FINANCIAL STATEMENTS 2012

EADS N.V.

FINANCIAL STATEMENTS
2012

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EADS N.V. — Consolidated Financial Statements (IFRS)

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EADS N.V. — Consolidated Income Statements (IFRS) for the years ended 31 December 2012, 2011 and 2010

(in € million)	Note	2012	2011	2010
Revenues	5, 6	**56,480**	**49,128**	**45,752**
Cost of sales	7	(48,545)	(42,285)	(39,528)
Gross margin		**7,935**	**6,843**	**6,224**
Selling expenses		(1,192)	(981)	(1,024)
Administrative expenses		(1,672)	(1,427)	(1,288)
Research and development expenses	8	(3,142)	(3,152)	(2,939)
Other income	9	184	359	171
Other expenses	10	(229)	(221)	(102)
Share of profit from associates accounted for under the equity method	11	241	164	127
Other income from investments	11	6	28	18
Profit before finance costs and income taxes	5	**2,131**	**1,613**	**1,187**
Interest income		237	377	316
Interest expense		(522)	(364)	(415)
Other financial result		(168)	(233)	(272)
Total finance costs	12	(453)	(220)	(371)
Income taxes	13	(449)	(356)	(244)
Profit for the period		**1,229**	**1,037**	**572**
Attributable to:				
Equity owners of the parent **(Net income)**		1,228	1,033	553
Non-controlling interests		1	4	19

Earnings per share		€	€	€
Basic	38	1.50	1.27	0.68
Diluted	38	1.50	1.27	0.68

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

EADS N.V. — Consolidated Statements of Comprehensive Income (IFRS) for the years ended 31 December 2012, 2011 and 2010

(in € million)	2012	2011	2010
Profit for the period	**1,229**	**1,037**	**572**
Currency translation adjustments for foreign operations	(46)	(25)	119
Effective portion of changes in fair value of cash flow hedges	1,047	(365)	(2,983)
Net change in fair value of cash flow hedges transferred to profit or loss	917	(171)	(201)
Net change in fair value of available-for-sale financial assets	189	(20)	12
Actuarial gains (losses) on defined benefit plans	(1,031)	(747)	(127)
Changes in other comprehensive income from investments accounted for using the equity method	(211)	129	(161)
Tax on income and expense recognised directly in equity	(278)	331	1,096
Other comprehensive income, net of tax	**587**	**(868)**	**(2,245)**
Total comprehensive income of the period	**1,816**	**169**	**(1,673)**
Attributable to:			
Equity owners of the parent	1,817	163	(1,679)
Non-controlling interests	(1)	6	6

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

EADS N.V. — Consolidated Statements of Financial Position (IFRS) at 31 December 2012 and 2011

(in € million)	Note	2012	2011
Assets			
Non-current assets			
Intangible assets	14	13,422	12,786[(1)]
Property, plant and equipment	15	15,196	14,146[(1)]
Investment property	16	72	74
Investments in associates accounted for under the equity method	17	2,662	2,677
Other investments and other long-term financial assets	17	2,115	2,352[(1)]
Non-current other financial assets	20	1,386	631
Non-current other assets	21	1,415	1,253
Deferred tax assets	13	4,518	4,318[(1)]
Non-current securities	22	5,987	7,229
		46,773	**45,466**
Current assets			
Inventories	18	23,216	22,563
Trade receivables	19	6,790	6,394[(1)]
Current portion of other long-term financial assets	17	287	172
Current other financial assets	20	1,448	1,739
Current other assets	21	2,046	2,253
Current tax assets		458	339
Current securities	22	2,328	4,272
Cash and cash equivalents	31	8,756	5,284
		45,329	**43,016**
Total assets		**92,102**	**88,482**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		827	820
Share premium		7,253	7,519
Retained earnings		900	471
Accumulated other comprehensive income		1,513	153
Treasury shares		(84)	(113)
		10,409	**8,850**
Non-controlling interests		25	15[(1)]
Total equity	23	**10,434**	**8,865**
Non-current liabilities			
Non-current provisions	25	9,816	9,144[(1)]
Long-term financing liabilities	26	3,506	3,628
Non-current other financial liabilities	27	7,458	8,193
Non-current other liabilities	28	10,524	9,817[(1)]
Deferred tax liabilities	13	1,504	1,043[(1)]
Non-current deferred income	30	212	290
		33,020	**32,115**
Current liabilities			
Current provisions	25	6,045	5,856[(1)]
Short-term financing liabilities	26	1,273	1,476
Trade liabilities	29	9,917	9,630
Current other financial liabilities	27	1,715	1,687
Current other liabilities	28	28,183	27,670
Current tax liabilities		458	308
Current deferred income	30	1,057	875
		48,648	**47,502**
Total liabilities		**81,668**	**79,617**
Total equity and liabilities		**92,102**	**88,482**

(1) Please refer to Note 4 "Acquisitions and disposals". Comparative information is adjusted retrospectively in accordance with IFRS 3.45. Main changes comprise: Intangible assets by €+41 million, property, plant and equipment by €-13 million, other investments and long-term financial assets by €-26 million, non-controlling interests by €-5 million and non-current provisions by €+19 million.

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

EADS N.V. — Consolidated Statements of Cash Flows (IFRS) for the years ended 31 December 2012, 2011 and 2010

(in € million)	Note	2012	2011	2010
Profit for the period attributable to equity owners of the parent (Net income)		**1,228**	**1,033**	**553**
Profit for the period attributable to non-controlling interests		1	4	19
Adjustments to reconcile profit for the period to cash provided by operating activities:				
Interest income		(237)	(377)	(316)
Interest expense		522	364	415
Interest received		198	417	332
Interest paid		(351)	(307)	(278)
Income tax expense		449	356	244
Income taxes paid		(219)	(100)	(140)
Depreciation and amortisation		2,053	1,884	1,582
Valuation adjustments		318	(408)	(366)
Results on disposals of non-current assets		(21)	(29)	(75)
Results of companies accounted for by the equity method		(241)	(164)	(127)
Change in current and non-current provisions		216	230	(219)
Change in other operating assets and liabilities:		**(76)**	**1,386**	**2,819**
• Inventories		(1,526)	(1,640)	705
• Trade receivables		(260)	447	(345)
• Trade liabilities		754	806	(40)
• Advance payments received		1,243	1,965	1,698
• Other assets and liabilities		(141)	(327)	738
• Customer financing assets		30	246	169
• Customer financing liabilities		(176)	(111)	(106)
Cash provided by operating activities		**3,840**	**4,289**	**4,443**
Investments:				
• Purchases of intangible assets, Property, plant and equipment		(3,270)	(2,197)	(2,250)
• Proceeds from disposals of intangible assets, Property, plant and equipment		73	79	45
• Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	31	(201)	(1,535)	(38)
• Proceeds from disposals of subsidiaries (net of cash)	31	0	18	12
• Payments for investments in associates, other investments and other long-term financial assets		(328)	(312)	(190)
• Proceeds from disposals of associates, other investments and other long-term financial assets		232	77	91
• Dividends paid by companies valued at equity		46	50	41
Payments for investments in securities		(3,237)	(11,091)	(10,751)
Proceeds from disposals of securities		6,659	10,713	7,604
Cash (used for) investing activities		**(26)**	**(4,198)**	**(5,436)**
Increase in financing liabilities		380	813	99
Repayment of financing liabilities		(505)	(399)	(1,160)
Cash distribution to EADS N.V. shareholders		(369)	(178)	0
Dividends paid to non-controlling interests		(10)	(5)	(7)
Changes in capital and non-controlling interests		144	(65)	(48)
Change in treasury shares		(5)	(1)	(3)
Cash (used for) provided by financing activities		**(365)**	**165**	**(1,119)**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents		23	(2)	104
Net increase (decrease) in cash and cash equivalents		**3,472**	**254**	**(2,008)**
Cash and cash equivalents at beginning of period		**5,284**	**5,030**	**7,038**
Cash and cash equivalents at end of period		**8,756**	**5,284**	**5,030**

For details, see Note 31 "Consolidated Statements of Cash Flows".

