodity swap agreements	26	(1)	0	0	0	(23)	0	2
- Other derivative instruments	8	0	0	0	0	(8)	0	0
Total (1)	**34**	**(1)**	**0**	**0**	**0**	**(31)**	**0**	**2**
Financial liabilities								
Other liabilities								
- Written put options on non-controlling interests	(129)	2	0	0	0	0	0	(127)
- Earn-out agreements	(51)	38	0	0	0	3	0	(10)
Total (2)	**(180)**	**40**	**0**	**0**	**0**	**3**	**0**	**(137)**

(1) The profit of the period impact attributable to Level 3 Financial assets which are still held by the group as of 31 December 2014 was a gain of €1 million.

(2) The profit of the period impact attributable to Level 3 Financial liabilities which are still held by the group as of 31 December 2014 was a gain of €24 million.

(In € million)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Equity instruments (1)	248	0	0	248
Derivative instruments (1)	0	2,675	34	2,709
Securities (1)	6,876	7	0	6,883
Cash equivalents	3,777	1,286	0	5,063
Total	**10,901**	**3,968**	**34**	**14,903**
Financial liabilities measured at fair value				
Derivative Instruments (1)	0	(973)	0	(973)
Other liabilities	0	0	(180)	(180)
Total	**0**	**(973)**	**(180)**	**(1,153)**

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

The year before, the development of financial instruments of Level 3 was as follows:

		Total gains or losses in						
(In € million)	Balance at 1 January 2013	Profit or loss	Other comprehensive income	Purchases	Issues	Settle-ments	Reclassi-fication	Balance at 31 December 2013
Financial assets								
Derivative Instruments								
- Commodity swap agreements	41	35	0	0	0	(50)	0	26
- Other derivative instruments	8	(1)	1	0	0	0	0	8
Total (3)	**49**	**34**	**1**	**0**	**0**	**(50)**	**0**	**34**
Financial liabilities								
Other liabilities								
- Written put options on non-controlling interests (1)	0	0	1	0	(101)	3	(32)	(129)
- Earn-out agreements (2)	0	1	0	0	0	0	(52)	(51)
- Other	(5)	0	0	0	0	5	0	0
Total (4)	**(5)**	**1**	**1**	**0**	**(101)**	**8**	**(84)**	**(180)**

(1) Reclassification of €32 million for written put options on non-controlling interest issued in 2012 from financial liabilities recognised at amortised cost during 2013.

(2) €52 million of earn-outs for entities acquired in 2012 have been recorded within other provisions of 2012 Consolidated Financial Statements and have been reclassified to Level 3 financial liabilities at fair value through profit or loss.

(3) The profit of the period impact attributable to Level 3 Financial assets which are still held by the group as of 31 December 2013 was €26 million.

(4) The profit of the period impact attributable to Level 3 Financial liabilities which are still held by the group as of 31 December 2013 was €1 million.

Financial Assets classified as Level 3

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

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

Financial Liabilities classified as Level 3

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

The fair value measurements are performed on an annual basis in line with the operative planning cycle. For interim financial statements an analysis of the input parameters is performed for determination of significant changes since the last measurement date that would call for an adjustment of the value of the put options. Apart from the detailed five-year operating planning figures, there are two unobservable inputs that significantly affect the values of the NCI puts: the WACC used to discount the forecasted cash flows and the growth rate used to determine the terminal value. WACC and growth rates as well as operating planning figures that were used for the determination of the level 3 fair values are derived from the input perimeters as applied for the impairment test as disclosed in Note 13 "Intangible assets – Goodwill impairment tests". An increase (decrease) of the discount rates by 50 basis points results in a decrease (increase) of the NCI put values by €11 million (€13 million adjusted). An increase (decrease) in the growth rates by 50 basis points increases (decreases) the NCI put values by €11 million (€9 million adjusted) respectively.

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

Financial Assets designated at fair value through profit or loss

The following types of **financial assets** held at 31 December 2014 and 2013 respectively are designated at fair value through profit or loss:

(In € million)	Nominal amount at initial recognition as of 31 December 2014	Fair value as of 31 December 2014	Nominal amount at initial recognition as of 31 December 2013	Fair value as of 31 December 2013
Designated at fair value through profit or loss at recognition:				
- Money Market Funds (accumulating)	3,261	3,261	2,933	2,933
- Foreign currency Funds of Hedge Funds	8	4	8	4
Total	**3,269**	**3,265**	**2,941**	**2,937**

The accumulating Money Market Funds have been designated at fair value through profit or loss as their portfolio is managed and their performance is measured on a fair value basis.

In addition, the Group invests in Money Market Funds paying interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to €302 million (2013: €844 million).

Investments in foreign currency Funds of Hedge Funds have been designated at fair value through profit or loss.

c) Potential effect of set-off Rights on recognised Financial Assets and Liabilities

The Group reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. Furthermore, securities lending transactions are accounted for as collateralised borrowings. As a result, the securities pledged as collateral continue to be recognised on the balance sheet and the amount of cash received at the outset of the transaction is separately recognised as a financial liability. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements and collateralised borrowings on the Group's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2014 and 31 December 2013, respectively.

31 December 2014

In € million	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the financial statements	Net amounts of financial assets presented in the financial statements	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Derivative instruments	710	0	710	(621)	0	89

In € million	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the financial statements	Net amounts of financial liabilities presented in the financial statements	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Derivative instruments	5,503	0	5,503	(621)	0	4,882

31 December 2013

In € million	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the financial statements	Net amounts of financial assets presented in the financial statements	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Derivative instruments	2,709	0	2,709	(953)	(9)	1,747

In € million	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the financial statements	Net amounts of financial liabilities presented in the financial statements	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Derivative instruments	973	0	973	(954)	0	19
Security lending transactions (1)	608	0	608	(608)	0	0
Total	**1,581**	**0**	**1,581**	**(1,562)**	**0**	**19**

(1) The fair value of the securities pledged as collateral in securities lending transactions is €613 million (including accrued interest). Collateral is pledged under terms that customarily apply in securities lending transactions with financial institutions.

d) Notional amounts of Derivative Financial Instruments

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

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

Year ended 31 December 2014	**Remaining period**								
(In € million)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022+**	**Total**
Foreign Exchange Contracts:									
Net forward sales contracts	19,834	17,852	16,479	9,328	4,556	477	(1,069)	(396)	**67,061**
FX swap contracts	1,274	145	0	0	0	0	0	0	**1,419**

Year ended 31 December 2013	**Remaining period**								
(In € million)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021+**	**Total**
Foreign Exchange Contracts:									
Net forward sales contracts	16,925	14,429	12,072	6,942	1,797	(295)	(302)	(1,290)	**50,278**
FX swap contracts	2,000	0	128	0	0	0	0	0	**2,128**

The notional amounts of interest rate contracts are as follows:

Year ended 31 December 2014	**Remaining period**								
(In € million)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022+**	**Total**
Interest rate contracts	833	1,376	30	918	853	0	1,070	0	**5,080**
Interest rate future contracts	176	0	0	0	0	0	0	0	**176**

Please also refer to Note 26 “Financing Liabilities”.

Year ended 31 December 2013	**Remaining period**								
(In € million)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021+**	**Total**
Interest rate contracts	1,212	833	1,414	30	974	945	0	942	**6,350**
Interest rate future contracts	163	0	0	0	0	0	0	0	**163**

Notional amounts of commodity contracts are as follows:

Year ended 31 December 2014	**Remaining period**					
(In € million)	**2015**	**2016**	**2017**	**2018**	**2019+**	**Total**
Commodity contracts	319	161	105	20	10	**615**

Year ended 31 December 2013	**Remaining period**					
(In € million)	**2014**	**2015**	**2016**	**2017**	**2018+**	**Total**
Commodity contracts	318	164	125	82	6	**695**

Notional amounts of equity swaps are as follows:

Year ended 31 December 2014	**Remaining period**					
(In € million)	**2015**	**2016**	**2017**	**2018**	**2019+**	**Total**
Equity derivative contracts	209	146	75	23	0	**453**

The Group did not hold any equity derivative contracts at 31 December 2013.

e) Derivative Financial Instruments and Hedge Accounting disclosure

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2014 and 2013:

31 December 2014

(Interest rate in %)	EUR	USD	GBP
6 months	0.13	0.50	0.73
1 year	0.37	0.82	1.02
5 years	0.24	1.77	1.45
10 years	0.70	2.27	1.85

31 December 2013

(Interest rate in %)	EUR	USD	GBP
6 months	0.34	0.41	0.74
1 year	0.51	0.58	0.95
5 years	1.11	1.75	2.14
10 years	2.03	3.03	2.99

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2014 and 2013 is as follows:

(In € million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total
1 January 2013 (1)	**(424)**	**1**	**(423)**
Unrealised gains and losses from valuations, net of tax	1,235	(3)	1,232
Transferred to profit or loss for the period, net of tax (1)	290	0	290
AOCI, net of tax (1)	1,525	(3)	1,522
31 December 2013 / 1 January 2014 (1)	**1,101**	**(2)**	**1,099**
Unrealised gains and losses from valuations, net of tax	(4,658)	(19)	(4,677)
Transferred to profit or loss for the period, net of tax	247	(1)	246
AOCI, net of tax	(4,411)	(20)	(4,431)
31 December 2014	**(3,310)**	**(22)**	**(3,332)**

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

In the year 2014 an amount of €-358 million (in 2013 adjusted: €-425 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges. No material ineffectiveness arising from hedging relationship has been determined.

In addition, a gain of €35 million was recognised in the profit of the period in 2014 (€67 million in 2013) on derivatives that were designated as hedging instruments in a fair value hedge, and a loss of €-34 million (in 2013: €-67 million) attributable to the hedged risk was recognised in the profit of the period on the corresponding hedged items. Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments is as follows:

	2014		2013	
(In € million)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – cash flow hedges [1]	327	(4,847)	2,309	(634)
Foreign currency contracts – not designated in a hedge relationship [1]	154	(103)	126	(20)
Interest rate contracts – cash flow hedges	0	(15)	2	(13)
Interest rate contracts – fair value hedges [1]	117	(26)	123	(61)
Interest rate contracts – not designated in a hedge relationship	105	(141)	102	(129)
Commodity contracts – cash flow hedges	0	(40)	0	0
Commodity contracts – not designated in a hedge relationship [1]	2	(64)	26	(79)
Equity swaps – cash flow hedges	0	(94)	0	0
Embedded foreign currency derivatives – cash flow hedges	0	(111)	0	(37)
Embedded foreign currency derivatives – not designated in a hedge relationship	5	(62)	21	0
Total	**710**	**(5,503)**	**2,709**	**(973)**

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

f) Net Gains or Net Losses

The Group's net gains or net losses recognised in profit or loss in 2014 and 2013 respectively are as follows:

(In € million)	2014	2013
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading [1]	(308)	54
Designated on initial recognition	91	1
Available-for-sale financial assets	314	9
Loans and receivables [1]	(163)	1
Financial liabilities measured at amortised cost [1]	0	(39)

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

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

Net gains or net losses of loans and receivables contain among others impairment losses.

Net gains or net losses of €90 million (2013 adjusted: €12 million) are recognised directly in equity relating to available-for-sale financial assets.

g) Total Interest Income and Total Interest Expenses

In 2014, the total interest income amounts to €142 million (in 2013 adjusted: €161 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss €-462 million (in 2013 adjusted: €-493 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

h) Impairment Losses

The following impairment losses on financial assets are recognised in profit or loss in 2014 and 2013 respectively:

(In € million)	2014	2013
Other investments and other long-term financial assets		
Equity instruments	(14)	(27)
Customer financings	(16)	(19)
Other loans [(1)]	(17)	(10)
Trade receivables [(1)]	(28)	(46)
Total	**(75)**	**(102)**

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

35. Share-Based Payment

a) Stock Option Plans (SOP) and Long-Term Incentive Plans (LTIP)

Based on the authorisation given to it by the Shareholders' Meetings, the Group's Board of Directors approved stock option plans in 2006, 2005 and 2004 (see dates below). These plans provide to the Members of the Executive Committee as well as to the Group's senior management the grant of options for the purchase of the Group's shares.

For all of the Group's Stock Option Plans, the granted exercise price was exceeding the share price at grant date.

In 2014, 2013, 2012, 2011, 2010 and 2009, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company. The grant of so called "units" will not physically be settled in shares (except with regard to Group Executive Committee members) but represents a cash settled plan in accordance with IFRS 2.

Due to the partial conversion of LTIP plans 2009-2011 end of December 2012 and of LTIP plan 2012 end of February 2013 as well as LTIP 2013 end of February 2014, some performance units granted to the Executive Committee members have been transformed to equity-settled plans. The respective grant dates are for the LTIP 2009-2011 31 December 2012, for LTIP 2012 28 February 2013 and for LTIP 2013 28 February 2014. The fair value at grant date is derived from the closing share price at transformation date, which corresponds to €29.50 for LTIP 2009-2011, €39.70 for LTIP 2012 and €53.39 for LTIP 2013. 368,707 units for the LTIP 2009-2011, 75,975 units for the LTIP 2012 and 64,700 units for LTIP 2013 were transformed into shares at the respective grant dates. These shares are outstanding as of 31 December 2014 (for details please refer to the remuneration section of Note 36 "Related party transactions").

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

In 2014, compensation expense for Long-Term Incentive Plans including the effect of the equity swaps amounted to €156 million (in 2013: €439 million). For the SOPs, expenses were neither recognized in 2014 nor 2013. The fair value of units granted per vesting date is as follows (LTIP plan 2014):

Expected vesting date (In € per unit granted)	**FV of restricted and performance units to be settled in cash**
June 2018	37.23
June 2019	35.18

As of 31 December 2014 provisions of €314 million (2013: €473 million) relating to LTIP have been recognised.

The lifetime of the performance and restricted units is contractually fixed (see within the description of the respective tranche). The measurement is based on a Forward Pricing Model which is, next to other market data, mainly affected by the share price as of the end of the reporting period (€41.35 as of 31 December 2014) and the lifetime of the units.

The principal characteristics of the options as at 31 December 2014 are summarized in the table below:

	SOP 2004	SOP 2005	SOP 2006
Date of Shareholders' Meeting	6 May 2003	11 May 2005	4 May 2006
Grant date	8 October 2004	9 December 2005	18 December 2006
Number of options granted	7,777,280	7,981,760	1,747,500
Number of options outstanding	0	1,729,141	511,570
Total number of eligible employees	1,495	1,608	221
Vesting conditions (1)	50% of options may be exercised after a period of two years (two years and four weeks for SOP 2004) from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations")		
Expiry date	7 October 2014	8 December 2015	16 December 2016
Conversion right	One option for one share		
Vested (2) (3)	100%	100%	100%
Exercise price	€ 24.32	€ 33.91	€ 25.65
Exercise price conditions	110% of fair market value of the shares at the date of grant		
Number of exercised options	5,034,613	3,536,793	1,034,750

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

(2) As regards the SOP 2004, vesting of part of the options granted to the Group's top Executives was subject to performance conditions. As a result, part of these conditional options have not vested and were therefore forfeited during the year 2007.