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

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EADS N.V. — Consolidated Statements of Changes in Equity (IFRS) for the years ended 31 December 2012, 2011 and 2010

(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*		
				Other retained earnings	*Actuarial gains or losses*	*Available-for-sale financial assets*	*Cash flow hedges*	*Foreign currency translation adjustments*				
Balance at 31 December 2009		**816**	**7,683**	**1,248**	**(1,749)**	**561**	**828**	**1,257**	**(109)**	**10,535**	**106**	**10,641**
Profit for the period				553						553	19	572
Other comprehensive income					(32)	(177)	(2,201)	178		(2,232)	(13)	(2,245)
Total comprehensive income of the period				553	(32)	(177)	(2,201)	178		(1,679)	6	(1,673)
Capital increase	23		5							5		5
Capital decrease	23		(43)							(43)	(6)	(49)
Share-based Payment (IFRS 2)	35			23						23		23
Dividends paid to non-controlling interests										0	(7)	(7)
Equity transaction (IAS 27)				3						3	(7)	(4)
Change in non-controlling interests										0	3	3
Change in treasury shares	23								(3)	(3)		(3)
Balance at 31 December 2010		**816**	**7,645**	**1,827**	**(1,781)**	**384**	**(1,373)**	**1,435**	**(112)**	**8,841**	**95**	**8,936**
Profit for the period				1,033						1,033	4	1,037
Other comprehensive income					(579)	182	(399)	(74)		(870)	2	(868)
Total comprehensive income of the period				1,033	(579)	182	(399)	(74)		163	6	169
Capital increase	23	4	59							63		63
Share-based Payment (IFRS 2)	35			15						15		15
Cash distribution to EADS N.V. Shareholders/dividends paid to non-controlling interests			(178)							(178)	(5)	(183)
Equity transaction (IAS 27)				(17)	(28)		(1)			(46)	(79)	(125)
Change in non-controlling interests										0	3	3
Change in treasury shares	23								(8)	(8)		(8)
Cancellation of treasury shares	23		(7)						7	0		0
Balance at 31 December 2011		**820**	**7,519**	**2,858**	**(2,388)**	**566**	**(1,773)**	**1,361**	**(113)**	**8,850**	**20**	**8,870**

(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		
				Other retained earnings	Actuarial gains or losses	Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments				
Balance at 31 December 2011		**820**	**7,519**	**2,858**	**(2,388)**	**566**	**(1,773)**	**1,361**	**(113)**	**8,850**	**20**	**8,870**
Prior year adjustments[1]											(5)	(5)
Balance at 31 December 2011, adjusted		**820**	**7,519**	**2,858**	**(2,388)**	**566**	**(1,773)**	**1,361**	**(113)**	**8,850**	**15**	**8,865**
Profit for the period				1,228						1,228	1	1,229
Other comprehensive income					(770)	(3)	1,356	6		589	(2)	587
Total comprehensive income of the period				1,228	(770)	(3)	1,356	6		1,817	(1)	1,816
Capital increase	23	7	137							144		144
Share-based Payment (IFRS 2)	35			18						18		18
Cash distribution to EADS N.V. Shareholders/dividends paid to non-controlling interests			(369)							(369)	(10)	(379)
Equity transaction (IAS 27)				(46)						(46)	14	(32)
Change in non-controlling interests										0	7	7
Change in treasury shares	23								(5)	(5)		(5)
Cancellation of treasury shares	23		(34)						34	0		0
Balance at 31 December 2012		**827**	**7,253**	**4,058**	**(3,158)**	**563**	**(417)**	**1,367**	**(84)**	**10,409**	**25**	**10,434**

(1) Please refer to Note 4 “Acquisitions and disposals”. Comparative information is adjusted retrospectively in accordance with IFRS 3.45.

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

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Notes to the Consolidated Financial Statements (IFRS)

Contents

2.1 Basis of Presentation

1. The Company

The accompanying Consolidated Financial Statements present the financial position and the result of the operations of **European Aeronautic Defence and Space Company EADS N.V.** and its subsidiaries ("EADS" or 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). EADS' core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. EADS has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on 26 February 2013. They are prepared and reported in euro ("€"), and all values are rounded to the nearest million appropriately.

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2. Summary of Significant Accounting Policies

Basis of preparation — EADS' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code. The IFRS comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the IFRS Interpretations Committee ("IFRIC") or former Standing Interpretations Committee ("SIC"). The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain items such as:

(i) derivative financial instruments, which are measured at fair value;

(ii) available-for-sale financial assets, which are measured at fair value;

(iii) accumulating Money Market Funds, uncapped Structured Notes and foreign currency Funds of Hedge Funds that have been designated as financial assets at fair value through profit or loss, and are hence measured at fair value ("Fair Value Option", see Note 34 "Information about financial instruments");

(iv) assets and liabilities designated as hedged items in fair value hedges, which are either measured at fair value or at amortised cost adjusted for changes in fair value attributable to the risks that are being hedged;

(v) share based payment arrangements, which are measured using the fair-value based measure of IFRS 2; and

(vi) defined benefit obligations (or assets), which are measured according to IAS 19, and related plan assets, which are measured at fair value.

The measurement models used when historical cost does not apply are more fully described below.

In accordance with Article 402 Book 2 of the Netherlands Civil Code the Statement of Income of the **EADS 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 "Use of Accounting Estimates" of this Note 2.

New, revised or amended IFRS Standards and new Interpretations

The IFRS accounting principles applied by EADS for preparing its 2012 year-end Consolidated Financial Statements are the same as for the previous financial year except for those following the application of new or amended Standards or Interpretations respectively as detailed below.

a) Amended Standard

The application of the following amended standard is mandatory for EADS for the fiscal year starting 1 January 2012. If not otherwise stated, the following amended standard did not have a material impact on EADS's Consolidated Financial Statements as well as its basic and diluted earnings per share.

In October 2010, the IASB issued **amendments to IFRS 7** "Financial Instruments: Disclosures" as part of its comprehensive review of off balance sheet activities relating to transfers of financial assets. The objective of the amendments is to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment has to be applied prospectively. It was endorsed in November 2011.

b) New or Amended Interpretations

There are no new or amended interpretations which became effective for the financial period beginning after 31 December 2011.

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 2012 and have not been applied in preparing these Consolidated Financial Statements. The potential impacts from the application of those newly issued standards, amendments and interpretations are currently under investigation. In general and if not otherwise stated, these new, revised or amended IFRS and their interpretations are not expected to have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

In December 2010, the IASB issued **amendments to IAS 12** "Income Taxes" providing practical guidance for the measurement for deferred tax relating to an asset by introducing the presumption that recovery of the carrying amount of an asset will normally be through sale. Respective amendments supersede SIC 21 "Income Taxes – Recovery of Revalued Non Depreciable Assets". The amendments were endorsed in December 2012 and are applicable for annual periods beginning 1 January 2013.

In November 2009, the IASB issued **IFRS 9** "Financial Instruments" (not yet endorsed) as the first step of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". Amongst other changes to the accounting for financial instruments, IFRS 9 replaces the multiple classification and measurement models for financial assets and liabilities in IAS 39 with a simplified model that is based on only two classification categories: amortised cost and fair value. Further, the classification of financial assets under IFRS 9 is driven by the entity's business model for managing its financial assets and the contractual cash flow characteristics of these financial assets. However, in response to feedback received from interested parties, the IASB reconsidered the IFRS 9 classification model and issued in November 2012 an Exposure Draft which proposes limited amendments to IFRS 9 to introduce, amongst others, a fair value through other comprehensive income (OCI) measurement category as a third classification category for particular financial assets that are held within a business model in which assets are managed both for collecting contractual cash flows and for sale. In the next phases of the IAS 39 replacement project, the IASB will cover the current impairment methodology and the requirements for hedge accounting. IFRS 9 has to be applied starting 1 January 2015, with early adoption permitted, and offers various transition models. In light of the changes to come, EADS continues to assess the potential impacts from the expected application of IFRS 9.

In May 2011, the IASB published its improvements to the accounting and disclosure requirements for consolidation, off balance sheet activities and joint arrangements by issuing **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 **IAS 28** "Investments in Associates and Joint Ventures". IFRS 10 supersedes the requirements related to Consolidated Financial Statements in IAS 27 "Consolidated and Separate Financial Statements" (amended 2008) as well as SIC 12 "Consolidation – Special Purpose Entities". IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" (amended 2008) and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 12 replaces disclosure requirements in IAS 27, IAS 28 and IAS 31. All of the new or amended standards mentioned above have been endorsed in December 2012. IFRS 10 is based on existing principles and re-confirms control as the single determining factor in whether an entity should be in the scope of the Consolidated Financial Statements: An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides additional guidance to determine control in cases difficult to assess such as in situations where an investor holds less than a majority of voting rights, but has the practical ability to direct the relevant activities of the investee unilaterally by other means as well as in cases of agency relationships which were neither addressed by IAS 27 nor by SIC 12.

IFRS 11 provides guidance for the accounting of joint arrangements by focusing on the rights and obligations arising from the arrangement. The standard distinguishes between two types of joint arrangements: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (*i.e.* joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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. 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. A joint venturer is required to recognize an investment and to account for this investment using the equity method. The proportionate consolidation method may no longer be used for joint ventures.

IFRS 12 provides 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. The standard requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS preparers in the EU have to apply IFRS 10 to 12 and amendments to IAS 27 and IAS 28 for financial periods beginning on or after 1 January 2014 with early application allowed. The abandonment of the proportional consolidation method for joint ventures might have a significant impact on EADS Consolidated Financial Statements as EADS has opted to apply this method for the consolidation of its joint ventures. For information about principle joint ventures accounted for under the proportionate consolidation method, please refer to Note 37 "Interest in Joint Ventures". The impact from the application of IFRS 10, especially for the consolidation of structured entities, is currently under assessment. The **Transition Guidance (Amendments for IFRS 10, IFRS 11 and IFRS 12)** was issued in June 2012 (but not yet endorsed) and provides transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the number of periods for which adjusted comparative information is to be disclosed.