(3) As regards the SOP 2005, vesting of part of the options granted to the Group's top Executives was subject to performance conditions. As a result, part of these conditional options have not vested and were therefore forfeited during the year 2008.

The following table summarises the development of the number of stock option and shares:

Tranches	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
SOP 2004					
2013	0	3,316,613	(2,148,520)	(10,100)	1,157,993
2014	0	1,157,993	(976,348)	(181,645)	0
SOP 2005					
2013	0	5,333,695	(2,836,097)	(47,601)	2,449,997
2014	0	2,449,997	(700,696)	(20,160)	1,729,141
SOP 2006					
2013	0	1,202,000	(490,375)	(5,500)	706,125
2014	0	706,125	(194,375)	0	511,750
Total options for all Tranches	**17,506,540**	**4,314,115**	**(1,871,419)**	**(201,805)**	**2,240,891**

The weighted average share price at the date of exercise for share options exercised in 2014 was €50.06 (2013: €41.74).

The principal characteristics of the performance and restricted units of the LTIPs as at 31 December 2014 are summarized below:

	LTIP 2009		**LTIP 2010**		**LTIP 2011**		**LTIP 2012**		**LTIP 2013**		**LTIP 2014**	
Grant date	13 November 2009		10 November 2010		9 November 2011		13 December 2012		17 December 2013[3]		13 November 2014	
	Performance and restricted unit plan											
Units	**Perfor-mance**	**Res-tricted**	**Perfor-mance**	**Res-tricted**	**Perfor-mance**	**Res-tricted**	**Perfor-mance**	**Res-tricted**	**Perfor-mance**	**Res-tricted**	**Perfor-mance**	**Res-tricted**
Number of units granted [1] [2]	2,697,740	928,660	2,891,540	977,780	2,606,900	880,225	2,119,160	621,980	1,241,020	359,760	1,100,620	292,580
Number of units outstanding	0	0	1,919,982	456,400	2,496,688	841,950	2,065,012	600,740	1,229,660	355,640	1,100,620	292,580
Total number of eligible beneficiaries	1,749		1,711		1,771		1,797		1,709		1,621	
Vesting conditions	The performance and restricted units will vest if the participant is still employed by a Group company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments (for the LTIP 2014 2 payments) over two years.											
Vesting dates	25% each: in May 2013; in November 2013; in May 2014; in November 2014.		25% each: in May 2014; in November 2014; 25% each expected: in May 2015; in November 2015.		25% each expected: in May 2015; in November 2015; in May 2016; in November 2016.		25% each expected: in May 2016; in November 2016; in May 2017; in November 2017.		25% each expected: in May 2017; in November 2017; in May 2018; in November 2018.		50% each expected: in June 2018; in June 2019.	
Number of vested units	3,133,644	898,855	1,795,100	467,640	2,500	4,375	1,000	2,800	0	0	0	0

(1) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of the Group) during the performance period, the Board can decide to review the vesting of the Performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

(2) Apart from the 150% performance achievement level, the share price at the vesting dates will be limited for performance as well as restricted units to €55.66 (for LTIP 2012), €92.34 (for LTIP 2013) and €94.40 (for LTIP 2014), which corresponds to 200% of the respective reference share price. Overall, the pay-out for performance units is limited to a total amount of 250% of the units originally granted, each valued with the respective reference share price of €27.83 (for LTIP 2012), €46.17 (for LTIP 2013) and €47.45 (for LTIP 2014).

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

The development of the number of units (including units to be provided in shares) is set out below:

Tranches		Number of Units				
	Units granted and add. grant	Balance at 1 January	Vested	Forfeited	Re-evaluation	Balance at 31 December
LTIP 2009						
Performance units in 2013 (1)	0	2,579,920	(1,506,438)	(42,204)	592,628	1,623,906
Performance units in 2014	0	1,623,906	(1,618,056)	(5,850)	0	0
Restricted units in 2013	0	903,820	(449,390)	(6,880)	0	447,550
Restricted units in 2014	0	447,550	(445,305)	(2,245)	0	0
Total units	**3,626,400**	**2,071,456**	**(2,063,361)**	**(8,095)**	**0**	**0**
LTIP 2010						
Performance units in 2013	0	2,835,240	(2,800)	(73,800)	0	2,758,640
Performance units in 2014 (2)	0	2,758,640	(1,792,300)	(37,454)	991,096	1,919,982
Restricted units in 2013	0	947,160	(700)	(3,400)	0	943,060
Restricted units in 2014	0	943,060	(466,240)	(20,420)	0	456,400
Total units (2)	**3,869,320**	**3,701,700**	**(2,258,540)**	**(57,874)**	**991,096**	**2,376,382**
LTIP 2011						
Performance units in 2013 (3)	14,900	2,574,850	(2,500)	(40,300)	0	2,532,050
Performance units in 2014 (3)	3,050	2,535,100	0	(38,412)	0	2,496,688
Restricted units in 2013 (3)	2,475	879,600	(3,125)	(12,325)	0	864,150
Restricted units in 2014	0	864,150	(625)	(21,575)	0	841,950
Total units	**3,487,125**	**3,399,250**	**(625)**	**(59,987)**	**0**	**3,338,638**
LTIP 2012						
Performance units in 2013	0	2,119,160	(1,000)	(12,000)	0	2,106,160
Performance units in 2014	0	2,106,160	0	(41,148)	0	2,065,012
Restricted units in 2013	0	621,980	(2,800)	(2,920)	0	616,260
Restricted units in 2014	0	616,260	0	(15,520)	0	600,740
Total units	**2,741,140**	**2,722,420**	**0**	**(56,668)**	**0**	**2,665,752**
LTIP 2013						
Performance units in 2013	1,241,020	0	0	0	0	1,241,020
Performance units in 2014	0	1,241,020	0	(11,360)	0	1,229,660
Restricted units in 2013	359,760	0	0	0	0	359,760
Restricted units in 2014	0	359,760	0	(4,120)	0	355,640
Total units	**1,600,780**	**1,600,780**	**0**	**(15,480)**	**0**	**1,585,300**

(1) As re-evaluation is based on 123% performance achievement for the remaining outstanding performance units at 1st vesting.

(2) Re-evaluation is based on 136% performance achievement for the remaining outstanding performance units at 1st vesting.

(3) Units granted correspond to additional performance and restricted units granted for the LTIP 2011.

The outstanding units for the LTIP 2014 as at 31 December 2014 correspond to the number of units at grant date.

b) Employee Stock Ownership Plan (ESOP)

An ESOP for 2014 was not implemented.

In 2013, the Board of Directors approved an additional ESOP. Eligible employees were able to purchase a fixed number of previously unissued shares at fair value (10, 30, 50, 100, 200 or 400 shares). The Group matched each fixed number of shares with a number of free Airbus Group shares based on a determining ratio (10, 20, 30, 43, 67 and 107 free shares, respectively). During a lockup period of at least one year or, provided the purchase took place in the context of a mutual fund (regular saving plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who purchased directly Airbus Group shares have in addition the ability to vote at the annual Shareholder Meetings. The subscription price was equal to the closing price at the Paris stock exchange on 29 May 2013 and amounted to €44.20. Investing through the mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 days immediately preceding 29 May 2013, resulting in a price of €42.02. The Group issued and sold 2,113,245 ordinary shares with a nominal value of €1.00 in total. Compensation expense (excluding social security contributions) of €31 million was recognised in connection with ESOP, based on a fair value of €43.00 at grant date.

Besides the annual ESOP, a free share plan was implemented during the third quarter 2013 due to the new shareholding structure and governance of the Group and to reward all eligible employees for the recent and future Group performance. Each eligible employee is granted ten free shares in Airbus Group resulting in a distribution of 1,461,540 shares in November 2013. Such shares were bought from the market and therefore had not any impact on the issued share capital. Compensation expense (excluding social security contributions) of €69 million was recognised for the free share plan, based on a fair value of €47.45 at grant date.

36. Related Party Transactions

Related parties – In December 2012 the Board of Directors announced a Multiparty Agreement, which was subsequently approved by the shareholders in an Extraordinary General Meeting on 27 March 2013, aimed at normalising and simplifying the governance of the Group while securing a shareholding structure that allows France, Germany and Spain to protect their legitimate strategic interests. The Completion ("Consummation") of the Multiparty Agreement occurred on 2 April 2013 and previously existing shareholder agreements with the French government, Daimler AG, Lagardère Group and the Spanish government (SEPI) were terminated. Consequently from this date onwards the Group no longer considers these former shareholders as related parties under IAS 24.

The Group has entered into various transactions with related entities that have all been carried out in the normal course of business. Transactions with non-consolidated subsidiaries are immaterial to the Group's consolidated financial statements.

The following table discloses the related party transactions in 2014 and 2013:

(In € million)	Sales of goods and services and other income	Purchases of goods and services and other expense	Receivables due as of 31 December	Payables due as of 31 December	Other Liabilities / Loans received as of 31 December
2014					
Total transactions with associates	7	116	3	5	79
Total transactions with joint ventures	2,141	122	1,451	13	601
2013					
Total transactions with associates	537	172	30	26	93
Total transactions with joint ventures	2,470	157	265	44	877

The following table discloses the transactions with former related parties as of 31 December 2013:

(In € million)	Sales of goods and services and other income in 2013	Purchases of goods and services and other expense in 2013
French government	632	24
Spanish government (SEPI)	7	0
Daimler AG	0	3
Lagardère group	0	0
Total transactions with shareholder	**639**	**27**
Total transactions with French government related entities	**31**	**1,299**

As of 31 December 2014, the Group granted guarantees of €474 million to Air Tanker group in the UK (2013: €443 million). The shares of the Group in Daher-Socata SA and a part of the sales in Dassault Aviation were disposed of during 2014 (for more details, please see Note 4 "Acquisitions and disposals"). As of 31 December 2013, the Group granted a loan to Daher-Socata SA in the amount of €24 million.

For information regarding the funding of the Group's pension plans, which are considered as related parties, please refer to Note 25 "Provisions" b).

Remuneration – The annual remuneration and related compensation costs of all of key management personnel, *i.e.* Non-Executive Board Members, Executive Board Members and Members of the Executive Committee, as expensed in the respective year can be summarised as follows:

(In € million)	2014 Total	2013 Total
Executive Committee, incl. Executive Board Member(s) (1)		
Salaries and other short term benefits (including bonuses) (2)	23.2	23.1
Post-employment benefit costs (3)	8.7	6.0
Share-based remuneration ("LTIP award") (4)	16.7	24.3
Termination benefits	4.1	0.0
Other benefits (incl. company cars, insurance)	0.6	0.5
Social Charges	4.9	4.5
	58.2	**58.4**
Non-Executive Board Members		
Short-term benefits (5)	1.5	1.7
	1.5	**1.7**
Total expense recognised	**59.7**	**60.1**

(1) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December of the respective year.

(2) Amount of bonuses is based on estimated performance achievement as at the balance sheet date and difference between previous year estimation and actual pay-out in the current year.

(3) Aggregated amount of current service and interest costs as well as interest cost on employees' contributions related to the defined benefit obligation and contributions related to defined contribution plans accounted for during respective fiscal year.

(4) The cash settled share based payment expense includes the associated hedge result.

(5) Non-Executive Board Members' remuneration includes social charges.

Amount of the pension defined benefit obligation of the Executive Committee, including the Chief Executive Officer, at 31 Amount of the pension defined benefit obligation of the Executive Committee, including the Chief Executive Officer, at 31 December 2014 was €81.6 million (2013: €59.4 million). The disclosed defined benefit obligation reflects the total outstanding balance for all Executive Committee members subject to a defined benefit plan and in charge at the end of the respective balance sheet date.

Outstanding short term benefits (bonuses) at year end 2014 for Executive Committee members based on estimated performance achievement at year end was €14.9 million (2013: €12.1 million).

Other benefits include expenses for Executive Committee members' company cars and accident insurance. There were no outstanding liabilities at 31 December 2014 or 2013 respectively.

The share-based payment expenses result from not yet forfeited units granted to the Executive Committee Members under the Airbus Group Long Term Incentive Plan ("LTIP") which are re-measured to fair value as far as they are cash settled. In 2014, the members of the Executive Committee were granted 190,460 performance units (2013: 203,000 units); the fair value of these performance units at grant date was €9.1 million (2013: €10.9 million). Fair value of outstanding LTIP balances end of 2014 for all Executive Committee Members was €18.8 million (2013: €24.8 million).

In order to strengthen the alignment of Airbus Group top management with the long-term growth objectives of the Company, the Board has requested Airbus Group Executive Committee members to acquire and to hold in the future Airbus Group shares with a value equal to the individual annual contractual remuneration consisting of "annual base salary" and "annual variable remuneration (at 100% target level)". The Board has not set a specific time delay to acquire the requested number of Airbus Group shares but expects Executive Committee members to use specifically gains from Airbus Group LTIP plans to achieve this goal in a timely manner.

Also basing on the intention of the Board of Directors to increase the long term commitment of Executive Committee members to the success of the company the Board has authorized the Executive Committee members to opt for partial conversion of the otherwise cash settled LTIP plans into share settled plans at each grant date of any new LTIP requiring a minimum conversion rate into equity settlement of 25% of total granted performance units. By end of December 2012 each Executive Committee member individually determined the split of equity and cash settlement for each of the formerly granted LTIP plans 2009, 2010 and 2011. By the end of February 2013 and end of February 2014, Executive Committee members made the same choice for the 2012 plan and 2013 plan respectively. By end of February 2015, Executive Committee members will accordingly decide on the split for the 2014 LTIP plan. After overall performance assessment of each of the plans, the vesting dates as determined at initial grant date apply to all cash settled performance units, however, units converted into equity settlement only vest at the last of the vesting dates of the respective plan.

Due to the partial conversion of LTIP plans 2009-2011 end of December 2012 and of LTIP plan 2012 end of February 2013 total outstanding LTIP liability for Executive Committee members of €5.0 million has been reclassified to equity in 2013.

Partial conversion of granted units under cash-settled LTIPs into equity-settled plans by Executive Committee Members

	LTIP 2009 (1)(2)	**LTIP 2010 (1)(3)**	**LTIP 2011 (1)**	**LTIP 2012 (4)**	**LTIP 2013 (5)**
Total number of units granted	343,180	413,984	263,500	275,900	203,000
Number of cash-settled units	210,644	263,228	178,085	199,925	138,300
Number of equity-settled units	132,536	150,756	85,415	75,975	64,700

(1) Partial conversion of cash settled plan into equity settled plan as at 31 December 2012.
(2) Including performance achievement of 123% for performance units under 2009 LTIP.
(3) Based on performance achievement of 136% for performance units under 2010 LTIP.
(4) Partial conversion of cash settled plan into equity settled plan as at 28 February 2013.
(5) Partial conversion of cash settled plan into equity settled plan as at 28 February 2014.

As all Airbus Group Stock Option Plans ("SOP") vested before 2012 no related personnel expense was recognised in 2014 or in 2013.

In the case of contract termination, the Executive Committee Members, including the Chief Executive Officer, are entitled to an indemnity equal to 1.5 times the Total Annual Income (defined as Base Salary and target Annual Variable remuneration). This rule does however not apply if the contractor mandate is terminated for cause or if the Executive Committee Member has reached retirement age.

In 2014 a termination package has been granted to one Executive Committee Member, the termination indemnity recognised was €4.1 million of which €2.4 million were paid in 2014 and remainder was outstanding at year end and will be paid in 2015 and 2016.

The Executive Committee members' contracts include a non-competition clause which applies for 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-competition clause. The compensation for each year that the non-competition 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 are maintained for good leavers, such as in the case of retirement or if a mandate is not renewed by the Company without cause. The vesting of LTIP awards is not accelerated. 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.

Furthermore in 2014, the Company recognised €3.6 million (2013: €2.4 million) of high salary taxes for Executive Committee members subject to French tax jurisdictions under the "Taxe sur les Hauts Revenus", requiring for 2013 and 2014 exceptional 50% charges on individual annual remuneration exceeding €1 million. This amount reflects the Group's best estimate of the chargeable amount by end of 2014.

For more information in respect of remuneration of Directors, see "Notes to the Company Financial Statements – Note 11: "Remuneration".

37. Earnings per Share

Basic earnings per share – Basic earnings per share are calculated by dividing profit for the period attributable to equity owners of the parent (Net income) by the weighted average number of issued ordinary shares during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

	2014	2013
Profit for the period attributable to equity owners of the parent (Net income)(1)	€2,343 million	€1,473 million
Weighted average number of ordinary shares	782,962,385	792,466,862
Basic earnings per share(1)	€ 2.99	€ 1.86

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

Diluted earnings per share – For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's categories of dilutive potential ordinary shares are stock options and share-settled performance units for Executive Committee members relating to long-term incentive plans for 2009 to 2013. Since in 2014 the average price of Airbus Group shares exceeded the exercise price of the 6th, 7th and 8th stock option plan as well as the share-settled performance units (in 2013: the 5th, 6th, 7th and the 8th stock option plan), 1,193,364 shares related to stock options (in 2013: 1,660,950 shares) were considered in the calculation of diluted earnings per share.

	2014	2013
Profit for the period attributable to equity owners of the parent (Net income) (1)	€2,343 million	€1,473 million
Weighted average number of ordinary shares (diluted)	784,155,749	794,127,812
Diluted earnings per share(1)	€ 2.99	€ 1.85

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

38. Number of Employees

The number of employees at 31 December 2014 is 138,622 as compared to 138,404 at 31 December 2013 (adjusted).

39. Auditor Fees

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2014 have been charged by KPMG to the Company, its subsidiaries and other consolidated entities:

	KPMG	
	In € thousand	In %
Audit		
Audit process, certification and examination of individual and consolidated accounts	5,812	66.5
Additional tasks (1)	2,344	26.9
Sub-total	**8,156**	**93.4**
Other services as relevant		
Legal, tax, employment	573	6.6
Sub-total	**573**	**6.6**
Total	**8,729**	**100.0**

(1) Mainly transaction related work.

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

The following fees correspond to the financial year 2013:

	KPMG		Ernst & Young Accountants LLP	
	In € thousand	In %	In € thousand	In %
Audit				
Audit process, certification and examination of individual and consolidated accounts	5,201	63.6	5,931	68.8
Additional tasks (1)	2,196	26.9	2,123	24.6
Sub-total	**7,397**	**90.5**	**8,054**	**93.4**
Other services as relevant				
Legal, tax, employment	769	9.4	566	6.6
Information Technology	8	0.1	0	0.0
Sub-total	**777**	**9.5**	**566**	**6.6**
Total	**8,174**	**100.0**	**8,620**	**100.0**

(1) Mainly transaction related work.

40. Events after the Reporting Date

Rheinmetall AG - A400M contract

On 18 December 2014, Rheinmetall AG and Airbus Defence and Space have agreed on the conditions of the transfer of the A400M Loadmaster Control Contract from Rheinmetall to Cassidian Airborne Solutions GmbH (CAS). This non material transaction involves the termination of the service level agreement between the two companies and allows settling the claims between the companies in relation to the A400M application software contract. The agreements relative to this acquisition have become effective on 1 January 2015. The overall purchase price of €58.9 million was paid on 2 January 2015.

Airbus Safran Launchers

On 14 January 2015, Airbus Group and Safran have completed the first phase of the integration process enabling Airbus Safran Launchers to become operational (see Note 4 “Acquisitions and disposals”).

They have engaged in the requisite consultation and approval procedures with competition authorities, Arianespace and the two Group's works councils. The new organisational structure initially comprises 450 people joining Airbus Safran Launchers from Airbus Defence and Space, Herakles and Snecma as part of phase one. This structure will be further developed and shall eventually bring together all Airbus Group and Safran assets relating to launchers and propulsion systems in addition to associated personnel and shareholdings. The company's head office is in Issy-les-Moulineaux, near Paris (France).

Electronics Oostkamp

On 21 January 2015, Airbus Group and Parter Capital Group AG signed a final share purchase agreement to transfer 100% of the shares of Cassidian Belgium N.V. for a total consideration of €3.1 million (see Note 4 "Acquisitions and disposals").

These Consolidated Financial Statements have been authorized for issuance by the Board of Directors on 26 February 2015.

2.6 Appendix "Information on Principal Investments"- Consolidation Scope

2014	%	2013	%	Company	Head office
Airbus					
F	100.00	F	100.00	AD Grundstückgesellschaft mbH & Co. KG	Pullach i. Isartal (Germany)
F	60.00	F	60.00	Aero Equipement S.A.S.	Boulogne-Billancourt (France)
F	100.00	F	100.00	Aerolia S.A.S.	Toulouse (France)
F	100.00	F	100.00	AIFS (Cayman) Ltd	Cayman Islands
F	100.00	F	100.00	AIFS Cayman Liquidity Ltd	Cayman Islands
F	100.00	F	100.00	AIFS Leasing Company Ltd	Dublin (Ireland)
F	100.00	F	100.00	Airbus (Beijing) Engineering Centre Company Ltd	Beijing (China)
F	100.00	F	100.00	Airbus (China) Enterprise Management & Services Company Ltd	Beijing (China)
F	100.00	F	100.00	Airbus (Tianjin) Delivery Center Ltd	Tianjin (China)
E	51.00	E	51.00	Airbus (Tianjin) Final Assembly Company Ltd	Tianjin (China)
E	51.00	E	51.00	Airbus (Tianjin) Jigs & Tools Company Ltd	Tianjin (China)
F	100.00	F	100.00	Airbus (Tianjin) Logistics Company Ltd	Tianjin (China)
		F	100.00	Airbus Alabama, Inc.	Herndon, AL (USA)
F	100.00	F	100.00	Airbus Americas Customer Services, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Engineering, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Sales, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus China Ltd	Hong Kong (China)
F	100.00	F	100.00	Airbus China Ltd, Beijing Representative Office	Beijing (China)
F	100.00	F	100.00	Airbus Corporate Jet Centre S.A.S. (ACJC)	Toulouse (France)
F	100.00	F	100.00	Airbus Financial Service Unlimited	Dublin (Ireland)
F	100.00	F	100.00	Airbus Flight Hour Services Ltd	Dublin (Ireland)
F	100.00	F	100.00	Airbus Invest S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Operations GmbH	Hamburg (Germany)
F	100.00	F	100.00	Airbus Operations Ltd	Filton (United Kingdom)
F	100.00	F	100.00	Airbus Operations S.A.S.	Toulouse (France)
F	100.00	F	100.00	Airbus Operations S.L.	Madrid (Spain)
F	100.00	F	100.00	Airbus ProSky S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Real Estate Premium AEROTEC Nord GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Airbus S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
F	58.00			Alestis	Seville (Spain)
F	100.00			Apsys S.A.	Suresnes (France)
E	50.00	E	50.00	ATR Eastern Support Pte. Ltd	Singapore (Singapore)
E	50.00	E	50.00	ATR G.I.E.	Blagnac (France)
E	50.00	E	50.00	ATR India Customer Support Pte. Ltd	Bangalore (India)
E	50.00	E	50.00	ATR International S.A.S.	Blagnac (France)
E	50.00	E	50.00	ATR North America, Inc.	Washington, VA (USA)
E	50.00	E	50.00	ATR North American Training Center, Inc.	Montreal (Canada)
E	50.00	E	50.00	ATR South African Training Center (Proprietary) Ltd	Illovo (South Africa)
E	50.00	E	50.00	ATR Training Center S.A.R.L.	Blagnac (France)
E	50.00	E	50.00	ATRiam Capital Ltd	Dublin (Ireland)
E	50.00	E	50.00	ATRium Mauritius Ltd	Mauritius Island
F	100.00	F	100.00	Aviateur Finance Ltd	Dublin (Ireland)
F	100.00	F	100.00	Aviateur International Ltd	Dublin (Ireland)
E	25.00	-		Chinese World Aviation Ltd	China
F	100.00	F	100.00	CIMPA GmbH	Hamburg (Germany)
F	100.00	F	100.00	CIMPA Ltd	Bristol (United Kingdom)
F	100.00			CIMPA PLM	Madrid (Spain)
F	100.00	F	100.00	CIMPA S.A.S.	Blagnac (France)
F	100.00	F	100.00	Composites Atlantic Ltd	Lunenburg (Canada)
F	100.00	F	100.00	CTC GmbH	Stade (Germany)
F	100.00	F	100.00	EADS ATR S.A.	Colomiers (France)
F	100.00	F	100.00	EADS Composites Aquitaine SAS	Salaunes (France)
F	100.00	F	100.00	EADS Maroc Aviation	Casablanca (Morocco)
F	100.00	F	100.00	EADS Real Estate Premium AEROTEC Augsburg GmbH & Co. KG	Augsburg (Germany)
F	100.00	F	100.00	EADS Sogerma SAS	Rochefort (France)
F	65.00	F	65.00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
		E	30.00	Elson Ltd	Hong Kong (China)
F	100.00	F	100.00	Eltra Aeronautics Pte Ltd	Singapore (Singapore)
F	99.00	F	99.00	Eltra Aeronautique S.A.S.	Marseille (France)
F	49.00	F	49.00	Eltra Beijing Outou	Beijing (China)
F	100.00	F	100.00	Eltra Holdings Pte Ltd	Singapore (Singapore)
F	100.00	F	100.00	Eltra Services Ltd	Hong Kong (China)

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** Companies consolidated in two different segments.

2014	%	2013	%	Company	Head office
E	50.00	E	50.00	Hua-Ou Aviation Support Centre Ltd	Beijing (China)
E	50.00	E	50.00	Hua-Ou Aviation Training Centre Ltd	Beijing (China)
F	100.00	F	100.00	IFR Skeyes SAS	Colomiers (France)
F	100.00	F	100.00	Metron Aviation, Inc.	Dulles, VA (USA)
F	100.00	F	100.00	Metron Holdings, Inc.	Dulles, VA (USA)
E	33.00	E	33.00	Pesola Ltd	São José dos Campos (Brazil)
F	74.90	F	74.90	PFW Aerospace AG	Speyer (Germany)
F	100.00	F	100.00	Premium AEROTEC GmbH	Augsburg (Germany)
F	100.00			Sat Air Group S.A.S. (formerly Airbus Invest 11)	Blagnac (France)
F	100.00	F	100.00	Satair A/S	Kastrup (Denmark)
F	100.00	F	100.00	Satair Pte Ltd Beijing Representative Office	Beijing (China)
F	100.00	F	100.00	Satair Pte Ltd	Singapore (Singapore)
F	100.00	F	100.00	Satair UK Ltd	Heston (United Kingdom)
F	100.00	F	100.00	Satair USA, Inc.	Atlanta, GA (USA)
F	100.00	F	100.00	SC Premium Aerotec SRL	Braşov (Romania)
F	40.00			Sepang	Malaysia
		E	30.00	Sinelson Aero	Tianjin (China)
E	34.00	E	34.00	Sopecaero Ltd	São José dos Campos (Brazil)
F	100.00	F	100.00	Star Real Estate S.A.S.	Toulouse (France)
E	29.50	E	29.50	Telair International Services Pte Ltd	Singapore (Singapore)
Additionally consolidated are 39 SPEs.					
Airbus Helicopters					
F	100.00	F	100.00	AHD Real Estate GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Airbus Group Australia Pacific (NZ) Pty Limited	Sydney (Australia)
F	100.00	F	100.00	Airbus Group Australia Pacific Holdings Pty Limited	Bankstown (Australia)
F	100.00	F	100.00	Airbus Group Australia Pacific Limited	Bankstown (Australia)
F	98.00	F	75.50	Airbus Helicopters (Thailand) Ltd	Bangkok (Thailand)
F	100.00	F	100.00	Airbus Helicopters Canada Ltd	Fort Erie, ON (Canada)
F	100.00	F	100.00	Airbus Helicopters Chile S.A.	Santiago (Chile)
F	100.00	F	100.00	Airbus Helicopters Composites Pty Limited	Sydney (Australia)
F	100.00	F	100.00	Airbus Helicopters Deutschland GmbH	Donauwörth (Germany)
F	100.00	F	100.00	Airbus Helicopters España, SA	Madrid (Spain)
F	100.00	F	100.00	Airbus Helicopters Financial Services	Dublin (Ireland)
F	100.00	F	100.00	Airbus Helicopters Holding SAS	Marignane (France)
F	100.00	F	100.00	Airbus Helicopters Inc.	Grand Prairie, TX (USA)
F	100.00	F	100.00	Airbus Helicopters International Services Limited	Dublin (Ireland)
F	100.00	F	100.00	Airbus Helicopters Japan Co. Ltd	Tokyo (Japan)
F	100.00	F	100.00	Airbus Helicopters Korea Ltd	Sacheon-si (South Korea)
F	100.00	F	100.00	Airbus Helicopters Malaysia SDN. BHD.	Subang Selongor (Malaysia)
F	100.00	F	100.00	Airbus Helicopters Malaysia Simulation Center SDN. BHD	Subang Selongor (Malaysia)
F	99.99	F	99.99	Airbus Helicopters México Querétaro, S.A. de C.V.	Queretaro (Mexico)
F	100.00	F	100.00	Airbus Helicopters México, S.A. de C.V.	Mexico D.F. (Mexico)
F	100.00	F	100.00	Airbus Helicopters RG Japan Co. Ltd	Tokyo (Japan)
F	95.00	F	95.00	Airbus Helicopters SAS	Marignane (France)
F	75.00	F	75.00	Airbus Helicopters Southeast Asia Pte Ltd	Singapore (Singapore)
F	100.00	F	100.00	Airbus Helicopters Southern Africa (Pty) Limited	Lanseria (South Africa)
F	100.00	F	100.00	Airbus Helicopters Training Services SAS	Marignane (France)
F	100.00	F	100.00	Airbus Helicopters UK Ltd	Oxford (United Kingdom)
F	100.00	F	100.00	Airbus Helicopters Vostok LLC	Moscow (Russia)
F	100.00	F	100.00	Australian Aerospace Military Maintenance	Brisbane (Australia)
F	100.00			Corporate Office (branch of VAHSI 1525)	Toronto, Canada
F	100.00	F	100.00	EADS SECA	Le Bourget (France)
F	100.00	F	100.00	Eurocopter Cono Sur S.A .	Montevideo (Uruguay)
F	55.00			Fly Operational Curso E Formação de Pilotos Ltda	Rio de Janeira, Brasil
F	85.66	F	85.66	Helicopteros Do Brasil S.A.	Itajuba (Brazil)
E	50.00	F	50.00	Heliescuela S.A.P.I. de C.V.	Mexico D.F. (Mexico)
E	25.00	E	25.00	HFTS Helicopter Flight Training Services GmbH	Hallbergmoos (Germany)
F	100.00			HS-NA (branch of VAHSI 1525)	Toronto, Canada
F	100.00	F	100.00	Motorflug Baden-Baden GmbH	Baden-Baden (Germany)
F	100.00			PATHIX (branch of VAHSI 1525)	Toronto, Canada
		F	100.00	Spaero Trade GmbH	Rheinmünster (Germany)
F	100.00	F	100.00	The Sigma Aerospace Pension Trustee Ltd	Croydon (United Kingdom)
F	100.00	F	100.00	Vector Aerospace (UK-Holdings) Ltd	Aberdeen (United Kingdom)
F	100.00	F	100.00	Vector Aerospace Africa (PTY) Ltd	Midrand (South Africa)
F	100.00	F	100.00	Vector Aerospace Asia Pte Ltd (Singapore)	Singapore (Singapore)
F	100.00	F	100.00	Vector Aerospace Australia Pty Ltd	Brisbane (Australia)
F	99.00	F	100.00	Vector Aerospace Brasil Servicos E Monutencao De Aeronaves Ltda (Brazil)	São Paulo (Brazil)
F	100.00	F	100.00	Vector Aerospace Corporation	Toronto (Canada)
F	100.00	F	100.00	Vector Aerospace Engine Services UK Ltd	Croydon (United Kingdom)
F	100.00	F	100.00	Vector Aerospace Engine Services-Atlantic Inc.	Toronto (Canada)
F	100.00	F	100.00	Vector Aerospace Financial Services	Dublin (Ireland)
F	66.70	F	67.70	Vector Aerospace Helicopter Services California Inc.	Sacramento, CA (USA)
F	100.00	F	100.00	Vector Aerospace Helicopter Services Inc.	Toronto (Canada)