In May 2011, the IASB issued **IFRS 13** "Fair Value Measurement". IFRS 13 was endorsed in December 2012 and defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

With the issuance of IFRS 13 the requirements for measuring fair value and for disclosing information about fair values are comprehensively summarised in a single standard instead of having them spread over several standards not articulating a clear measurement or disclosure objective. IFRS 13 seeks to reduce complexity and improve consistency in the application of fair value measurement principles by having a single set of requirements for all fair value measurements; to communicate the measurement objective more clearly by clarifying the definition of fair value; and to improve transparency by enhancing disclosures about fair value measurements. The new standard defines fair value as an exit price, *i.e.* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. It further introduces a three level fair value hierarchy regarding the inputs used for fair value determination. IFRS 13 is to be applied prospectively and is mandatory from 1 January 2013 onwards.

In June 2011, the IASB issued an amended version of **IAS 19** "Employee Benefits" (endorsed June 2012). The amendment eliminates both the option of deferred recognition of actuarial gains and losses (known as the "corridor method") and the option of immediately recognising them in profit or loss, to improve comparability of financial statements. Under the amendment, full recognition of actuarial gains and losses directly in equity will become mandatory. EADS already applies this method of accounting for actuarial gains and losses. In addition, the amended IAS 19 replaces the expected return on plan assets and interest costs on the defined benefit obligation with a single net interest component and requires full recognition of past service cost in the period of the related plan amendment. The amended standard also changes the requirements for termination benefits and includes enhanced presentation and disclosure requirements. For EADS, the standard becomes applicable for annual periods beginning on 1 January 2013. It generally requires retrospective application.

The introduction of a single net interest component, *i.e.* the interest expense (income) resulting from multiplying the net defined benefit liability (asset) by the discount rate used to determine the defined benefit obligation ("DBO"), will impact EADS Consolidated Financial Statements as there will be no longer different rates applicable for plan assets and DBOs. In addition, retrospectively applying the requirement to recognise past service cost fully in the period of the plan amendment requires recognition of unamortised past service cost at the date of transition. Finally, the amended guidance on termination benefits will henceforth require EADS to recognise the additional compensation payable under certain German early retirement programmes ('Altersteilzeitregelung') rateably over the active service period of such programmes (as opposed to recognising the additional compensation at its present value at programme inception).

Retrospective application of the net interest approach would have reduced EADS' 2012 Consolidated Profit before finance cost and income taxes by approximately €43 million (and correspondingly increased the actuarial gains or losses recorded directly in equity). Consolidated Profit before finance cost and income taxes in 2013 may be reasonably expected to be affected in a similar manner.

Regarding past service costs, the initial application of the revised standard in 2013 will not have a significant effect on EADS Consolidated Net income. The retrospective adjustments in the opening balance sheet as of 1 January 2011 will result in an increase of pension liabilities of €45 million and a decrease of retained earnings of €29 million.

Regarding German early retirement programmes, the initial application of the revised standard in 2013 will not have a significant effect on EADS Consolidated Net income. The retrospective adjustments in the opening balance sheet as of 1 January 2011 will result in a decrease of provisions of €26 million and an increase of retained earnings of €18 million.

In June 2011, the IASB also issued amendments to **IAS 1** "Presentation of Financial Statements". The amendments will improve and align the presentation of other comprehensive income ("OCI") by requiring to group together items within OCI that might be reclassified to the income statement. The amended standard becomes effective for financial periods beginning on or after 1 July 2012. The amendments were endorsed in June 2012.

In December 2011, the IASB issued **amendments to IAS 32** "Financial Instruments: Presentation" clarifying the IASB's requirements for offsetting financial instruments. As part of the same offsetting project the IASB also issued respective **amendments to IFRS 7** "Financial Instruments: Disclosures". Both amendments were endorsed in December 2012 and will have to be applied retrospectively for annual periods beginning on 1 January 2014 respectively on 1 January 2013.

In May 2012 the IASB issued various amendments to IFRS Standards within the **Annual Improvements 2009-2011** Cycle (not yet endorsed). The amendments refer to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. The amendments are mandatory for annual periods beginning on or after 1 January 2013 and must be applied retrospectively.

Further, EADS' accounting policies are not expected to be affected by various other pronouncements issued by the IASB during the last months.

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 Consolidated Financial Statements include the subsidiaries of EADS. Subsidiaries are all entities controlled by the Group, *i.e.* over which it has the power to govern financial and operating policies. An entity is presumed to be controlled by EADS when EADS owns more than 50% of the voting power of the entity which is generally accompanied with a respective shareholding. Potential voting rights currently exercisable or convertible are also considered when assessing control over an entity.

Special purpose entities ("SPEs") are consolidated as any subsidiary, when the relationship between the Group and the SPE indicates that the SPE is in substance controlled by the Group. SPEs are entities which are created to accomplish a narrow and well-defined objective. Subsidiaries are fully consolidated from the date control has been transferred to EADS and de-consolidated from the date control ceases.

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 EADS.

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 bargain purchase in the Consolidated Income Statement, the identification and measurement of the identifiable assets and liabilities is reassessed including also the non-controlling interest, if any, the consideration transferred as well as EADS' previously held equity interest in the acquiree in case of a business combination achieved in stages.

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised separately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that EADS 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.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

Acquisitions and disposals of non-controlling interests are accounted for as transactions with owners in their capacity as equity owners of EADS and therefore no goodwill or gain / loss is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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 – at EADS on segment level or one level below – that are expected to benefit from the synergies arising from the business combination.

EADS subsidiaries prepare their financial statements at the same reporting date as EADS Consolidated Financial Statements and apply the same accounting policies for similar transactions.

For investments EADS jointly controls ("joint ventures") with one or more other parties ("venturers"), EADS recognises its interest by using the proportionate method of consolidation. Joint control is contractually established and requires unanimous decisions regarding the financial and operating strategy of an entity.

Investments in which EADS has significant influence ("investments in associates") are accounted for using the equity method and are initially recognised at cost. Significant influence in an entity is presumed to exist when EADS owns 20% to 50% of the entity's voting rights. The investments in associates include goodwill as recognised at the acquisition date net of any accumulated impairment loss. EADS' share of the recognised income and expenses of investments in associates is included in the Consolidated Financial Statements from the date significant influence has been achieved until the date it ceases to exist. The investments' carrying amount is adjusted by the cumulative movements in recognised income and expense. When EADS' share in losses equals or exceeds its interest in an associate, including any other unsecured receivables, no further losses are recognised, unless the Group has incurred obligations or made payments on behalf of the associate.

The effects of intercompany transactions are eliminated.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance.

The financial statements of EADS' 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.

Foreign currency translation — The Consolidated Financial Statements are presented in euro, EADS' functional and presentation currency. The assets and liabilities of foreign entities, where the reporting 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 included as a separate component of total equity ("Accumulated other comprehensive income" or "AOCI"). If a foreign entity is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

Transactions in foreign currencies are translated into euro 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 euro 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. Changes in the fair value of securities denominated in a foreign currency that are classified as available-for-sale financial assets are analyzed whether they are due to (i) changes in the amortised cost of the security or due to (ii) other changes in the security. Translation differences related to changes in (i) amortised cost are recognised in the Consolidated Income Statement whilst (ii) other changes are recognised in AOCI (translation reserve).

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into euro 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. In addition, translation differences of non-monetary financial assets measured at fair value and classified as available for sale are included in AOCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity occurring after 31 December 2004 are treated as assets and liabilities of the acquired company and are translated at the closing rate. Regarding transactions prior to that date, goodwill, assets and liabilities acquired are treated as those of the acquirer.

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 EADS 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 EADS disposes of only part of its investment in an associate or joint venture 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 a current or non-current asset or liability in general depends on whether the item is related to serial production or subject to long-term production. In case of serial production, an asset or liability is classified as a non-current asset or liability when the item is realised or settled respectively after 12 months after the reporting period, and as current asset or liability when the item is realised or settled respectively within 12 months after the reporting period. In case of construction contracts, an asset or liability is classified as non-current when the item is realised or settled respectively beyond EADS' normal operating cycle; and as a current asset or liability when the item is realised or settled in EADS' normal operating cycle. However, current assets include assets – such as inventories, trade receivables and receivables from PoC – that are sold, consumed and realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period. Trade payables are equally part of the normal operating cycle and are therefore classified as current liabilities.

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 EADS, that revenue can be measured reliably and that recognition criteria as stated below 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 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.

For construction contracts, when the outcome can be estimated reliably, revenues are recognised by reference to the percentage of completion ("PoC") of the contract activity by applying the estimate at completion method. The stage of completion of a contract may be determined by a variety of ways. Depending on the nature of the contract, revenue is 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"). In such specific situations, as soon as the outcome can (again) be estimated reliably, revenue is from that point in time onwards accounted for according to the estimate at completion method, without restating the revenues previously recorded under the early stage method of accounting. Changes in profit rates are reflected in current earnings as identified. Contracts are reviewed regularly and in case of probable losses, loss-at-completion provisions are recorded. These loss-at-completion provisions in connection with construction contracts are not discounted.

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 EADS' Group accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by EADS Group entities. When the Group entities provide more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable. Further, EADS recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost. EADS recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses. If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

Interest income 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 EADS' shareholders is recognised when the shareholder´s right to receive payment is established.