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F	100.00	F	100.00	Vector Aerospace Holding SAS	Marignane (France)
F	100.00			Vector Aerospace International Ltd (TE - branch of 1428)	Gosport (United Kingdom)
F	100.00	F	100.00	Vector Aerospace International Ltd (VI - branch of 1428)	Gosport (United Kingdom)
F	100.00	F	100.00	Vector Aerospace USA Holdings, Inc.	Carson City, NV (USA)
F	100.00	F	100.00	Vector Aerospace USA, Inc.	Montgomery, AL (USA)
F	100.00			Vector UK	Gosport (Great Britain)
Airbus Defence and Space					
(formerly Airbus Military)					
F	100.00	F	100.00	Airbus Defence and Space S.A. (Unit: AD) **	Madrid (Spain)
F	100.00	F	100.00	Airbus DS Military Aircraft, Inc.	Herndon (USA)
F	90.00	F	90.00	Airbus Military S.L.	Madrid (Spain)
E	40.00	E	40.00	AirTanker Holdings Ltd*	London (United Kingdom)
E	28.00			AirTanker Services Ltd	Bristol (United Kingdom)
F	78.54	F	78.54	EADS PZL "Warszawa-Okecie" S.A.	Warsaw (Poland)
(formerly Cassidian)					
E	24.01	E	24.01	Advanced Lithium Systems Europe S.A.	Athens (Greece)
F	100.00	F	100.00	Airbus Defence and Space GmbH (Unit: AD) **	Ottobrunn (Germany)
F	100.00	F	100.00	Airbus Defence and Space Oy	Helsinki (Finland)
F	100.00	F	100.00	Airbus Defence and Space Real Estate Manching GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Airbus Defence and Space Real Estate Ulm GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Airbus Defence and Space S.A. (Unit: AD) **	Madrid (Spain)
F	100.00	F	100.00	Airbus DS Communications, Corp.	Gatineau (Canada)
F	100.00	F	100.00	Airbus DS Communications, Inc.	Los Angeles (USA)
F	100.00	F	100.00	Airbus DS Ltd	Newport (United Kingdom)
F	70.00	F	70.00	Airbus DS Optronics (Pty) Ltd	Irene (South Africa)
F	100.00	F	100.00	Airbus DS Optronics GmbH	Oberkochen (Germany)
F	100.00	F	100.00	Airbus DS SAS	Elancourt (France)
		F	100.00	Apsys S.A.	Suresnes (France)
F	100.00	F	100.00	Arkoon Network Security	Lyon (France)
E	49.00			Atlas Electronic LLC	Abu Dhabi (United Arab Emirates)
E	49.00	E	49.00	Atlas Elektronik Finland Oy	Helsinki (Finland)
E	49.00	E	49.00	Atlas Elektronik GmbH	Bremen (Germany)
E	49.00	E	49.00	Atlas Elektronik Pty. Ltd	Macquarie Park (Australia)
E	49.00	E	49.00	Atlas Elektronik UK (Holdings) Ltd	Winfrith Newburgh (United Kingdom)
E	49.00	E	49.00	Atlas Elektronik UK Ltd	Winfrith Newburgh (United Kingdom)
E	49.00	E	49.00	Atlas Hydrographic GmbH	Bremen (Germany)
E	49.00	E	49.00	Atlas Maridan ApS	Horsholm (Denmark)
E	49.00	E	49.00	Atlas Naval Engineering Company	Kyungnam (South Korea)
E	24.01	E	24.01	Atlas Naval Support Centre Ltd	Bangkok (Thailand)
E	49.00	E	49.00	Atlas Naval Systems Malaysia Sdn. Bhd.	Lumut, Perak (Malaysia)
E	49.00	E	49.00	Atlas North America LLC	Virginia Beach, VA (USA)
F	43.89	F	43.89	Aviation Defense Service S.A.	Saint-Gilles (France)
E	37.50	E	37.50	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
F	51.00	F	51.00	Cassidian Airborne Solutions GmbH	Bremen (Germany)
F	100.00	F	100.00	Cassidian Aviation Training Services S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Belgium N.V.	Oostkamp (Belgium)
F	100.00	F	100.00	Cassidian Communications GmbH	Ulm (Germany)
F	100.00	F	100.00	Cassidian Cybersecurity GmbH	Ottobrunn (Germany)
F	100.00	F	100.00	Cassidian Cybersecurity Limited	Cheltenham (United Kingdom)
F	100.00	F	100.00	Cassidian Cybersecurity S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Ltd - Holding	Newport (United Kingdom)
F	100.00	F	100.00	Cassidian Mexico SA de C.V.	Colonia Noche Buena (Mexico)
F	100.00	F	100.00	Cassidian Saudi Ltd	Riyadh (Saudi Arabia)
F	100.00	F	100.00	Cassidian Solutions S.A.U.	Madrid (Spain)
		F	100.00	Cassidian Test & Services Ltd	Wimborne (United Kingdom)
		F	100.00	Cassidian Test & Services S.A.S.	Elancourt (France)
E	19.60	E	19.60	Cybicom Atlas Defence Pty. Ltd	Umhlanga Rocks (South Africa)
F	100.00	F	100.00	Dornier Consulting GmbH	Berlin (Germany)
F	100.00	F	100.00	EADS Operations & Services UK Ltd	Newport (United Kingdom)
F	92.00	F	92.00	Equipo de Planta de Mexico, S.A. de C.V.	Tijuana (Mexico)
E	30.00	E	30.00	ESG Elektroniksystem- und Logistikgesellschaft mbH	Munich (Germany)
		E	24.50	ET Marinesysteme GmbH	Wilhelmshaven (Germany)
F	100.00	F	100.00	Fairchild Controls Corporation	Frederick, MD (USA)
		F	100.00	Get Electronique S.A.S.	Castres (France)
F	75.00	F	75.00	GEW Integrated Systems (Pty) Ltd	Silverton (South Africa)
F	75.00	F	75.00	GEW Technologies (Pty) Ltd	Brummeria (South Africa)
F	100.00	F	100.00	GFD GmbH	Hohn (Germany)
E	49.00	E	49.00	Hagenuk Marinekommunikation GmbH	Flintbek (Germany)
E	37.50			Horizon Land Limited	Stevenage (United Kingdom)
E	50.00	E	50.00	Maîtrise d'Oeuvre Système S.A.S.	Issy-les-Moulineaux (France)
E	37.50	E	37.50	Matra Electronique	Le Plessis-Robinson (France)
E	49.00	E	49.00	Matrium GmbH	Karlsruhe (Germany)
E	37.50	E	37.50	MBDA Deutschland GmbH	Schrobenhausen (Germany)
E	37.50	E	37.50	MBDA España S.L.	Madrid (Spain)

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E	37.50	E	37.50	MBDA France S.A.S.	Paris (France)
E	75.00	E	75.00	MBDA Holding S.A.S.	Paris (France)
E	37.50	E	37.50	MBDA Insurance Ltd	Dublin (Ireland)
E	37.50	E	37.50	MBDA International Ltd	Stevenage (United Kingdom)
E	37.50	E	37.50	MBDA Italy SpA	Roma (Italy)
E	37.50			MBDA Middle East FZE	Dubai (United Arab Emirates)
E	37.50	E	37.50	MBDA S.A.S.	Paris (France)
E	37.50	E	37.50	MBDA Services S.A.	Paris (France)
E	37.50	E	37.50	MBDA Treasury Ltd	Jersey (United Kingdom)
E	37.50	E	37.50	MBDA UAE Ltd	Stevenage (United Kingdom)
E	37.50	E	37.50	MBDA UK Ltd	Stevenage (United Kingdom)
E	37.50	E	37.50	MBDA, Inc.	Westlack, CA (USA)
F	99.84	F	99.84	NETASQ S.A	Villeneuve d'Asq (France)
		E	26.80	Patria Oyj	Helsinki (Finland)
F	80.00	F	80.00	Pentastar S.A.	St Gilles (France)
F	100.00	F	100.00	Plant Holdings, Inc.	Temecula, CA (USA)
F	100.00	F	100.00	Regency IT Group Limited	Cheltenham (United Kingdom)
F	100.00	F	100.00	Regency IT Security Limited	Cheltenham (United Kingdom)
E	18.75	E	18.75	Roxel S.A.	Saint Médard en Jalles (France)
E	79.60	E	79.60	Signalis GmbH	Bremen (Germany)
E	79.60	E	79.60	Signalis Holding GmbH	Unterschleißheim (Germany)
E	79.60	E	79.60	Signalis S.A.S.	Bezons (France)
F	99.88	E	99.88	Skyrecon Systems S.A.	Malakoff (France)
E	49.00	E	49.00	Sonartech Atlas Pty. Ltd	Macquarie Park (Australia)
E	25.13	E	25.13	Taurus Systems GmbH	Schrobenhausen (Germany)
E	37.50	E	37.50	TDW- Ges. für verteidigungstechnische Wirksysteme GmbH	Schrobenhausen (Germany)
E	50.00	E	50.00	United Monolithic Semiconductors Holding*	Orsay (France)
(formerly Astrium)					
F	100.00	F	100.00	Airbus Defence and Space Italy Srl	Rome (Italy)
F	100.00	F	100.00	Airbus Defence and Space Limited	Stevenage (United Kingdom)
F	100.00	F	100.00	Airbus Defence and Space Netherlands B.V.	Leiden (Netherlands)
F	100.00	F	100.00	Airbus Defence and Space SAS	Les Mureaux (France)
F	99.88	F	99.81	Airbus DS Geo Australia Pty Ltd	Bradon (Australia)
F	99.90	F	98.91	Airbus DS Geo Inc	Chantilly, VA (USA)
F	99.90	F	98.91	Airbus DS Geo SA	Toulouse (France)
F	100.00	F	100.00	Airbus DS GmbH	Munich (Germany)
F	100.00	F	100.00	Airbus DS Government Solutions, Inc.	Plano, TX (USA)
F	100.00	F	100.00	Airbus DS Holding France SAS	Suresnes (France)
F	100.00	F	100.00	Airbus DS Holding SAS	Suresnes (France)
F	100.00	F	100.00	Airbus DS Holdings B.V.	Leiden (Netherlands)
F	100.00	F	100.00	Airbus DS SatCom Government, Inc	Rockville, MD (USA)
F	100.00	F	100.00	Airbus DS Systems Holdings, Inc	Rockville, MD (USA)
F	100.00	F	100.00	Astrium España S.L.	Madrid (Spain)
F	100.00	F	100.00	Astrium Pte Ltd	Singapore (Singapore)
		F	100.00	Astrium Services AS	Lysaker (Norway)
F	100.00	F	100.00	Astrium Services AS (x-Mobsat Holding Norway AS)	Lysaker (Norway)
F	100.00	F	100.00	Astrium Services BC B.V.	Gravenhage (Netherlands)
F	100.00	F	100.00	Astrium Services BC GmbH	Köln (Germany)
F	100.00	F	100.00	Astrium Services BC KK	Tokyo (Japan)
F	65.00	F	65.00	Astrium Services BC Ltd	Dar es Salaam (Tanzania)
F	100.00	F	100.00	Astrium Services BC MEPE	Athen (Greece)
F	100.00	F	100.00	Astrium Services BC S.A.	Brussels (Belgium)
F	100.00	F	100.00	Astrium Services BC S.A.S.	Paris (France)
F	100.00	F	100.00	Astrium Services BC S.r.o.	Bratislava (Slovakia)
F	100.00	F	100.00	Astrium Services BC, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Astrium Services BCFZ LLC	Dubai (United Arab Emirates)
F	100.00	F	100.00	Astrium Services Enterprises AS	Lysaker (Norway)
F	100.00	F	100.00	Astrium Services Enterprises S.A.S.	Choisy-le-Roi (France)
F	100.00	F	100.00	Astrium Services GmbH	Ottobrunn (Germany)
F	100.00	F	100.00	Astrium Services Holding S.A.S.	Suresnes (France)
F	100.00	F	100.00	Astrium Services Maritime GmbH	Hamburg (Germany)
F	100.00	F	100.00	Astrium Services UK Ltd	Stevenage (United Kingdom)
F	100.00	F	100.00	Axio-Net GmbH	Ottobrunn (Germany)
F	54.94	F	54.40	Beijing Spot Image Co Ltd	Beijing (China)
F	66.78	F	56.76	Collaborative Engineering s.r.l.	Rome (Italy)
F	100.00	F	100.00	Computadoras, Redes e Ingenieria SA (CRISA)	Madrid (Spain)
F	99.99	F	99.99	DMC International Imaging Ltd	Surrey (United Kingdom)
F	100.00	F	100.00	EADS CASA Espacio S.L.	Madrid (Spain)
F	100.00	F	100.00	GPT Special Project Management Ltd	London (United Kingdom)
F	77.62	F	76.85	i-cubed LLC	Fort Collins, CL (USA)
F	100.00	F	100.00	Imass Holding Limited	Newcastle (United Kingdom)
F	100.00	F	100.00	Imass Ltd	Newcastle (United Kingdom)