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 held for leasing out under operating leases are included in property, plant and equipment at cost less accumulated depreciation (see Note 15 "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 other long-term financial assets (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). Unearned finance income is recorded over time in "Interest result". 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 15 "Property, plant and equipment"), unless such assets have been further leased out to customers. In such a case, the respective asset is either qualified as an operating lease or as a finance lease with EADS being the lessor (headlease-sublease-transactions) and is recorded accordingly. For the relating liability from finance leases see Note 26 "Financing liabilities". When EADS is the lessee under an operating lease contract, rental payments are recognised on a straight line basis over the leased term (see Note 33 "Commitments and contingencies" for future operating lease commitments). Such leases often form part of commercial aircraft customer financing transactions with the related sublease being an operating lease (headlease-sublease-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. Apart from complying with the general requirements for and initial measurement of an intangible asset, qualification criteria are met only when 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 EADS incurs in connection with the borrowing of funds. EADS capitalises borrowing costs for qualifying assets where construction was commenced on or after 1 January 2009. Further, EADS continues to expense borrowing costs relating to construction projects that commenced prior to 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 any accumulated depreciation and any accumulated 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 using the cost model. Investment property is initially recognised at cost and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. Buildings held as investment property are depreciated on a straight-line basis over their useful lives. The fair value of investment property is reviewed annually by determinations from market prices or by using cash-flow models.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the Consolidated Income Statement in the period of derecognition. Transfers are made to or from investment properties only when there is a change in use.

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 may be impaired. In addition, intangible assets with an indefinite useful life, intangible assets not yet available for use and goodwill are tested for impairment in the fourth quarter of each financial year irrespective of whether there is any indication for impairment. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or a Cash Generating Unit ("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 amount EADS could obtain at its end of the reporting period from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, 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 that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. EADS' financial assets comprise mainly cash and short to medium-term deposits, trade and loan receivables, finance lease receivables, other quoted and unquoted financial instruments and derivatives with a positive fair value. The Group's financial liabilities mainly include obligations towards financial institutions, bonds, loans, refundable advances, trade liabilities, finance lease liabilities as well as derivatives with a negative fair value. EADS 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. Subsequent measurement of financial instruments depends on their classification into the relevant category. 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. EADS derecognises a financial asset only 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. EADS derecognises a financial liability only 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, EADS 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 may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. 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 discounted cash flow model, are measured at cost, less any accumulated impairment losses.

Investments and other financial assets — EADS' 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. 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 EADS, all investments in entities for which consolidation criteria are not fulfilled 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 is 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 total 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 EADS, only derivatives not designated as hedges are categorized as held for trading. Further, financial assets may be designated at initial recognition at fair value through profit or loss if any of the following criteria is met: (i) the financial asset contains one or more embedded derivatives that otherwise had to be accounted for separately; or (ii) the designation eliminated or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or recognising the gains and losses on them on a different basis (sometimes referred to as "natural hedge"); or (iii) the financial assets 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. Within EADS, uncapped Structured Notes are designated "at fair value through profit or loss" in accordance with criterion (i), foreign currency funds of a hedge funds structure also comprising foreign currency derivatives are designated "at fair value through profit or loss" in accordance with criterion (ii) and investments in accumulating Money Market Funds are designated at "fair value through profit or loss" in accordance with above criterion (iii).

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 and include also service concession receivables. Loans and receivables are classified as **trade receivables, other investments and other**

current / non-current financial assets. After initial recognition loans and receivables are measured at amortised cost using 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, loans and 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 — EADS 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**, 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. This objective evidence for impairment includes information about significant changes with an adverse effect that have taken place in the technological, market economic or legal environment in which the associate operates, and that indicate that the carrying amount of EADS' investment may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its carrying amount is also objective evidence of impairment. In case of impairment EADS calculates the impairment amount as being the difference between the recoverable amount of the associate and the carrying amount of the investment in EADS' associates and recognises the impairment amount in the Consolidated Income Statement. Any reversal of the impairment loss is recognised as an adjustment to the investment in the associate to the extent that the recoverable amount of the investment increases. As such, the goodwill related to EADS' associates 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. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 EADS 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 and 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, EADS 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. For a sale to be highly probable – among other criteria that have to be fulfilled – the appropriate level of EADS management must be committed to the plan to sell, an active programme to complete the plan must have been initiated and actions required to complete the plan to sell the assets (or disposal group) should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If a component of EADS 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 EADS 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 EADS' 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, EADS 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"), (ii) hedges of the variability of cash flows attributable to recognised assets or liabilities, highly probable forecast transactions ("Cash Flow Hedges") or (iii) hedges of a net investment in a foreign entity.

(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 as well as to certain interest rate swaps hedging the variability of cash flows attributable to recognised assets and liabilities. 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.

(iii) **Net investment hedge:** Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in AOCI; the gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement. Gains and losses accumulated in AOCI are included in the Consolidated Income Statement when the foreign entity is disposed of.

In addition, EADS 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, EADS 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 EADS' 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 34 d).

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 EADS only to the extent that it is probable that future taxable profits will be available against which deferred tax assets will be utilised. 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.

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 EADS 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.

Outstanding costs are provided for at the best estimate of future cash outflows. Provision for **other risks and charges** relate 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". In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds with an AA rating.

EADS recognises actuarial gains and losses in full for all its defined benefit plans immediately in retained earnings and presents them in its Consolidated Statements of Comprehensive Income.

Past service costs are recognised as an expense in EADS Consolidated Income Statements on a straight-line basis over the average period until the benefits become vested. Past service costs relating to benefits already vested are expensed immediately.

EADS 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 — **Stock options** issued by EADS up to 2006 are accounted for in accordance with IFRS 2 "Share-based Payment" and qualify as **equity settled share-based payments**. In 2007, EADS also introduced a performance and restricted unit plan (LTIP) which qualifies as **cash settled share-based payment plan** under IFRS 2. For both types, 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 option (or unit) as of grant date (end of the reporting period). The fair value of the option (or unit) is determined by applying the Black Scholes Option 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.

EADS offers its employees under the **employee stock ownership plan (ESOP)** EADS 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 expense in EADS' Consolidated Income Statements at grant date.

Emission rights and provisions for in-excess-emission — Under the EU Emission Allowance Trading Scheme (EATS) national authorities have issued on 1 January 2005 permits (emission rights), free of charge, that entitle participating companies to emit a certain amount of greenhouse gas over the compliance period.

The participating companies are permitted to trade those emission rights. To avoid a penalty a participant is required to deliver emission rights at the end of the compliance period equal to its emission incurred.

EADS recognises a provision for emission in case it has caused emissions in excess of emission rights granted. The provision is measured at the fair value (market price) of emission rights necessary to compensate for that shortfall at each end of the reporting period.

Emission rights held by EADS are generally accounted for as intangible assets, whereby:

(i) emission rights allocated for free by national authorities are accounted for as a non-monetary government grant at its nominal value of nil;

(ii) emission rights purchased from other participants are accounted for at cost or the lower recoverable amount; if they are dedicated to offset a provision for in excess emission, they are deemed to be a reimbursement right and are accounted for at fair value.

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, loans, loans to affiliated non-consolidated companies as well as finance lease liabilities. Financing liabilities qualify as financial liabilities and are recorded initially at the fair value of the proceeds received, net of transaction costs incurred. Subsequently, financing liabilities other than finance lease 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.

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.

Further, EADS 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, EADS records a financial liability rather than an equity instrument for the exercise price of a written put option on an entity's 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. EADS 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. Although the final resolution of any such matters could have an effect on the Group's profit for the period for the particular reporting period in which an adjustment of the estimated reserve would be recorded, the Group believes that any such potential adjustment should not materially affect its Consolidated Financial Statements. For further details please refer to Note 32 "Litigation and claims".

Use of Accounting Estimates

EADS' 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. Such 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 EADS' 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 EADS' Consolidated Financial Statements are further described or are disclosed in the respective Notes mentioned below.

Revenue recognition on construction contracts — EADS 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 percentage-of-completion 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. 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, EADS 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 14 "Intangible assets" for further information.

Goodwill impairment test and recoverability of assets — EADS 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) 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. EADS 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, weighted average cost of capital, 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 14 "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.

Foreign currency derivatives — Fair value measurements of foreign currency derivatives are based on market assumptions relating to, among others, foreign exchange basis spreads and relevant interest rate levels. See Note 34 "Information about Financial Instruments" for further information.

Employee benefits — The Group accounts for pension and other postretirement 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 return on plan assets, 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. Expected returns on plan assets assumptions are determined considering long-term historical returns and asset allocations. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in postretirement employee benefit obligations and the related future expense. See Note 25b) "Provisions for retirement plans" for further information.

Provisions — The determination of provisions, for example for onerous contracts, warranty costs 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 EADS's contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. Especially, 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 EADS' industry require challenging integration and coordination along the supply chain including an ongoing assessment of supplier's assertions which may additionally impact the outcome of these monitoring processes. See Note 25c) "Other provisions" for further information.

Legal contingencies — EADS 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 EADS. Management regularly analyses current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense 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 EADS 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 — EADS 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, EADS assesses whether the realisation of future tax benefits is sufficiently 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. See Note 13 "Income Taxes" for further information.