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F	100.00	F	100.00	Infoterra GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	Infoterra Ltd	Farnborough (United Kingdom)
F	100.00	F	100.00	Jena-Optronik GmbH	Jena (Germany)
F	100.00	F	100.00	MilSat Services GmbH	Bremen (Germany)
F	100.00	F	100.00	MMS Space UK Ltd	Stevenage (United Kingdom)
F	100.00	F	100.00	Mobsat Group Holding S.A.R.L.	Munsbach (Luxembourg)
F	100.00	F	100.00	ND SatCom Defence GmbH	Immenstaad (Germany)
		F	100.00	ND SatCom FZE	Dubai (United Arab Emirates)
		F	100.00	ND Satcom GmbH	Immenstaad (Germany)
		F	100.00	ND SatCom Products GmbH	Immenstaad (Germany)
		F	100.00	ND SatCom Satellite Communication Systems (Beijing) Co. Ltd	Beijing (China)
F	100.00	F	100.00	Paradigm Secure Communications Ltd	Stevenage (United Kingdom)
F	100.00	F	100.00	Paradigm Services Ltd	Farnborough (United Kingdom)
E	99.99	E	99.99	Responsive Geospatial Systems	Fort Collins, CL (USA)
F	89.98	F	89.98	Sodern S.A.	Limeil Brevannes (France)
F	66.78	F	66.78	Space Engineering SpA	Rome (Italy)
F	69.93	F	69.24	Spot Asia Pte Ltd	Singapore (Singapore)
F	99.90	F	98.91	Spot Image Brasil Servicios en Image	São Paulo (Brazil)
F	100.00	F	99.99	SSTL US, LLC	Englewood CO (USA)
F	100.00	F	99.99	Surrey Satellite Investments Ltd	Surrey (United Kingdom)
F	100.00	F	99.99	Surrey Satellite Services Ltd	Surrey (United Kingdom)
F	100.00	F	99.99	Surrey Satellite Technology Holdings, Inc.	Englewood CO (USA)
F	100.00	F	99.99	Surrey Satellite Technology Ltd	Surrey (United Kingdom)
		F	99.99	Surrey Satellite Technology Ltd	Isle of Man
F	99.99	F	99.99	Surrey Satellite Technology US LLC	Englewood CO (USA)
F	66.78	F	66.78	Teleinformatica e Sistemi s.r.l.	Rome (Italy)
F	100.00	F	100.00	TESAT-Spacecom Geschäftsführung GmbH	Backnang (Germany)
F	100.00	F	100.00	TESAT-Spacecom GmbH & Co. KG	Backnang (Germany)
		F	98.91	Tokyo Spot Image	Tokyo (Japan)
Other Businesses					
		E	30.00	Daher - Socata S.A.*	Louey (France)
F	100.00	F	100.00	EADS North America Holdings, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	EADS North America, Inc.	Arlington, VA (USA)
F	100.00	F	100.00	EADS Supply Services, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Manhattan Beach Holding Company	Herndon, VA (USA)
F	100.00	F	100.00	Matra Aerospace, Inc.	Herndon, VA (USA)
Headquarters					
F	100.00	F	100.00	Aelis Mexico LLP	Querétaro (Mexico)
F	100.00	F	100.00	Aero Ré S.A.	Bertrange (Luxembourg)
F	100.00	F	100.00	Airbus Defence and Space GmbH (Unit: Headquarters) (ex EADS Deutschland GmbH) **	Ottobrunn (Germany)
F	100.00	F	100.00	Airbus Defence and Space S.A. (Unit: Headquarters) (ex EADS CASA S.A.) **	Madrid (Spain)
F	100.00	F	100.00	Airbus Group Aeroassurances S.N.C. (ex EADS Aeroassurance S.N.C.)	Paris (France)
F	100.00			Airbus Group Bank GmbH	Munich (Germany)
F	100.00	F	100.00	Airbus Group Finance B.V. (ex EADS Finance B.V.)	Leiden (Netherlands)
F	100.00			Airbus Group HQ Inc.	Herndon, VA (USA)
F	100.00			Airbus Group Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Group Management Services GmbH (ex EADS Management Services GmbH)	Ottobrunn (Germany)
F	100.00	F	100.00	Airbus Group Real Estate Dornier Grundstücke GmbH & Co. KG (ex EADS Real Estate Dornier Grundstücke GmbH & Co. KG)	Pullach (Germany)
F	100.00	F	100.00	Airbus Group Real Estate Taufkirchen GmbH & Co. KG	Pullach (Germany)
F	100.00	F	100.00	Airbus Group S.A.S.	Paris (France)
F	100.00	F	100.00	AirbusGroup Limited	London (United Kingdom)
F	99.73	F	99.73	AL Objekt Taufkirchen Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald (Germany)
F	100.00	F	100.00	DADC Luft- und Raumfahrt Beteiligungs GmbH	Ottobrunn (Germany)
E	42.11	E	46.32	Dassault Aviation S.A.*	Paris (France)
		F	100.00	Dornier GmbH – Zentrale	Friedrichshafen (Germany)
F	100.00	F	100.00	EADS CASA France S.A.S.	Paris (France)
F	100.00	F	100.00	Immobilière AELIS S.A.S.	Paris (France)
F	100.00	F	100.00	LLC "EADS"	Moscow (Russia)
F	100.00	F	100.00	Matra Défense S.A.S.	Paris (France)
F	100.00	F	100.00	Matra Holding GmbH	Kehl (Germany)
F	100.00	F	100.00	OBRA Grundstücks-Verwaltungsgesellschaft mbH	Taufkirchen (Germany)

F: Fully consolidated E: At equity consolidated
The stated percentage of ownership relates to Airbus Group N.V.
* Only the parent company is stated in this list.
** Companies consolidated in two different segments.

3. COMPANY FINANCIAL STATEMENTS

Company Financial Statements

Balance Sheet

in €m		At 31 December	At 31 December
Assets	Note	**2014**	**2013**
Fixed assets			
Goodwill	2	4,354	4,354
Financial assets[2]	2	9,587	13,960
Non-current securities	4	5,809	4,179
		19,750	**22, 493**
Current assets			
Receivables and other assets	3	9,526	10,073
Current securities	4	3,077	2,430
Cash and cash equivalents	4	6,200	6,126
		18,803	**18,629**
Total assets		**38,553**	**41,122**
Liabilities and stockholders' equity			
Stockholders' equity[1]	5		
Issued and paid up capital		785	783
Share premium		4,500	5,049
Revaluation reserves[2]		(2,640)	1,726
Legal reserves[2]		3,809	4,440
Treasury shares		(8)	(50)
Retained earnings[2]		(1,728)	(2,557)
Result of the year[2]		2,343	1,473
		7,061	**10,864**
Non current liabilities			
Non current financing liabilities	6	5,551	3,514
		5,551	**3,514**
Current liabilities			
Current financing liabilities		-	914
Other current liabilities	7	25,941	25,830
		25,941	**26,744**
Total liabilities and stockholders' equity		**38,553**	**41,122**

(1) The balance sheet is prepared before appropriation of the net result.

(2) Previous years' figures are adjusted due to the application of IFRS 10 and IFRS 11.

Income Statement

in €m		**2014**	**2013**
Income from investments[2]		2,412	1,474
Other results		(69)	(1)
Net result	8	**2,343**	**1,473**

4. NOTES TO THE COMPANY FINANCIAL STATEMENTS

Notes to the Company Financial Statements

1.1 General

In the Annual General Meeting of May 27, 2014 the Company's Shareholders approved a resolution for amendment of article 2, paragraph 1 of the Company's Articles of Association, to change the name of the Company from European Aeronautic Defence and Space Company EADS N.V. into Airbus Group N.V., effective June 2, 2014.

Airbus Group N.V., having its legal seat in Amsterdam, the Netherlands, is engaged in the holding, coordinating and managing of participations or other interests in and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities, partnerships, business associations and undertakings that are involved in the aeronautic, defence, space and/or communication industry or activities that are complementary, supportive or ancillary thereto.

The Company Financial Statements are part of the 2014 Consolidated Financial Statements of Airbus Group N.V.

The description of the Company's activities and the Group structure, as included in the Notes to the Consolidated Financial Statements, also apply to the Company Financial Statements. In accordance with article 402 Book 2 of the Dutch Civil Code the Income Statement is presented in abbreviated form.

1.2 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company Financial Statements, Airbus Group N.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. As from 2005, the Netherlands Civil Code allows that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company Financial Statements of Airbus Group N.V. are the same as those applied for the Consolidated EU-IFRS Financial Statements. These Consolidated EU-IFRS Financial Statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (herein referred to as EU-IFRS). Please see Note 2 of the Consolidated Financial Statements for a description of these principles.

Subsidiaries, over which significant influence is exercised, are stated on the basis of the Net Asset Value.

The share in the result of participating interests consists of the share of Airbus Group N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Airbus Group N.V. and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

Undistributed results from investments are included in the legal reserves to the extent the Company cannot enforce dividend distribution.

2. Fixed assets

At the end of 2014, goodwill acquisition cost amounts to €5,676 million (2013: €5,676 million) and the cumulative amortization and impairments amounts to €1,322 million (2013: €1,322 million).

The movements in financial fixed assets are detailed as follows:

in €m	Subsidiaries	Participations	Loans	Total
Balance at 31 December 2012	**7,629**	**162**	**3,540**	**11,331**
Prior Years' Adjustment(1)	(143)	-	-	(143)
Balance at 1 January 2013, adjusted	**7,486**	**162**	**3,540**	**11,188**
Additions		22	544	566
Redemptions			(422)	(422)
Share based payments	33			33
Net income from investments(1)	1,461	13		1,474
Actuarial gains/losses IAS 19	(48)			(48)
Dividends received	(26)	(6)		(32)
Translation differences/other changes(1)	1,274	24	(97)	1,201
Balance at 31 December 2013	**10,180**	**215**	**3,565**	**13,960**
Additions	109		696	805
Disposals/redemptions	(220)	(44)	(1,021)	(1.285)
Share based payments	(5)			(5)
Net income from investments	2,321	91		2,412
Actuarial gains/losses IAS 19	(1,585)			(1,585)
Dividends received/proceeds from disposals	(651)	(107)		(758)
Translation differences/other changes	(4,184)	24	203	(3,957)
Balance at 31 December 2014	**5,965**	**179**	**3,443**	**9,587**

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

The investments in subsidiaries are included in the Balance Sheet based on their net asset value in accordance with the aforementioned accounting principles of the Consolidated Financial Statements. The participations include available-for-sale securities measured at fair value and investments in associated companies accounted for using the equity method.

The translation differences/other changes reflect mainly the impact in the other comprehensive income related to the application of IAS 39.

Significant subsidiaries, associates and joint ventures are listed in the Appendix "Information on Principal Investments" to the Consolidated Financial Statements.

The loans in the amount of €3,443 million (2013: €3,565 million) include loans provided to subsidiaries in the amount of €3,311 million (2013: €3,207 million) and loans provided to participations in the amount of €78 million (2013: €94 million). The additions of loans is mainly driven by loans provided to the subsidiaries Airbus SAS and Sogerma SAS. The item redemptions mainly reflects repayments of loans provided to Airbus DS Holdings B.V. (formerly: Astrium B.V.) and Paradigm Secure Communications Ltd. An amount of €2,075 million (2013: €1,519 million) has a maturity between five and ten years and an amount of €313 million (2013: €391 million) matures after ten years. On average, the interest rate of the loans is 3% (2013: 3.5%).

3. Receivables and other assets

in €m	2014	2013
Receivables from subsidiaries	9,370	9,873
Other assets	156	200
Total receivables and other assets	**9,526**	**10,073**

The receivables from subsidiaries include mainly receivables in connection with the cash pooling in Airbus Group N.V.

The receivables and other assets in the current year and in the previous year are due within one year.

4. Securities, Cash and cash equivalents

The securities comprise mainly available-for-sale securities. The available-for-sale security portfolio contains a non-current portion of €5,809 million (2013: €4,179 million). For further information please see Note 22 of the Consolidated Financial Statements.

Airbus Group limits its cash equivalents to such investments having a maturity of three months or less from acquisition date.

5. Stockholders' equity

in €m	Capital stock	Share premiums	Revaluation reserves	Legal reserves	Treasury shares	Retained earnings	Result of the year	Total equity
Balance at 31 December 2012	**827**	**7,253**	**146**	**4,143**	**(84)**	**(3,079)**	**1,197**	**10,403**
Prior Years' Adjustment(1)	-	-	24	(26)	-	(141)	-	(143)
Balance at 1 January 2013, adjusted	**827**	**7,253**	**170**	**4,117**	**(84)**	**(3,220)**	**1,197**	**10,260**
Capital increase	9	233						242
Net income(1)							1,473	1,473
Cash distribution		(467)						(467)
Share based payments		(74)				107		33
Transfer to legal reserves				475		(475)		0
Purchase of treasury shares					(1,915)			(1,915)
Cancellation of treasury shares	(53)	(1,896)			1,949			0
Others(1)			1,556	(152)		(166)		1,238
Appropriation of result						1,197	(1,197)	0
Balance at 31 December 2013	**783**	**5,049**	**1,726**	**4,440**	**(50)**	**(2,557)**	**1,473**	**10,864**
Transfer from legal reserves				(1,079)		1,079		0
Capital increase	2	50						52
Net income							2,343	2,343
Cash distribution		(587)						(587)
Share based payments						(5)		(5)
Transfer to legal reserves				202		(202)		0
Purchase of treasury shares					(12)			(12)
Sale/cancellation of treasury shares		(12)			54	72		114
Others			(4,366)	246		(1,588)		(5,708)
Appropriation of result(1)						1,473	(1,473)	0
Balance at 31 December 2014	**785**	**4,500**	**(2,640)**	**3,809**	**(8)**	**(1,728)**	**2.343**	**7,061**

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

For further information to the Stockholders' equity, please see Note 23 of the Consolidated Financial Statements.

As of 31 December 2014, the item "Revaluation reserves" relates to €670 million (adjusted 2013: €625 million) from unrealized positive fair values of securities classified as available for sale, and fair values of cash flow hedges, recognised directly in equity with a negative amount of €3,310 million (adjusted 2013: €1,101 million positive fair values). The securities classified as available for sale and cash flow hedges are included in the fixed asset movement schedule within "Subsidiaries".

The "Legal reserves" are related to Airbus Group's share in the undistributed results from investments for €1,647 million (2013: €1,626 million), the legal reserve affiliated companies of €727 million (2013: €1,625 million) and €1,435 million (adjusted 2013: €1,189 million) resulting from currency translation effects of affiliated companies. The legal reserve 'affiliated companies', required under Dutch law, relates to legal restrictions on the ability of affiliated companies to distribute reserves to the parent company. In 2014 the Company applied a different method in determining this reserve that better reflects the actual distributable reserves of the Company. The internally generated capitalized development costs are no longer a separate reserve but included within the legal reserve 'affiliated companies'. This change is applied from 1 January 2014 onwards and the opening balance of the legal reserve has been adjusted (see movement 'transfer from legal reserves' for an amount of €1,079 million).