3. Scope of Consolidation

Perimeter of consolidation (31 December 2012) — The Consolidated Financial Statements include, in addition to EADS N.V.:

— 2012: 271 (2011: 245) companies which are fully consolidated;

— 2012: 47 (2011: 46) companies which are proportionately consolidated;

— 2012: 23 (2011: 18) investments in associates accounted for using the equity method.

The number of investments in associates only comprises the respective parent company.

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

The following individually insignificant M&A transactions of EADS' divisions were completed during the financial year 2012 with the intention to further expand EADS' platform and services portfolio.

On 3 April 2012, Astrium acquired 66.8% of Space Engineering SpA, Rome (Italy), a specialist in digital telecommunications, RF and antenna equipment engineering for both space and ground based applications for a total consideration of € 10 million. This acquisition enhanced Astrium's capability to develop and manufacture sophisticated telecommunications hardware and underlines Astrium's commitment to the Italian space market. Space Engineering SpA reported revenues of € 17 million for the full year 2012.

On 1 July 2012, Cassidian acquired 51% of Rheinmetall Airborne Systems GmbH, Bremen (Germany), for a total consideration of € 85 million, to pursue Rheinmetall's activities related to Unmanned Aerial Systems (UAS) as well as cargo loading systems (CLS) together with Rheinmetall within a new entity. Rheinmetall Airborne Systems GmbH reported revenues of € 63 million for the full year 2012.

On 1 October 2012, Cassidian acquired 75.1% of the shares of Carl Zeiss Optronics GmbH, Oberkochen (Germany), with the intention to run the optics and optronics activities of Carl Zeiss Optronics GmbH together with Carl Zeiss AG for a total consideration of € 121 million. Carl Zeiss Optronics GmbH is a manufacturer of optronic, optic and precision-engineered products for military and civil applications. Carl Zeiss Optronics GmbH reported revenues of € 110 million for the full year 2012.

On 16 November 2012, Cassidian acquired 99.8% of Netasq, Villeneuve d'Ascq (France), a leading expert and pioneer in the IT security market for a total consideration of € 27 million. Netasq reported revenues of € 17 million for the full year 2012.

All Cassidian acquisitions are expected to strengthen Cassidian´s market positions in the global UAS-, sensor- and cybersecurity related markets by providing access to broader development resources as well as additional product and service offerings being complementary to Cassidian´s current portfolio.

On 20 November 2012, EADS acquired Eltra Holdings Pte Ltd., Singapore (Singapore), an aerospace group involved in various aerospace supply chain and MRO activities for a total consideration of € 28 million. Eltra Holdings Pte Ltd. reported revenues of € 31 million for the full year 2012.

Finally, Eurocopter expanded the MRO engine business of its subsidiary Vector Aerospace Corp., Toronto (Canada), via several asset deals in the first half year 2012, primarily in the Asia-Pacific region, for a total consideration of € 43 million. The acquired businesses reported revenues of € 17 million for the full year 2012.

For all these individually insignificant transactions mentioned, the goodwill of € 199 million primarily includes a control premium reflecting the expected synergies arising from the combination with the existing businesses of EADS, joint future market developments as well as the values of the various assembled workforces.

The following table summarises for all individually insignificant M&A transactions mentioned above the considerations transferred, the fair value of identifiable assets acquired, liabilities assumed and any non-controlling interest as at the acquisition date. For all M&A transactions, fair values remain provisional due to ongoing purchase price allocation projects, but will be finalised within 12 months after each acquisition date.

Fair value recognised on acquisition	2012 individually insignificant acquisitions
(In € million)	
Intangible assets[1]	58
Customer/supplier relationships[1]	*15*
Technologies/Licenses[1]	*41*
Trademarks[1]	*2*
Property, plant and equipment	41
Inventories	105
Trade receivables	65
Other assets	42
Cash and cash equivalents	58
	369
Provisions	126
Financing liabilities	11
Trade liabilities	32
Tax liabilities	10
Other liabilities	67
	246
Net assets acquired	**123**
Non-controlling interests[2]	8
EADS' portion in net assets acquired	**115**
Preliminary goodwill[3] arising on acquisition (see Note 14 "Intangible Assets")	199
Total consideration[4]	**314**

(1) Depending on the specific fact pattern of each M&A transaction, customer/supplier relationships, technologies/licences and trademarks are expected to be amortised over a period between 3-8 years, 5-7 years and 2 years respectively (the latter only regarding specific product-related trademarks in connection with the Carl Zeiss Optronics transaction, as most of the acquired corporate trademarks are considered to have an indefinite life).
(2) All non-controlling interest portions were measured at their proportional share in net assets.
(3) None of the goodwill portions of EADS' 2012 M&A transactions are considered to be tax deductable in the respective local tax accounts.
(4) The total consideration (€314 million) exceeds total consideration paid gross of acquired cash in 2012 (€259 million) by €55 million. Thereof, €52 million relate to the recognition of earn-out obligations to be paid at a later stage, impacts from the separate recognition of settlements of pre-existing relationships (€7 million) as well as the recognition of previously held shares within the step-acquisitions of Netasq at their fair values of €1 million. Further, EADS' total consideration paid gross of acquired cash in 2012 also included €5 million paid to non-controlling shareholders of Satair (a 2011 acquisition) in a linked-squeeze out transaction in February 2012. All gains related to business combinations were presented within 'other income' in the Consolidated Income Statement.

As at the acquisition dates, trade and other receivables of these acquired companies comprise gross contractual amounts due of €71 million of which €6 million are expected to be uncollectible resulting in a fair value of the trade receivables portfolio of €65 million. The fair value of contingent considerations of €52 million relates to certain future order intake levels of some acquirees.

The table attached summarises selected profit and loss related key figures of these 2012 M&A transactions, such as the contributions of all acquired entities to EADS Group´s revenue, EBITDA and profit for the 2012 period since their acquisition dates as well as their revenues, EBITDA and profit during the 12 months period ended 31 December 2012.

(In € million)[1]	2012 individually insignificant acquisitions
Acquisition date	various dates
Acquisition costs[2]	3
2012 revenue contributions since acquisition date	65
2012 contributions to the EBITDA of EADS since acquisition date	2
2012 contributions to the profit of EADS since acquisition date	2
Revenues during the 12 months period ended 31 December 2012	255
Pro-forma EBITDA during the 12 months period ended 31 December 2012[3]	9
Pro-forma profit during the 12 months period ended 31 December 2012[3]	1

(1) If not stated otherwise.
(2) All acquisition related costs mentioned have been excluded from the consideration transferred and have been recognised as an expense in the current year, within 'other expenses' in the Consolidated Income Statement.
(3) EADS considers these 'pro-forma' profit figures to represent an initial approximate measure to determine the performance of the combined group on an annualised basis and to provide an initial reference point for comparisons in future periods without considering additional impacts arising from synergies, exceptionals and one-offs that related to the acquisition or will contribute to the future efficiency of the acquired companies as well as any unwinding effects on the profit for the period from amortisation impacts of intangible assets recognised within the purchase price allocations.

Transactions with non-controlling shareholders

On 28 May 2012, Cassidian reduced its current shareholding of 87.4% in Grintek Ewation (Pty) Ltd., Pretoria, South Africa, to 75% to comply with local black economic empowerment (BEE) requirements for €7 million.

In addition to pursuing organic growth via its divisions, EADS significantly strengthened its services and platform portfolio by several M&A transactions during 2011. The following section reflects the outcome of the finalised purchase price allocation procedures related to EADS' 2011 M&A transactions.

Acquisition of Vector Aerospace Group

On 30 June 2011, Eurocopter Holding S.A.S., a subsidiary of EADS N.V., acquired 98.3% of Vector Aerospace Corporation, Toronto (Canada), (hereafter referred to as "Vector") following a CAD 13.00 / share cash offer for all of the outstanding common shares of Vector, including all shares that may be issued on the exercise of options granted under Vector's share option plan. The remaining 1.7% shares of Vector were acquired via linked squeeze out procedures finalised on 4 August 2011.

Vector is an independent global provider of Original Equipment Manufacturer (OEM) approved Maintenance, Repair and Overhaul aviation services (MRO services) for aircraft and helicopter operators. The acquisition of Vector will help to increase the growth of support and services activities for Eurocopter and EADS in both the civil and governmental markets. Vector will also strengthen EADS' presence in North America and the UK, in alignment with the company's strategic goals as outlined in EADS' Vision 2020 plan.

The total consideration includes the amount paid in cash for the acquisition of 98.3% of Vector's shares (€452 million) at the end of June 2011 as well as the amount of €8 million paid to the remaining shareholders within linked squeeze out procedures.

The acquired intangible assets of €158 million identified within a purchase price allocation include customer relationships, a brand name as well as supplier relationships. The goodwill of €181 million includes a control premium reflecting the expected synergies arising from the combination with the existing MRO business of Eurocopter and EADS, joint future market developments as well as the significant value of Vector's assembled workforce. The gross amount of the trade receivables acquired of €88 million reflects their fair value. None of the trade receivables have been significantly impaired and it is expected that the full contractual amounts can be collected.

Acquisition of Satair Group

On 5 October 2011, Airbus S.A.S., a subsidiary of EADS N.V., obtained control of Satair A / S, Copenhagen, Denmark (hereafter referred to as "Satair") via its subsidiary Airbus Denmark Holding ApS following a public voluntary conditional tender offer of DKr 580 / share for all of the outstanding shares of Satair, including an offer of DKr 378.66 / warrant for each warrant holder. As a result of the public voluntary offer EADS acquired 98.5% of Satair's shares during October and November 2011, while the remaining 1.5% of Satair's shares were acquired via linked squeeze out procedures finalised on 6 February 2012.

Satair is a Danish premier independent distributor of aircraft parts and services specialised in expendables and components. Through its worldwide supply chain network and its regional sales offices, Satair provides aviation parts and innovative services to a broad customer base around the world, supporting all major aircraft families in the commercial aviation market. The acquisition will facilitate the growth of Airbus' material management business and offers an opportunity to develop new services both in civil and governmental markets.

The total consideration of €351 million for this acquisition includes €346 million paid in cash for 98.5% of Satair's shares and 100% of warrants during October and November 2011 as well as an amount of €5 million paid to the remaining shareholders (1.5% of Satair´s shares) within the linked squeeze out procedures finalised in February 2012.

Intangible assets of €139 million identified during a purchase price allocation primarily included supplier relationships and a brand name. The goodwill of €163 million reflects the assembled workforce of Satair as well as the expected business volume from the future expansion of aerospace supplier relationships.

At the acquisition date the trade and other receivables comprise gross contractual amounts due of €48 million of which €1 million were expected to be uncollectible resulting in a fair value of the trade receivables portfolio of €47 million.

Acquisition of Vizada Group

On 19 December 2011, Astrium Holding S.A.S., a subsidiary of EADS N.V., acquired 100% of MobSat Group Holding S.a.r.l., Munsbach, Luxemburg, being the ultimate parent company of Vizada group (hereafter referred to as "Vizada") from a consortium of investors led by Apax France, a French Private Equity fund and the former majority shareholder. The total consideration paid by Astrium included €413 million for the acquisition of Vizada´s equity instruments as well as €325 million due to a mandatory extinguishment of the former Vizada debt structure.

Vizada - being a world leader in commercial satellite communications services - comprises Vizada Americas, Vizada Networks, Vizada EMEA & Asia and Marlink. By serving 200.000 end-customers across all major satcom sectors such as maritime, aero, land or media, but also non governmental organisations and various governmental / defence customers, Vizada offers mobile and fixed connectivity services from multiple satellite network operators both directly and through a network of currently 400 service provider partners. This acquisition will broaden the range of services offered globally by Astrium, as such strengthening also EADS' presence across Europe, the Middle East, Asia, Africa and the United States. As Astrium´s existing satellite communications portfolio is heavily focused on governmental and secure civil satcom services, Vizada forms a perfect complement to Astrium´s current service portfolio and will enable Astrium to be more innovative and to diversify its range of satcom services.

Intangible assets of €73 million identified within a purchase price allocation primarily included customer relationships and brand names. The final goodwill of €579 million primarily includes a control premium reflecting expected synergies arising from the business combination as well as future customer relationships in the global satcom market. At the acquisition date the trade and other receivables comprise gross contractual amounts due of €118 million of which €9 million were expected to be uncollectible resulting in a fair value of the trade receivables portfolio of €109 million.

The following table summarises for all three significant M&A transactions described above (Vector, Satair and Vizada) as well as for all remaining individually insignificant M&A transactions mentioned below the consideration transferred, the final fair values of identifiable assets acquired, liabilities assumed and any non-controlling interest as at the acquisition date.

Fair value recognised on acquisition (In € million)	Acquisition of Vector Aerospace	Acquisition of Satair	Acquisition of Vizada	Remaining individually insignificant acquisitions	Final figures for all 2011 acquisitions	Aggre-gated changes	Provisional figures for all 2011 acquisitions
Intangible assets[1]	158	139	73	141	511	(11)	522
Customer/supplier relationships[1]	*93*	*66*	*61*	*30*	*250*	*1*	*249*
Technologies/Licenses[1]	*16*	*5*	*1*	*104*	*126*	*18*	*108*
Trademarks[1]	*49*	*68*	*11*	*7*	*135*	*(30)*	*165*
Property, plant and equipment	85	8	61	54	208	(13)	221
Inventories	103	87	6	78	274	0	274
Trade receivables	88	47	109	143	387	(5)	392
Others	7	41	10	70	128	(17)	145
Cash and cash equivalents	28	4	29	35	96	0	96
	469	**326**	**288**	**521**	**1,604**	**(46)**	**1,650**
Provisions	6	0	23	111	140	15	125
Financing liabilities	19	52	0	132	203	0	203
Trade liabilities	66	35	106	81	288	0	288
Tax liabilities	53	31	0	17	101	(7)	108
Other liabilities	46	20	0	141	207	3	204
	190	**138**	**129**	**482**	**939**	**11**	**928**
Net assets acquired	**279**	**188**	**159**	**39**	**665**	**(57)**	**722**
Non-controlling interests	0	0	0	2[4]	2[4]	(5)	7[4]
EADS' portion in net assets acquired	**279**	**188**	**159**	**37**	**663**	**(52)**	**715**
Badwill[2] arising on acquisition	0	0	0	(2)	(2)	0	(2)
Goodwill[3] arising on acquisition (see Note 14 "Intangible Assets")	181	163	579	97	1,020	52	968
Total consideration[5]	**460**	**351**	**738**	**132**	**1,681**	**0**	**1,681**

(1) Depending on the specific fact pattern of each M&A transaction, customer/supplier relationships, technologies/licences and trademarks are expected to be amortised over a period between 3-28 years, 5-14 years and 1-8 years respectively (the latter only regarding product and specific corporate trademarks in connection with the ND SatCom, Signalis and Grintek transaction, as most of the acquired corporate trademarks are considered to have an indefinite life).
(2) The badwill of €2 million arose in the context of the ND SatCom acquisition and has been recognised as a gain in the current year, within 'other income' in the Consolidated Income Statement.
(3) None of the goodwill portions of EADS' 2011 M&A transactions is considered to be tax deductable in the respective local tax accounts.
(4) Except for the non-controlling interest in ND SatCom, which was measured at its fair value of €2 million with reference to the acquisition price of the shares acquired by Astrium, all remaining non-controlling interest portions in Grintek and i-cubed of €5 million in total were measured at their proportional share in net assets.
(5) The total consideration (€1,681 million) exceeds total consideration paid gross of acquired cash in 2011 (€1,631 million) by €50 million due to the inclusion of €5 million paid to non-controlling shareholders of Satair in a linked-squeeze out transaction in February 2012, the recognition of previously held shares within the step-acquisitions of Grintek and i-cubed at their fair values of €27 million (resulting in an included step-up gain of €6 million), a merger gain of €14 million arisen in the Signalis transaction as well as due to impacts from the separate recognition of settlements of pre-existing relationships (€4 million).
All gains related to business combinations were presented within 'other income' in the Consolidated Income Statement.

In addition to these three significant 2011 M&A transactions the following M&A activities of EADS' divisions are summarised in the column "remaining individually insignificant acquisitions" in the table above.

Additional M&A transactions of the Airbus Division

On 19 October 2011, Airbus Americas, Inc., Herndon, Virginia (USA), a subsidiary of EADS N.V., acquired 100% of the shares and voting rights of Metron Holdings, Inc., Dulles, Virginia (USA), the ultimate parent company of Metron Aviation (hereafter referred to as "Metron") from its management team and two institutional investors for a total consideration of €55 million. In general, Metron provides advanced research, Air Traffic Flow Management (ATFM), airspace design, energy and environmental solutions to Air Navigation Service Providers (ANSPs), airlines and airports worldwide. Especially, Metron is a US prime contractor on System Engineering 2020 (SE-2020), the FAA's strategic programme in connection with the US Next Generation Air Transportation System (NextGen) initiative to modernise the U.S. national airspace system. Metron also provides advanced research and development services related to SESAR - the Single European Sky ATM Research

Programme of the European Commissions and EUROCONTROL. This acquisition strengthens Airbus' strategy to accelerate and support ATFM programmes that will significantly improve global air transportation capacity, efficiency and environmental sustainability. Metron reported revenues of € 32 million for the full year 2011.

On 20 October 2011, Airbus Operations GmbH, a subsidiary of EADS N.V., acquired 74.9% of the shares and voting rights of PFW Aerospace AG, Speyer, Germany, the ultimate parent company of PFW Aerospace Group (hereafter referred to as "PFW") in a linked transaction for a total consideration of € 4 million primarily arising from impacts due to the separate recognition of settlements of pre-existing relationships (€ 4 million). PFW is a specialised producer of tube and duct systems, aircraft on-board cargo loading systems as well as structural and assembly components. Airbus' investment is intended to stabilise PFW´s financial position and operational set up during its current turnaround situation. PFW reported revenues of € 167 million for the full year 2011.