The "Retained earnings" include actuarial losses arising from defined benefit plans, recognised in equity, with an amount of €4,695 million negative (adjusted 2013: €3,110 million negative).

Pursuant to Dutch law, limitation exist relating to the distribution of stockholders' equity with an amount of €5,264 million (adjusted 2013: €6,949 million). The limitations relate to capital stock of €785 million (2013: €783 million) and to legal reserves of €3,809 million (adjusted 2013: €4,440 million). In 2014, unrealized gains related to "Revaluation reserves" with an amount of €670 million (adjusted 2013: €1,726 million) were not distributable. In general, gains related to available for sale securities, fair values of cash flow hedges, currency translation effects of affiliated companies and capitalized development costs reduce the distributable stockholders' equity.

6. Financing liabilities

The non current financing liabilities in the amount of €5,551 million (2013: €3,514 million) include three long term loans, granted by the European Investment Bank to Airbus Group for a total amount of US$1,754 million, a US$300 million loan granted by the Development Bank of Japan and five loans granted by Airbus Group Finance B.V. (formerly: EADS Finance B.V.) for an amount of €2,986 million and US$1,000 million. The four EUR-loans originate from the issuance of four EURO denominated bonds under Airbus Group's EMTN Programme by Airbus Group Finance B.V. The US$-Loan originates from the issuance by Airbus Group Finance B.V. of a US$ denominated bond in the U.S. institutional market. Terms and conditions of the three loans basically match those of the underlying bonds.

For further details, please see Note 26 of the Consolidated Financial Statements.

7. Current liabilities

in €m	**2014**	**2013**
Liabilities to subsidiaries	25,102	25,029
Liabilities to participations	602	598
Other liabilities	237	203
Total	**25,941**	**25,830**

The liabilities to subsidiaries comprise mainly liabilities in connection with the cash pooling in Airbus Group N.V.

8. Net income

The net income in 2014 amounts to €2,343 million (adjusted 2013: net income of €1,473 million). This comprises the net result from investments of €2,412 million and other results of €69 million negative. Other results relate mainly to the fair value loss on the LTIP hedge contracts.

9. Financial instruments

By the nature of the activities carried out, Airbus Group is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest risks. Airbus Group uses financial instruments in order to limit these financial risks. Information to the terms and conditions of the financial instruments and the respective fair values is provided in Note 34 of the Consolidated Financial Statements.

10. Commitments and contingent liabilities

Airbus Group N.V. issued guarantees on behalf of consolidated companies in the amount of €6,409 million (2013: €6,404 million). The commitments of these companies to third parties mainly relate to their operating business as described in Note 33 to the Consolidated Financial Statements. The Company is heading a fiscal unity, which also includes Airbus Group Finance B.V. (formerly: EADS Finance B.V.), Airbus DS Holdings B.V. (formerly: Astrium B.V) and Airbus Defence and Space Netherlands B.V. (formerly: Dutch Space B.V.) and therefore the Company is several and jointly liable for income tax liabilities of the fiscal unity as a whole.

11. Remuneration

The total **remuneration** of the Non Executive and the Executive members of the Board of Directors and former directors related to the reporting periods 2014 and 2013 can be summarized as follows:

Executive Member of the Board (Tom Enders):

in €	**2014**	**2013**
Base Salary	1,400,004	1,400,004
Annual Variable Pay(1)	1,750,000	1,989,646
Post employment benefits costs(2)	1,043,679	1,042,392
Share based remuneration („LTIP award“)(3)	2,798,039	4,669,363
Other benefits	68,415	73,687
Social charges	11,172	11,052

(1) The annual variable pay is based on estimated performance achievement as at the balance sheet date and difference between previous year’s estimation and actual pay-out in the current year .
(2) Aggregated amount of current service and interest costs as well as interest cost on employee’s contribution to the defined benefit plan.
(3) Expense related to share-based payment plans as recognized in the annual period (service period) including result from hedge of cash-settled share based payment: refer to note 35 to the Consolidated Financial Statements for details. The pay-out from vested cash settled LTIP in 2014 was €2,374,997 (2013: €2,262,550).

The bonus conditions are disclosed in the Board Report, chapter 4.3.2

Summary table of the remuneration of the Non-Executive Directors

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

Current Non Executive Board Members (*)	Directors' remuneration related to 2014 (*)			Directors' remuneration related to 2013 (*)		
	Fixum (in €)	Attendance Fees (in €)	Total (in €)	Fixum (in €)	Attendance Fees (in €)	Total (in €)
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**	**1,140,000**	**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
(2) New member of the Company's Board of Directors as of 01/04/2013
(3) New member of the Company's Board of Directors as of 01/04/2013
(4) New member of the Company's Board of Directors and RNC as of 01/04/2013
(5) Member of the Company's 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's Board of Directors and Audit Committee as of 01/04/2013
(7) Member of the Company's Board of Directors for the entire year 2013, new member of the RNC as of 01/04/2013
(8) Member of the Company's 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's Board of Directors for the entire year 2013, new member of the Audit Committee as of 01/04/2013
(10) Member of the Company's Board of Directors for the entire year 2013, new member of the Audit Committee as of 01/04/2013
(11) Member of the Company's Board of Directors for the entire year 2013, new member of the RNC as of 01/04/2013
(12) Member of the Company's Board of Directors, Audit committee and RNC until 31/03/2013
(13) Chairman of the Company's Board of Directors until 31/03/2013
(14) Member of the Company's Board of Directors and RNC until 31/03/2013
(15) Member of the Company's Board of Directors and Audit Committee until 31/03/2013

The table below gives an overview of the interests of the current Executive Board Director under the various **long term incentive plans** of the Group:

Stock option plans

Number of options

year of plan	initially granted	as at 1 Jan 2014	granted in 2014	exercised during 2014	as at 31 Dec 2014	exercise price in Euro	expiry date
Tom Enders							
2006	67,500	50,625	-	50,625	0	25.65	Dec. 16, 2016

After a recommendation of the Remuneration and Nomination Committee and in compliance with the relevant best practice recommendations, the Board of Directors recommended the set-up of a "blind trust" to which the executives could sign up after the Group's Annual General Meeting in late May 2013. The independence of the trust protects the integrity of the signee and promises compliance with market regulations on such matters.

The Chief Executive Officer decided during an open trading period to entrust the exercise of his options granted between 2003 and until 2006 and thereby relinquished any control over the trading decisions. Under this scheme trading decisions are scheduled in advance by the trust, and are implemented by the relevant bank following a substantial time buffer (of approximately three months) without any knowledge or influence of the signatory.

Any exercise/sale of the Chief Executive Officer in 2014 was executed in the frame of the blind trust mandates with no unexercised stock options remaining at the end of 2014.

Performance units plan

Number of performance units (**):

	granted in 2009	vested in 2014
Tom Enders	46,000	21,217 units (vested in Cash) and 14,145 units (vested in Shares) * (Re-evaluation of Performance Units based on 123% performance achievement)

*46,000 of granted units increased to 56,580 in accordance with performance achievement of 123%. In line with end of 2012 implemented option of partial conversion to equity settlement (see notes 35 and 36 of Consolidated Financial Statements) 75% of those 56,580 units (42,435 units) have vested in cash at each of initial vesting dates. The remaining 25% of the 56,580 units (14,145 units) have vested and been settled in shares in November 2014 .There are no outstanding unvested units of 2009 plan.

	granted in 2010	vested in 2014
Tom Enders	54,400	27,744* (Re-evaluation of Performance Units based on 136% performance achievement)

*54,400 of granted units increased to 73,984 in accordance with performance achievement of 136%. In line with end of 2012 implemented option of partial conversion to equity settlement (see notes 35 and 36 of Consolidated Financial Statements) 75% of those 73,984 units (55,488 units) will vest in cash at each of initial vesting dates. The remaining 25% of the 73,984 units (18,496 units) will vest and be settled in shares in November 2015.

Remaining vesting schedule:

- 25% of cash settlend units: expected in May 2015
- 25% of cash- settled units, 100% of equity-settled units: expected in November 2015

End of 2012, the Chief Executive Officer opted for 75% cash settlement of all vesting performance units at each vesting date. Remaining 25% of units will be settled in shares at the last vesting date.

	granted in 2011	vesting dates
Tom Enders	51,400	Vesting schedule is made up of 4 payments over 2 years: • 25% of cash-settlend units: expected in May 2015 • 25% of cash-settled units: expected in November 2015 • 25% of cash-settled units: expected in May 2016 • 25% of cash-settled units, 100% of equity-settled units: expected in November 2016 End of 2012, the Chief Executive Office opted for 75% cash settlement of all vesting performance units at each vesting date. Remaining 25% of units will be settled in shares at the last vesting date.

	granted in 2012	vesting dates
Tom Enders	50,300	Vesting schedule is made up of 4 payments over 2 years: • 25% of cash-settled units: expected in May 2016 • 25% of cash-settled units: expected in November 2016 • 25% of cash settled units: expected in May 2017 • 25% of cash-settled units, 100% of equity-settled units: expected in November 2017 End of February 2013, the Chief Executive Officer opted for 75% cash settlement of all vesting performance units at each vesting date. Remaining 25% of units will be settled in shares at the last vesting date.

	granted in 2013	vesting dates
Tom Enders	30,300	Vesting schedule is made up of 4 payments over 2 years: • 25% of cash-settled units: expected in May 2017 • 25% of cash-settled units: expected in November 2017 • 25% of cash-settled units: expected in May 2018 • 25% of cash-settled units, 100% of equity-settled units: expected in November 2018 In February 2014, the Chief Executive Officer opted for 50% cash settlement of all vesting performance units at each vesting date. Remaining 50% of units will be settlend in shares at the last vesting date.

	granted in 2014	vesting dates
Tom Enders	29,500	Vesting schedule is made up of 2 payments over 2 years: • 50% of cash-settled units: expected in June 2018 • 50% of cash-settled units, 100% of equity-settled units: expected in June 2019 By end of February 2015, Chief Executive Officer will accordingly decide on the split for the 2014 LTIP plan.

(**) Vesting of all performance units granted to the Chief Executive Officer is subject to performance conditions

Stock option plans

To the other current members of the Executive Committee and to the Group’s senior management, the number of outstanding stock options amounted to 2,240,891 at 31 December 2014 (2013: 4,314,115).

During the year 2014, the Executive Committee members have exercised 188,128 options granted under the various stock option plans. 118,000 options were exercised by former Executive Board Directors.

Performance and Restricted unit plans

The total number of outstanding performance and restricted units amounted to 11,359,272 at 31 December 2014 (2013: 13,492,556) mostly granted to the current members of the Executive Committee and to the Group's senior management. Fair Value of outstanding LTIP balances end of 2014 for the Chief Executive Officer was €3,287,645 (2013: €4,232,328).

The **pension benefit** obligation for the Executive Committee members is as follows:

The members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of Airbus Group, payable once they reach retirement age.

These rights can gradually increase to 60% after a second term, usually after ten years of service in the Airbus Group Executive Committee. However, in order to reach this 60% replacement ratio the respective member of the Executive Committee must also have 12 years of seniority within the Group.

These pension schemes have been implemented through collective executive pension plans in France and Germany. These pension promises have also separate rules e.g. for minimum length of service and other conditions to comply with national regulations.

For the Chief Executive Officer, Tom Enders, the pension defined benefit obligation including deferred compensation amounted to € 18,584,426 as of 31 December 2014, whilst the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2014 represented an expense of €1,043,679. This amount has been accrued in the Consolidated Financial Statements. The defined benefit obligation of Tom Enders results from the Group's Executive Committee pension policy as described above and takes into account (1) the seniority of Tom Enders in the Group and its Executive Committee and (2) the significant lower public pension promise derived from the German social security pension system compared to public pensions resulting from the membership in the French public pension system.

Other benefits

The Chief Executive Officer, Tom Enders, is entitled to accident insurance coverage and a company car. In 2014 the total amount expensed was €68,415.

The company has not provided any loans to / advances to / guarantees on behalf of Directors.

For further information on the remuneration, please see Note 35 and 36 of the Consolidated Financial Statements.

12. Employees

The number of persons employed by the Company at year end 2014 was 3 (2013: 2).

13. Related party transactions

For further information on the related party transactions, please see Note 36 of the Consolidated Financial Statements.

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

Other Supplementary Information

1. Appropriation of result

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

It will be proposed at the Annual General Meeting of Shareholders that the net income of €2,343 million as shown in the income statements for the financial year 2014 is to be added to retained earnings and that a payment of a gross amount of €1,20 per share shall be made to the shareholders.

2. Subsequent events

For further information please see Note 40 of the Consolidated Financial Statements.

3. Independent auditor's report

To: The General Meeting of Shareholders of Airbus Group N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the accompanying financial statements 2014 of Airbus Group N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Airbus Group N.V. as at December 31, 2014 and its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.
- The company financial statements give a true and fair view of the financial position of Airbus Group N.V. as at December 31, 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2014:
2. the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended: and
3. the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2014;
2. the company profit and loss account for the year then ended; and
3. the notes, comprising a summary of the accounting policies and other explanatory information.

Basis for opinion

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

We are independent of Airbus Group N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA) and other relevant regulations.

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

Materiality

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

Based on our professional judgement the materiality for the consolidated financial statements as a whole was set at EUR 222 million, which is 6.9% of consolidated profit before income taxes. We consider profit before income taxes to be the most appropriate benchmark given the nature of the business. We also take into account misstatements and/or possible misstatements that are in our opinion material for qualitative reasons for users of the financial statements.

We agreed with the Board of Directors and Audit Committee to report to them individual uncorrected misstatements in excess of EUR 11 million that we identify during our audit and smaller misstatements that in our view must be reported on qualitative grounds.

Scope of our group audit

Airbus Group N.V. is at the head of a group of entities, hereafter referred to as "Airbus Group" or "Group". The financial information of this group is included in the consolidated financial statements of Airbus Group N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. A significant part of the audit is performed by other auditors within the KPMG network or by other non-KPMG audit firms. The organisation and supervision of the audit of the consolidated financial statements is a crucial part of our work.

In this context, we have determined the nature and extent of the audit procedures to be performed for the group entities, based on the significance and/or risk profile of entities or activities. On this basis, we selected the entities for which an audit of the complete set of the entity's financial statements or specific items was necessary. Our group audit mainly concentrated on significant entities. We scope entities into the group audit where they are of significant size, have significant risks to the Group associated with them or are considered significant for other reasons. This resulted in coverage of 96% of total Group revenue and 98% of total Group assets. For remaining entities, we performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement within these entities.

The audit of the Airbus Group consolidation and the financial statements is performed at the Airbus headquarters in Toulouse, France. Our involvement in the audit includes participation in risk assessment and planning discussions, setting the direction of the group audit work (including instructions to the divisional and entity auditors), review and discussion of the planned audit approach, obtaining an understanding of the financial reporting process, performing procedures on the Group consolidation, participating in the evaluation of key accounting topics, reviewing the financial statements and participating in meetings with Group and divisional management.