Additional M&A transactions of the Astrium Division

On 28 February 2011, Astrium Services GmbH, Ottobrunn, Germany, a subsidiary of EADS N.V., obtained control of ND SatCom GmbH, Immenstaad (Germany), a supplier of satellite and ground systems equipment and solutions, by acquiring 75.1% of the shares and voting interests in the company for a total consideration of € 5 million from SES ASTRA. With this acquisition, Astrium and SES ASTRA will further reinforce their long-term relationship, and will also explore the potential for the two companies to work together in the development of new business opportunities in the government and institutions sector, as well as other specific satellite infrastructure projects. This acquisition also provides an opportunity to Astrium to deploy a significantly wider product range by combining Astrium's secure satcoms, networks and terminals expertise with ND SatCom's for a stronger offering to the civil, governmental and military markets. ND SatCom reported revenues of € 52 million for the full year 2011.

On 10 May 2011, the GEO Information Division of Astrium Services (formerly Spot Image and Infoterra, hereafter referred to as GEO) expanded its investment in i-cubed LLC, Fort Collins, Colorado (USA), (hereafter referred to as i-cubed) from 25.6% to 77.7% by a step-acquisition of additional 52.1% for € 6 million via its US subsidiary SPOT Image Corporation, Chantilly, Virginia (USA). i-cubed is a leading worldwide provider of value-added imagery and geospatial data management technologies for commercial and governmental customers, including amongst others earth imaging satellite operators, wireless telecommunications companies, geo-related internet portals and various governmental agencies. This step acquisition strengthened GEO´s longstanding relationships with i-cubed and will enable GEO to capitalise on combined resources across Astrium to assist in delivering i-cubed's innovative solutions for geospatial content management to the global market. i-cubed reported revenues of € 8 million for the full year 2011.

Additional M&A transactions of the Cassidian Division

On 11 January 2011, Cassidian and Atlas Elektronik GmbH, Bremen, Germany (hereafter referred to as Atlas Elektronik), a joint venture of ThyssenKrupp AG and Cassidian, completed the merger of their maritime safety and security activities formerly carried out via their separate subsidiaries Sofrelog and Atlas Maritime Security. The new company named SIGNALIS was set up as a medium-sized corporation which will be co-owned by Cassidian (60%) and Atlas Elektronik (40%). SIGNALIS will address markets worldwide with innovative, reliable and cost effective maritime security products ranging from small-scale Vessel Traffic Service (VTS) systems to high-performance Coastal Surveillance Systems (CSS). It will also provide solutions for harbour security, port management and information systems, as well as other related radar processing applications. This merger will allow Cassidian and Atlas Elektronik to offer their customers solutions that will respond to even more complex safety and security needs covering land and sea based on SIGNALIS' proven capabilities to integrate the latest sensor systems, communications, and data processing technologies. For the full year 2011, SIGNALIS reported revenues of € 39 million.

On 9 June 2011, Cassidian increased via EADS Deutschland GmbH, Ottobrunn, Germany, (hereafter referred to as Cassidian) its 45.0% shareholding in Grintek Ewation (Pty) Ltd., Pretoria, South Africa, (hereafter referred to as GEW) by acquiring a 42.4% stake formerly held by Saab South Africa Ltd., Centurion, South Africa, for € 21 million within a step-acquisition. A 12.6% shareholding was held by Kunene Finance Company (Pty.) Ltd., Gauteng, South Africa, a South African private equity investor. GEW is a system engineering company for the design and production of sophisticated communication monitoring and direction finding systems, equipment for the management of frequency spectrums and related countermeasures as well as integrated security systems incorporating a wide range of surveillance and monitoring products. The new shareholding structure takes the long standing relationship between GEW and Cassidian to a new level and provides the opportunity for future growth and competitiveness on a global scale in the field of governmental intelligence and electronic protection. GEW reported revenues of € 58 million for the full year 2011.

For all these individually insignificant transactions mentioned, the goodwill of € 97 million primarily reflects expected synergies from combining these acquired companies with the operations of the acquiring EADS divisions as well as the expertise of their assembled workforces. At the acquisition date trade and other receivables of these acquired companies comprise gross contractual amounts due of € 145 million of which € 2 million were uncollectible resulting in a fair value of the trade receivables portfolio of € 143 million.

The table attached summarises selected profit and loss related key figures of these 2011 M&A transactions, such as the contributions of all acquired entities to EADS Group´s revenue, EBITDA and profit for the 2011 period since their acquisition dates as well as their revenues, EBITDA and profit during the 12 months period ended 31 December 2011.

(In € million)[1]	Vector Aerospace	Satair	Vizada	Remaining individually insignificant acquisitions	Total acquisitions
Acquisition date	30 June 2011	5 October 2011	19 December 2011	various dates	various dates
Acquisition costs[2]	8	6	7	5	26
2011 revenue contributions since acquisition date	210	86	0	159	455
2011 contributions to the EBITDA of EADS since acquisition date	13	1	0	0	14
2011 contributions to the profit of EADS since acquisition date	(13)	0	0	(13)	(26)
Revenues during the 12 months period ended 31 December 2011	411	326	447	378	1,562
Pro-forma EBITDA during the 12 months period ended 31 December 2011[3]	40	28	61	4	133
Pro-forma profit (loss) during the 12 months period ended 31 December 2011[3]	17	7	10	(60)	(26)

(1) If not stated otherwise.
(2) All acquisition related costs mentioned have been excluded from the consideration transferred and have been recognised as an expense in the current year, within “other expenses” in the Consolidated Income Statement.
(3) EADS considers these “pro-forma” profit figures to represent an initial approximate measure to determine the performance of the combined group on an annualised basis and to provide an initial reference point for comparisons in future periods without considering additional impacts arising from synergies, exceptionals and one-offs that related to the acquisition or will contribute to the future efficiency of the acquired companies as well as any unwinding effects on the profit for the period from amortisation impacts of intangible assets recognised within the purchase price allocations.

Transactions with non-controlling shareholders

On 7 June 2011, EADS N.V. purchased the remaining 25% of DADC Luft- und Raumfahrt Beteiligungs AG, Munich (Germany), from Daimler Luft- and Raumfahrt Holding AG, Ottobrunn, for a total consideration of € 110 million.

Apart from those mentioned, other acquisitions of EADS were not significant – neither individually nor collectively.

b) Disposals

On 13 May 2011, EADS North America, Inc., Herndon, Virginia (USA), sold its subsidiary EADS North America Defense Security and Systems Solutions, Inc., San Antonio, Texas (USA), to Camber Corporation, Huntsville, Alabama (USA), for a total consideration of € 18 million.

The cash flows of the disposed shares as well as the capital gain on sale were as follows:

(In € million)	2011
Consideration received in cash and cash equivalents	18
Total selling price including contingent consideration	18
Net assets disposed of	(18)
Capital gain	**0**

Apart from those mentioned, other disposals by the Group were not significant.

2.2 Notes to the Consolidated Income Statements (IFRS)

5. Segment Reporting

Through the end of 2012, the Group operated in five reportable segments which reflect the internal organisational and management structure according to the nature of the products and services provided.

— **Airbus Commercial** — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services.

— **Airbus Military** — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

The above mentioned reportable segments Airbus Commercial and Airbus Military form the Airbus Division.

— **Eurocopter** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.

— **Astrium** — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services.

— **Cassidian** — Development, manufacturing, marketing and sale of missiles systems, 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.

The following tables present information with respect to the Group's business segments. "Other Businesses" mainly comprises the development, manufacturing, marketing and sale of regional turboprop aircraft, aircraft components as well as the Group's activities managed in the US.

Consolidation effects, the holding function of EADS Headquarters and other activities not allocable to the reportable segments are disclosed in the column "HQ/Conso.".

a) Business Segment Information for the year ended 31 December 2012

(In € million)	Airbus Commercial	Airbus Military	Eurocopter	Astrium	Cassidian	Other Businesses	Total Segments	HQ/Conso.	Consolidated
Total revenues	36,943	2,131	6,264	5,817	5,740	1,524	58,419	53	58,472
Internal revenues	(716)	(279)	(540)	(23)	(232)	(182)	(1,972)	(20)	(1,992)
Revenues	**36,227**	**1,852**	**5,724**	**5,794**	**5,508**	**1,342**	**56,447**	**33**	**56,480**
Segment result	**1,100**	**74**	**307**	**309**	**113**	**32**	**1,935**	**(45)**	**1,890**
thereof additions to other provisions (see Note 25c)	*776*	*50*	*843*	*157*	*645*	*25*	*2,496*	*185*	*2,681*
thereof impairments of intangible assets and PPE	*(30)*	*0*	*0*	*0*	*(100)*	*0*	*(130)*	*0*	*(130)*
Share of profit from associates accounted for under the equity method	0	18	3	(1)	23	0	43	198	241
Profit before finance costs and income taxes	**1,100**	**92**	**310**	**308**	**136**	**32**	**1,978**	**153**	**2,131**
Goodwill impairment	0	0	0	0	0	17	17	0	17
Exceptionals	25	1	1	4	6	0	37	1	38
EBIT pre-goodwill impairment and exceptionals (see definition in Note 5c)	**1,125**	**93**	**311**	**312**	**142**	**49**	**2,032**	**154**	**2,186**
Total finance costs									(453)
Income tax expense									(449)
Profit for the period									**1,229**
Attributable to:									
Equity owners of the parent (Net income)									1,228
Non-controlling interests									1
OTHER INFORMATION									
Identifiable segment assets (incl. goodwill)(1)	35,697	4,051	9,354	7,855	9,634	1,510	68,101	(708)	67,393
thereof goodwill	*6,670*	*12*	*323*	*1,236*	*2,711*	*17*	*10,969*	*34*	*11,003*
Investments in associates	1	0	4	0	133	3	141	2,521	2,662
Segment liabilities(2)	39,250	1,803	8,796	7,837	10,211	802	68,699	115	68,814
thereof provisions (see Note 25)	*6,880*	*1,226*	*2,670*	*1,084*	*2,992*	*128*	*14,980*	*881*	*15,861*
Capital expenditures (excl. leased assets)	2,288	85	323	393	179	41	3,309	(39)	3,270
Depreciation, amortisation	1,205	77	134	298	252	45	2,011	42	2,053
Research and development expenses	2,431	11	297	128	234	12	3,113	29	3,142