The audit of the three Airbus Group divisions (Airbus, Airbus Defence & Space and Airbus Helicopters) is performed jointly by KPMG network firms and other non-KPMG audit firms. Meetings were held with the divisional auditors to discuss the findings reported to the group audit team, as well as file reviews.

By performing the procedures above, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide an opinion on the consolidated financial statements.

Key Audit Matters

In the key audit matters we describe matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. We have communicated the key audit matters with the Board of Directors and Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

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

Accounting for construction contracts, including revenue recognition and loss provisions

Refer to the disclosure on "Management judgment and use of accounting estimates", note 6 (Revenues and Gross Margin) and note 25 (Provisions) of the financial statements.

The risk

The amount of revenue and profit recognised in a year is dependent on the assessment of the stage of completion of construction contracts as well as estimated total revenue and estimated total cost. Significant estimates are made to assess the stage of completion based on milestones, estimated revenue and costs for the key programmes such as A400M and A350 (contracts with launch customers only). Depending on these assessments, the stage of completion is determined, revenue is recognised and loss accruals are recorded when the contract margin is negative. Provisions for contract losses relate mainly to the A400M and A350 launch customers and are recorded when it becomes probable that estimated total contract costs will exceed estimated total contract revenues. Updates to these provisions can have a significant impact on the Group's result and financial position. The determination of these provisions is based on best available estimates and require significant judgement and estimates associated with the technical development achievement and certification schedules, production plan (including assumptions on ramp up), performance guarantees as well as expected outcome from ongoing negotiations.

Significant estimates include total contract costs, total contract revenues and contract risks (from both the cost and revenue perspective), which therefore require significant management judgement. Due to the inherent uncertainty involved in forecasting future costs and interpreting contractual and commercial positions this is a key judgemental area for our audit.

Our response

We evaluated the design and tested the effectiveness of internal controls for accounting for construction contracts. We also performed detailed procedures on individually significant programs, including discussions with the individual Head of Programme, and evaluated management's assumptions in the determination of amongst others the stage of completion of a project, estimates to complete for both revenue and costs, and any provisions for loss making contracts. We focus on management's assessment of key contract risks and opportunities to determine whether these are appropriately reflected in the cost to complete forecasts. We paid specific attention for example to technical development, delivery plan and certification schedules. We challenged management's assumptions by discussing and reviewing correspondence with customers, considering the accuracy and consistency of similar estimates made in previous years and obtaining the latest contractual information. Particular attention was paid to the increase in the loss provision for the A400M programme in light of the delays incurred, critical phase of the programme and associated risks, challenges regarding military functionality and industrial ramp-up, and the SOC 1.0 technical milestone which fell due end of October 2013 and remains to be achieved.

Valuation of inventories for non-construction contracts and completeness of provisions for contract losses and customer service obligations

Refer to the disclosure on "Management judgment and use of accounting estimates" and notes 18 (Inventories), and 25 (Provisions) of the financial statements.

The risk

Inventories amount to EUR 25 billion including work in progress of EUR 17 billion. Key programmes in light of the risks mentioned below are the A380 and the A350 contracts with non-launch customers. Estimates of total contract costs and selling price per aircraft are required to determine if a net realisable value impairment or provision for contract loss is required. In addition to the risk of contract cancellations, significant costs or loss of revenue may be incurred in connection with remedial action required to correct any performance issues detected. Due to the inherent uncertainty involved in forecasting future costs and interpreting contractual and commercial positions in determining impairments and provisions, this is a key audit area.

Our response

We evaluated the design and tested the effectiveness of internal controls for identifying and recording impairments and provisions and performed detailed procedures including discussions with the Head of Programmes. We evaluated management's assumptions in the determination of the forecast revenue to be received, costs to be incurred (including any contractual penalties) and gross margin. Our evaluation was based on our assessment of the historical accuracy of the Group's estimates in previous periods and included an analysis of contingencies and impact of known technical issues on cost forecasts and provisions. We also discussed the commercial status of the A380 programme with management including the ongoing commitment of Airbus to the A380 programme..

Litigation and compliance with laws and regulations

Refer to the disclosure on "Management judgment and use of accounting estimates" and note 32 (Litigation and claims) of the financial statements.

The risk

Litigation and claims involve amounts that are potentially significant and the estimate of the amount to be provided as a liability, if any, is inherently subjective. The outcome of these matters may have a material effect on the Group's result and financial position. A part of the Group's business is characterised by competition for individual significant contracts with customers which are often directly or indirectly associated with governments. The process associated with these activities is susceptible to the risk of non-compliance with laws and regulations. In addition the Group operates in a number of territories where the use of commercial intermediaries is normal practice. Subsidiaries of Airbus Group N.V. are currently under investigation by various law enforcement agencies (e.g. GPT and Eurofighter), including investigations started by the German and Romanian authorities mid-October 2014 relating to the border-surveillance project in Romania and two other projects in China and Saudi Arabia.

Our response

Our audit procedures included, among others, assessment of documents with the Group's general counsel and the group/divisional compliance officers on all significant legal cases. In addition we obtained confirmation letters from the Group's legal counsel and external lawyers for all significant litigation. We used our own forensic specialists to assess risks and perform procedures to identify actual and potential non-compliance with laws and regulations relevant to the Group's business, analysed correspondence with enforcement agencies, and monitored external sources of information. With respect to cases regarding alleged non-compliance with laws and regulations, we assessed the adequacy of management's response (including investigations and corrective actions). We tested payments made to intermediaries during the year, made enquiries of appropriate personnel and evaluated the tone set by the Board and the Group's approach in managing these compliance risks. We also assessed whether the Group's disclosures detailing significant legal proceedings and suspected breach in laws and regulations adequately disclose the contingent liabilities of the Group within note 32.

Goodwill impairment

Refer to the disclosure on "Management judgment and use of accounting estimates" and note 13 (Intangible assets) of the financial statements.

The risk

Goodwill amounts to EUR 10 billion and represents 10% of the balance sheet total and 141% of total equity. There is a risk of irrecoverability of the Group's significant goodwill balance due to weak demand in certain markets and to the nature of the cost base in the aerospace and defence industry. The Company used assumptions such as growth rates, weighted average cost of capital and underlying foreign exchange rates. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas that our audit is concentrated on. These judgements are described in Note 13 to the financial statements.

Our response

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

Derivative financial instruments

Refer to note 34 (Information about financial instruments) of the financial statements.

The risk
Airbus Group inherently operates in a business environment that is exposed to currency and interest rate volatility. A significant portion of the Group's revenue is denominated in US dollars, while a major part of its costs is incurred in Euro and, to a lesser extent, in pounds Sterling. In response to these risks the Group uses financial instruments (mainly currency forwards) to mitigate the exposure to changes in market rates.

The magnitude of the Group's hedge portfolio and potential significant changes in the exchange rate of the US dollar versus the Euro, could have a negative effect on its result of operations and financial condition. In addition, there is a high inherent risk of error in the group financial statements, both in the valuation of the financial instruments and in the presentation and disclosure in the financial statements.

Our response
For the audit of financial instruments we used specialists that tested the controls around the Group's central treasury system, independently calculated the valuation of the treasury portfolio and tested the application of hedge accounting rules and the resulting accounting treatment. We also obtained counterparty confirmation of the outstanding financial instruments to verify the existence and ownership. Finally, we evaluated whether appropriate disclosures relating to financial instruments were made in the financial statements.

Responsibilities of the Board of Directors for the financial statements

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

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

Our responsibilities for the audit of the financial statements

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

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

For a further description of our responsibilities in respect of an audit of financial statements in general, we refer to the website of the professional body for accountants in the Netherlands (NBA). www.nba.nl/standardtexts-auditorsreport.

Report on other legal and regulatory requirements

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

Pursuant to the legal requirement under Part 9 of Book 2 of the Netherlands Civil Code:

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

Appointment

We were appointed before 2008 as auditor of Airbus Group N.V. and have operated as auditor since then. We were re-appointed by the Annual General Meeting of Shareholders as auditor of Airbus Group N.V. on 27 May 2014, for the year 2014.

Amstelveen, 28 February 2015
KPMG Accountants N.V.
R.J. Aalberts RA

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.airbus-group.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 four percent, driven by continuing strong momentum in space systems and good order flow in light and medium military aircraft.

The Group's revenues increased five percent 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).

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 authorize 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

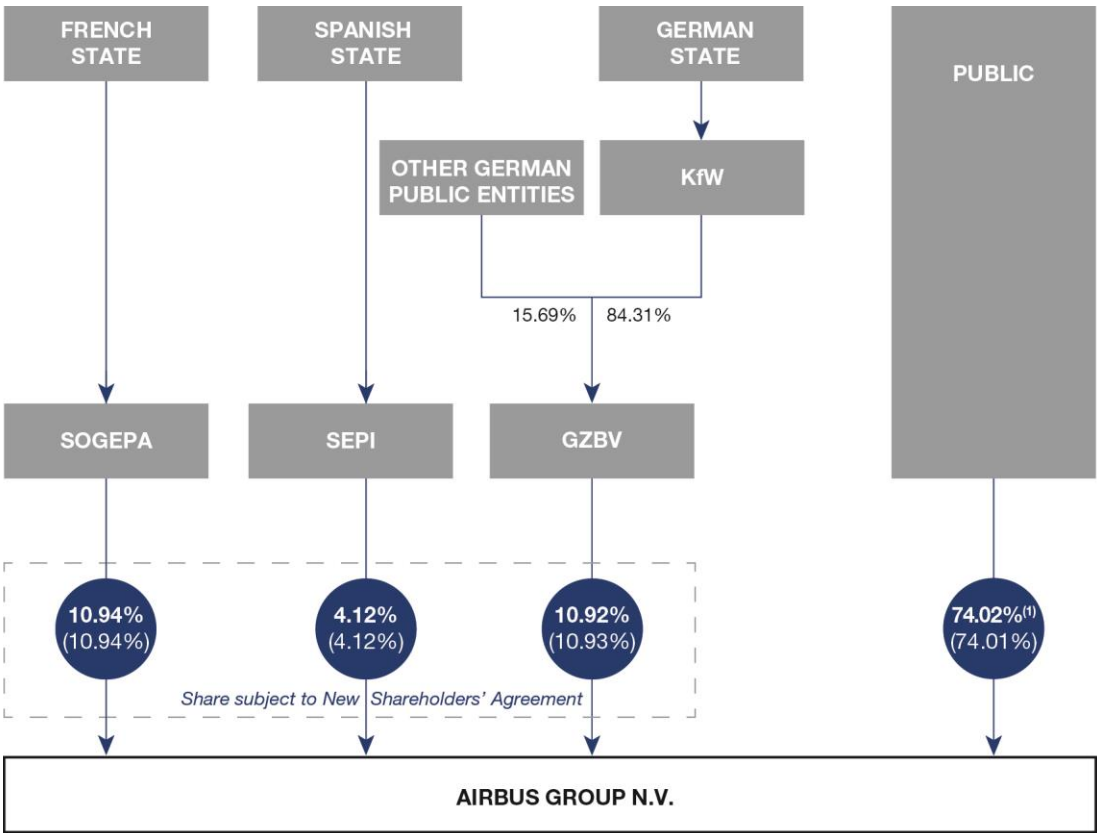
On 16 January 2014, the French State announced it sold through Sogepa around 8,000,000 Company shares (approximately 1% of the outstanding Company shares) in line with a bilateral agreement between the French and German States which provides that the German State shall increase its voting rights in the 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 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 summarized 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.

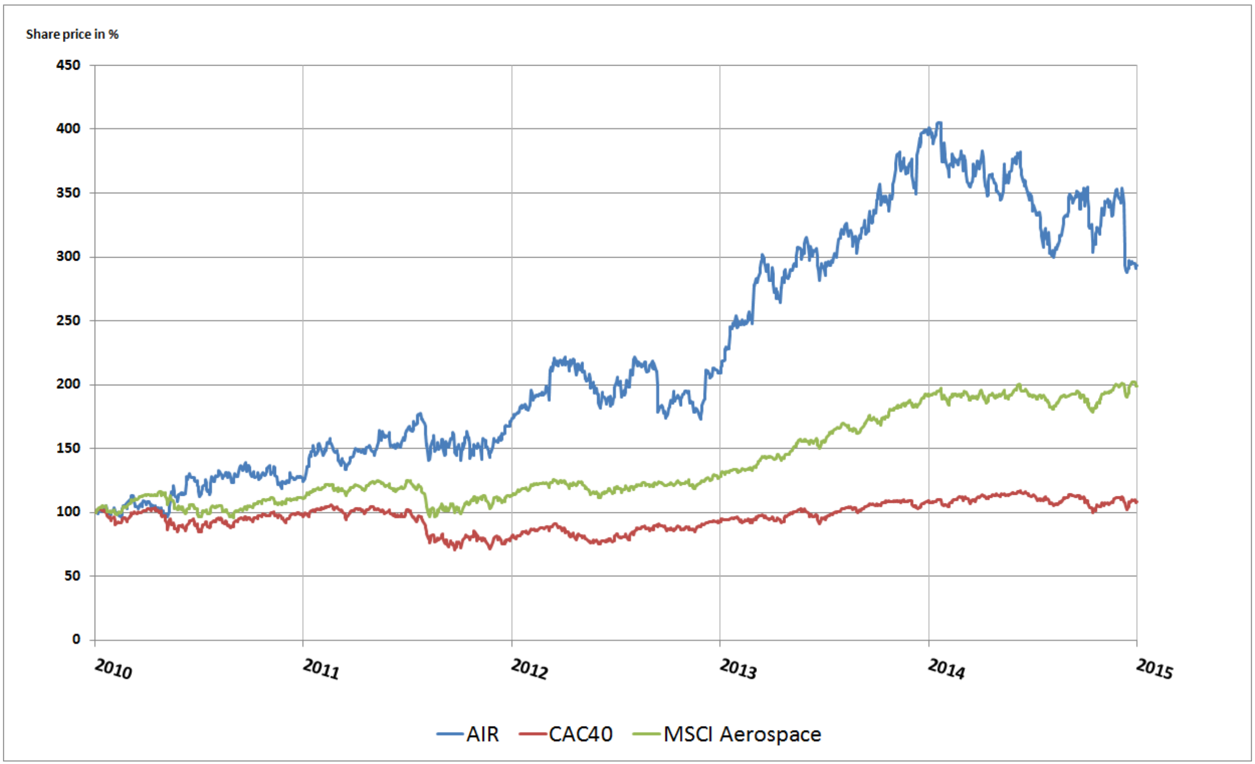
Under ESOP and LTIP, the Board of Directors shall have the discretionary authority to offer shares and grant performance and/or restricted units to employees who, in the sole judgment of the Board of Directors, are eligible thereto and to subject such grant, as the case may be, to performance conditions; 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 CAC40, 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 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 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.airbus-group.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 A350XWB, A400M, A380, and Super Puma. During two off-site Board meetings, one in Marignane at Airbus Helicopters, and the other in Toulouse at Airbus, the Board seized 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 A350XWB 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 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.airbus-group.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.airbus-group.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", 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 4.3.3, 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

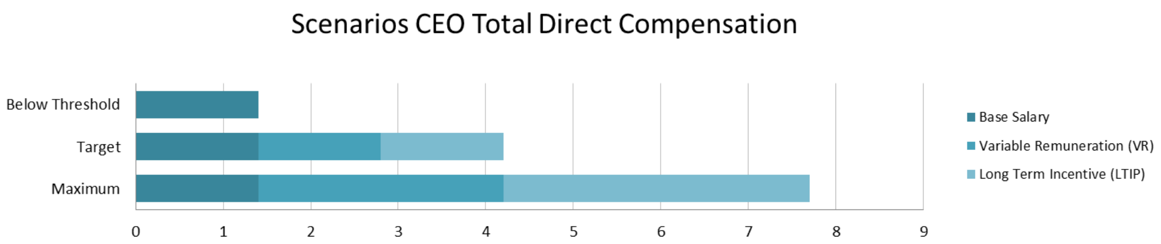
The Total Direct Compensation for the CEO, comprises a Base Salary, an Annual Variable remuneration (“**VR**”) and a Long-Term Incentive Plan (“**LTIP**”). The three elements of the Total Direct Compensation are each intended to comprise 1/3 of the total, assuming the achievement of performance conditions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



Indications are in million euro.
"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

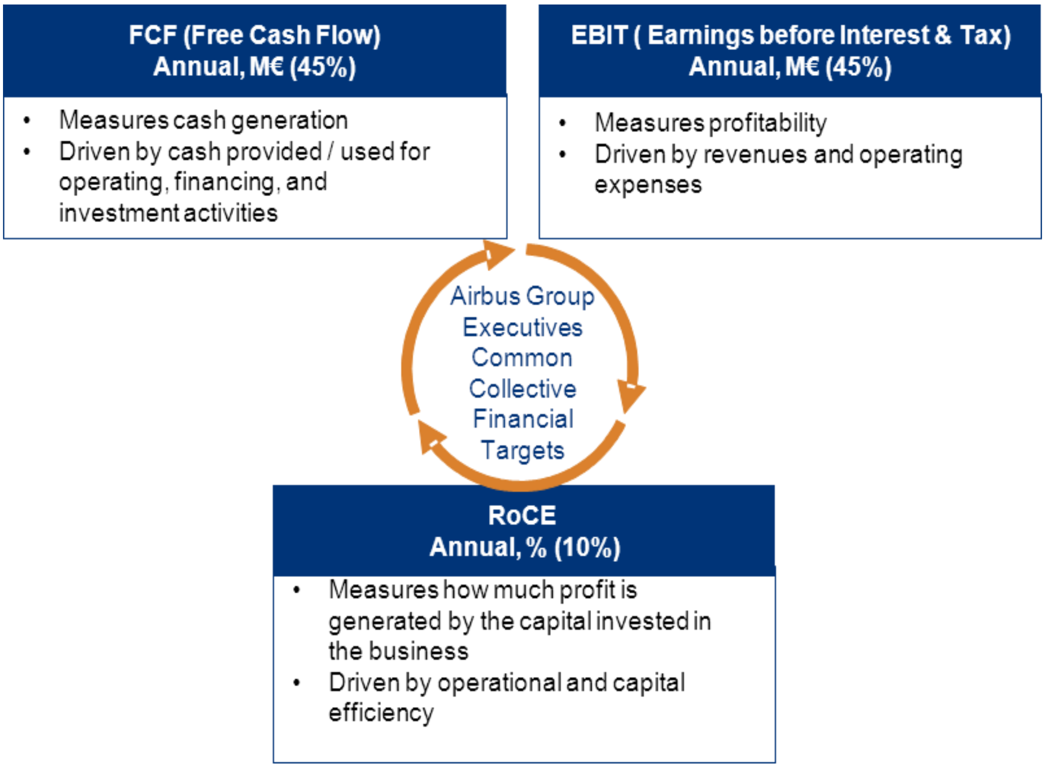
The VR is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of VR for the CEO is targeted at 100% of Base Salary; it is capped at a maximum level of 200% of Base Salary. The entire VR is at-risk, and therefore if performance 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 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

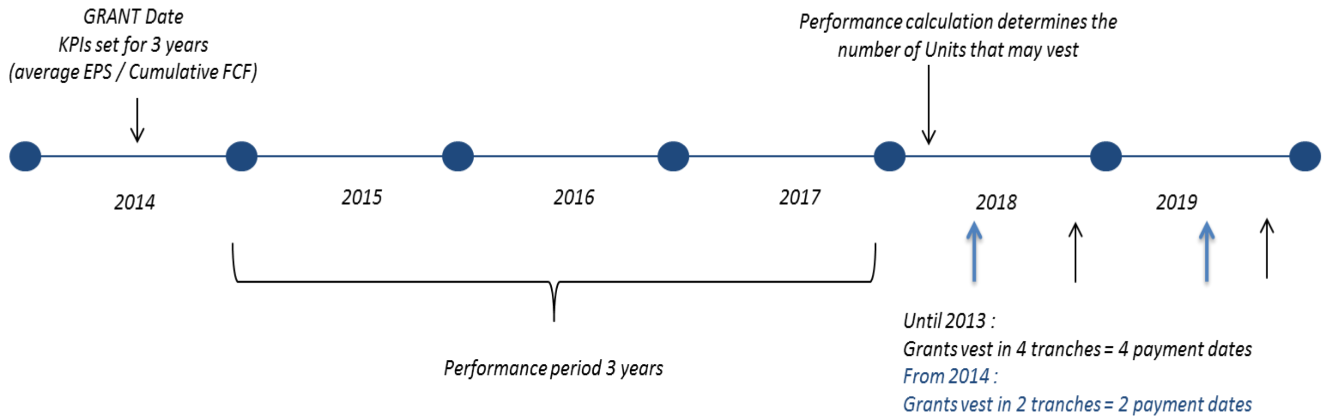
For the CEO, the Company's current LTIP is comprised only of Performance Units. One Unit is equal in value to one Airbus Group share.

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:

<u>Fixed fee for membership of the Board EUR / year</u>

Chairman of the board: 180,000

Member of the board: 80,000

<u>Fixed fee for membership of a Committee EUR / year</u>

Chairman of a Committee: 30,000

Member of a Committee: 20,000

<u>Attendance fees EUR / Board meeting</u>

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 capitalization. Financial institutions were excluded from the peer group.

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.

[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.

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

RoCE bore a limited influence.

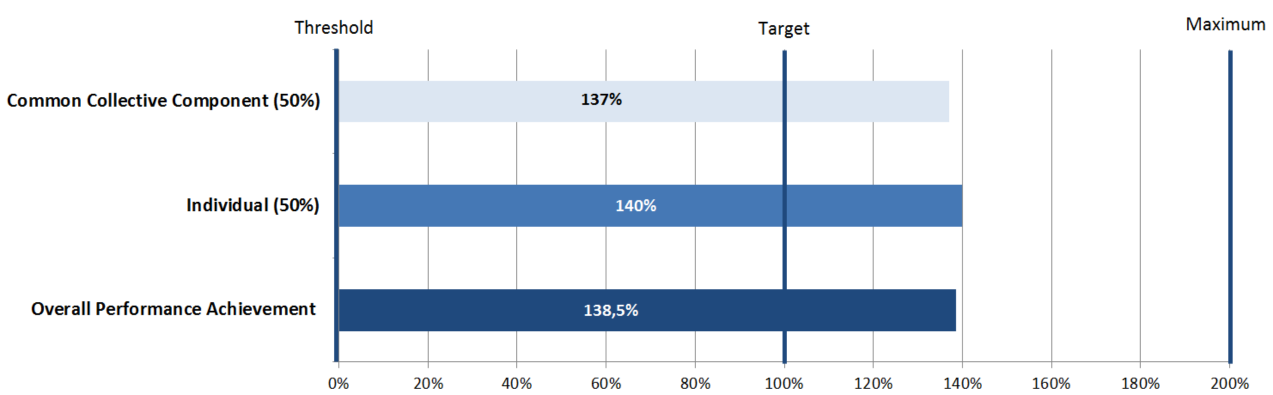
Normalisation adjustments of EBIT and Free Cash Flow were made to exclude currency exchange differences against the budget rate, or those arising from phasing mismatches. Importantly, the windfall results of the Dassault shares sale were excluded from EBIT and Free Cash Flow to determine the achievement 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 (November 19th 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 - 28th May 2014: 50,37 EUR 4th vesting - 19th November 2014: 46,72 EUR
2010	54,400	18.40 €	1,000,960 €	Conditional	136%	73,984	4 vestings in 2014 - 2015	1st vesting - 16th May 2014: 50,24 EUR 2nd vesting - 19th November 2014: 46,72 EUR
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 IAS11 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):

Current Non Executive Board Members (*)	**Directors' remuneration related to 2014 (*)**			**Directors' remuneration related to 2013 (*)**		
	Fixum (in €)	**Attendance Fees (in €)**	**Total (in €)**	**Fixum (in €)**	**Attendance Fees (in €)**	**Total (in €)**
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 2.0 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

CEO Tom Enders described the importance of the Company's dedication towards Ethics & 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 & 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 & Compliance commitments, rolled out group-wide to each individual employee in 2013 by his/her manager.

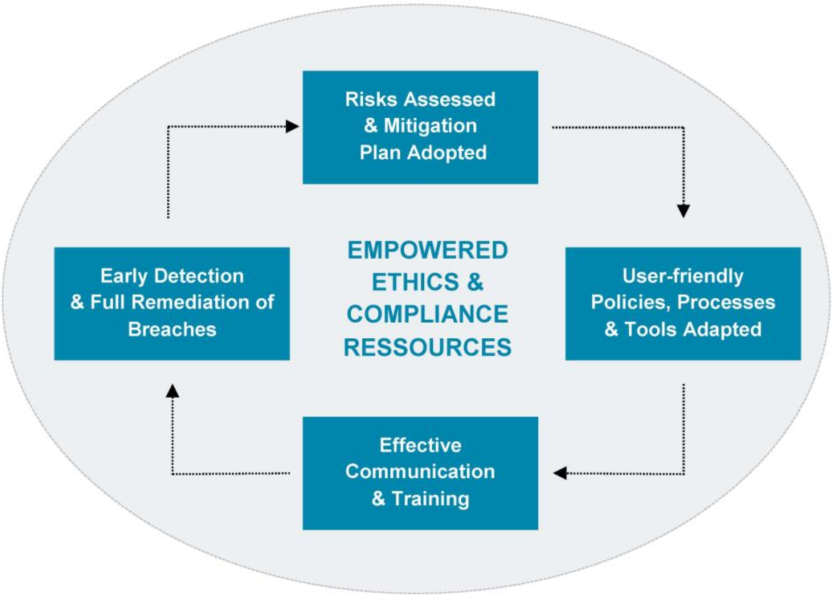
The Group's Ethics & Compliance Officer ("**ECO**"), who is appointed by the Board of Directors, reports both to the Group's Chief Executive Officer and the Audit Committee of the Company's Board of Directors, while the Divisions' E&C Officers report both to their Division CEO and the Group ECO. Each 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 us 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 seize 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 seize 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.airbus-group.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 November 1, 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 finalizing 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 organization; 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 programs 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 *)**
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

*) Previous year's figures are adjusted due to the application of IFRS10 and IFRS11.

5.1.2 Revenues

Group revenues increased five percent to a record € 60.7 billion (FY 2013 adjusted: € 57.6 billion). Commercial Aircraft revenues rose seven percent, 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 four percent, 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 eight A400M deliveries in total to four nations and six 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, the Airbus combination and the formation of MBDA, 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 *)	**3,991**	**2,570**
Disposal and impairment of goodwill	6	15
Exceptional depreciation and disposal	43	39
EBIT pre goodwill impairment and exceptionals *)	**4,040**	**2,624**

*) Previous year's figures are adjusted due to the application of IFRS10 and IFRS11.

Reported EBIT* increased 54 percent 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 eight percent 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 percent (FY 2013 adjusted: 6.1 percent).

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		
(Amounts in millions of Euro)	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's figures are adjusted due to the application of IFRS10 and IFRS11. 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 €	December 31 2014	December 31 2013 *)	Change
Intangible Assets	12,758	12,500	258
Property, Plant and Equipment	16,388	15,654	734
Investments in associates 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 equity and liabilities	**96,102**	**90,274**	**5,828**

*) Previous year’s figures are adjusted due to application of IFRS10 and IFRS11.

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. Capitalization of development costs for the A350 XWB programme started in the second quarter 2012. In 2014, an amount of € 58 million has been capitalized 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 M €). 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 USD 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 & 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 December 31, 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 a backlog 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 four percent, 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 (Amounts in millions of Euro)	**Order Intake(2)**			**Order Book(2)**		
	FY 2014	**FY 2013 (1)**	**Change**	**31st Dec 2014**	**31st Dec FY 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's figures are adjusted due to the application of IFRS10 and IFRS11. 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 €)	**2014**	**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's figures adjusted due to the application of IFRS10 and IFRS11.

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's figures adjusted due to the application of IFRS10 and IFRS11.

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, 5211 employees worldwide (thereof 2243 in the core-division perimeter, i.e. Airbus, Airbus Defence and Space, Airbus Helicopters and Airbus Group Corporate Functions), were welcomed into the Group (8823 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 expertize (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 ORGANIZATION PRINCIPLES SUPPORTING AN ECO-EFFICIENCY STRATEGY

Airbus Group is acting to improve eco-efficiency. This materializes into concrete progress across the Divisions and their industrial facilities, and maximizes the added value whist minimizing 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 organization.

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

Acting as the backbone of this organization, the Environment Network gathers skills and expertise from across the Group to address all environmental topics. It organizes 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 organizes 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 harmonizing 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 CO2 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.

ISO14001 as a basis for environmental management at Airbus Group

Airbus Group encourages the development and the maintenance of a robust ISO14001 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 ISO14001 certification still in place today, Airbus has demonstrated its ability to continually improve its environmental performance. Airbus Helicopters has also achieved ISO14001 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 ISO14001 certified.

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

Environment as a recognized 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 customized proficiency requirements based on the position of employees within the organization.

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 maximized 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, revolutionizes 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 programs 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 program 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, industrialization, 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 communalize 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 harmonizing 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 standardized 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 optimizing 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 program, which supports the implementation of reduction projects for energy, CO2, water, waste, and VOC. The results are: -35 % in energy use, -40.3% in CO2 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, CO2 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 percent less 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 commercialization 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 specialized 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 program) 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**") organization 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 Program 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 programs 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 D&S). 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 D&S). 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 program 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 program'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 program has commenced as part of this program, 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 program 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 & 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 & 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 “digitalization”, 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 digitalization trend spreads in all industries with the combined effects of increased penetration of broadband connectivity, human-to-machine and machine-to-machine communication, miniaturization 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 Eurofighters, 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 program 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 Q4 2015;
- Validate design and advance industrial process for A330neo;
- Secure a smooth industrial transition between A330ceo and neo versions;
- Deliver extended range A330 242t 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.airbus-group.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