(1) Segment assets exclude investments in associates, current and deferred tax assets as well as cash and cash equivalents and securities as segment result does not include share of profit from associates, total finance costs and income taxes.
(2) Segment liabilities exclude current and deferred tax liabilities and interest bearing liabilities.

b) Business Segment Information for the year ended 31 December 2011

(In € million)	Airbus Commercial	Airbus Military	Eurocopter	Astrium	Cassidian	Other Businesses	Total Segments	HQ/Conso.	Consolidated
Total revenues	31,159	2,504	5,415	4,964	5,803	1,252	51,097	31	51,128
Internal revenues	(770)	(374)	(458)	(15)	(221)	(162)	(2,000)	0	(2,000)
Revenues	**30,389**	**2,130**	**4,957**	**4,949**	**5,582**	**1,090**	**49,097**	**31**	**49,128**
Segment result	**533**	**36**	**254**	**264**	**294**	**29**	**1,410**	**39**	**1,449**
thereof additions to other provisions	*702*	*41*	*681*	*222*	*723*	*28*	*2,397*	*93*	*2,490*
Share of profit from associates accounted for under the equity method	(16)	12	4	(1)	18	0	17	147	164
Profit before finance costs and income taxes	**517**	**48**	**258**	**263**	**312**	**29**	**1,427**	**186**	**1,613**
Goodwill impairment/disposal	0	0	0	0	12	30	42	0	42
Exceptionals	26	1	1	4	7	0	39	2	41
EBIT pre-goodwill impairment and exceptionals (see definition in Note 5c)	**543**	**49**	**259**	**267**	**331**	**59**	**1,508**	**188**	**1,696**
Total finance costs									(220)
Income tax expense									(356)
Profit for the period									**1,037**
Attributable to:									
Equity owners of the parent (Net income)									1,033
Non-controlling interests									4
OTHER INFORMATION									
Identifiable segment assets (incl. goodwill)[1]	32,445[3]	4,086	8,463[3]	8,164[3]	10,100	1,035	64,293[3]	70	64,363[3]
thereof goodwill	*6,672*[3]	*12*	*315*[3]	*1,212*[3]	*2,551*	*35*	*10,797*[3]	*15*	*10,812*[3]
Investments in associates	0	0	4	1	117	3	125	2,552	2,677
Segment liabilities[2]	33,528[3]	6,632	7,764[3]	8,208[3]	10,574	953	67,659[3]	61	67,720[3]
thereof provisions (see Note 25)	*6,005*[3]	*1,994*	*2,171*[3]	*998*[3]	*2,748*	*120*	*14,036*[3]	*964*	*15,000*[3]
Capital expenditures (excl. leased assets)	1,331	110	200	344	149	49	2,183	14	2,197
Depreciation, amortisation	1,065	120	140	235	167	58	1,785	99	1,884
Research and development expenses	2,467	14	235	109	275	10	3,110	42	3,152

(1) Segment assets exclude investments in associates, current and deferred tax assets as well as cash and cash equivalents and securities as segment result does not include share of profit from associates, total finance costs and income taxes.
(2) Segment liabilities exclude current and deferred tax liabilities and interest bearing liabilities.
(3) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45. Main changes comprise: Intangible assets by €+41 million, property, plant and equipment by €-13 million, other investments and long-term financial assets by €-26 million, non-controlling interests by €-5 million and provisions by €+15 million.

As a rule, inter-segment transfers are carried out on an arm´s length basis. Inter-segment sales predominantly take place between Airbus Commercial and Airbus Military and between Eurocopter and Airbus Commercial as well as between Cassidian and Airbus Military.

Capital expenditures represent the additions to property, plant and equipment and to intangible assets (excluding additions to goodwill; for further details see Note 5e) "Capital expenditures").

c) EBIT Pre-Goodwill Impairment and Exceptionals

EADS 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 EADS merger, the Airbus Combination and the formation of MBDA, as well as impairment charges thereon. EBIT pre-goodwill impairment and exceptionals is treated by management as a key indicator to measure the segments' economic performances.

(In € million)	2012	2011	2010
Profit before finance costs and income taxes	**2,131**	**1,613**	**1,187**
Disposal and impairment of goodwill	17	42	0
Exceptional depreciation/disposal	38	41	44
EBIT pre-goodwill impairment and exceptionals	**2,186**	**1,696**	**1,231**

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d) Revenues by Geographical Area

(In € million)	2012	2011	2010
Germany	5,231	5,074	5,381
France	4,685	4,762	4,422
United Kingdom	3,320	2,757	2,280
Spain	646	702	1,018
Other European Countries	7,124	7,359	8,301
Asia/Pacific	18,344	14,303	11,335
North America	7,681	5,852	3,507
Middle East	5,413	5,111	6,247
Latin America	3,540	2,874	2,537
Other Countries	496	334	724
Consolidated	**56,480**	**49,128**	**45,752**

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

e) Capital Expenditures by Geographical Area

(In € million)	2012	2011	2010
France	1,578	951	882
Germany	818	576	693
United Kingdom	448	333	385
Spain	212	255	228
Other Countries	214	82	62
Capital expenditures excluding leased assets	**3,270**	**2,197**	**2,250**
Leased assets	**350**	**243**	**270**
Capital expenditures	**3,620**	**2,440**	**2,520**

f) Property, Plant and Equipment by Geographical Area

(In € million)	2012	2011	2010
France	5,618	4,992	4,698
Germany	4,164	3,950	3,846
United Kingdom	2,846	2,728	2,535
Spain	1,314	1,273	1,210
Other Countries	678	629	379
Property, plant and equipment by geographical area	**14,620**	**13,572**	**12,668**

Property, plant and equipment split by geographical area excludes leased assets of €576 million (2011: €574 million and 2010: €759 million).

6. Revenues

Revenues in 2012 reach €56,480 million compared to €49,128 million in 2011 and €45,752 million in 2010.

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)	2012	2011	2010
Revenues from construction contracts	8,962	8,808	9,716
Other revenues	47,518	40,320	36,036
Total	**56,480**	**49,128**	**45,752**
thereof service revenues including sale of spare parts	*7,465*	*6,027*	*5,113*

Revenues of €56,480 million (2011: €49,128 million) increase by 15%. Airbus Commercial delivered more aircraft (588, but 585 with revenue recognition versus 534 in the previous year, but 536 with revenue recognition) and Astrium as well as Eurocopter contributed also positively. Airbus Military includes revenues related to the A400M launch contract of €513 million (2011: €758 million). Cassidian revenues decrease slightly.

Revenues in 2011 of €49,128 million (2010: €45,752 million) increased by 7%. Airbus Commercial delivered more aircraft (534, but 536 with revenue recognition versus 510 in the previous year, thereof 508 with revenue recognition) and Eurocopter contributed also positively. Airbus Military included revenues related to the A400M programme of €758 million (in 2010: €1,043 million). Cassidian and Astrium revenues decrease slightly.

7. Functional Costs

Inventories recognised as an expense during the period amount to €39,639 million (2011: €35,036 million; 2010: €32,840 million).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of €38 million (2011: €40 million; 2010: €44 million); these are related to the EADS merger and the Airbus Combination.

Personnel expenses are:

(In € million)	2012	2011	2010
Wages, salaries and social contributions	11,692	10,286	9,625
Net periodic pension cost (see Note 25b)	523	424	452
Total	**12,215**	**10,710**	**10,077**

The **Gross Margin** increases by €1,092 million to €7,935 million compared to €6,843 million in 2011. This improvement is mainly related to better performance of legacy programmes at Airbus Commercial (including better pricing and positive volume/mix effects) and Eurocopter.

Based on an updated technical solution concept to fix permanently the retrofit of the A380 wing rib issue, an additional amount of €-251 million was recognised in 2012 for the repair costs on delivered aircraft. Contractually, Airbus Commercial is not liable versus airlines for loss of use, revenue or profit or for any other direct, incidental or consequential damages related to wing ribs issue. However, in view of overall commercial relationships, contracts adjustments may occur, and be considered on a case by case basis. As disclosed in the half-year 2012 notes, the A350 XWB Entry Into Service has moved into the second half of 2014. Airbus Commercial booked in the first half-year 2012 a charge of €-124 million, which accounts for an actual delay incurred of around three months. In relation to the end of the Hawker 900 business jet programme where Airbus Commercial was a subcontractor, a charge of €-76 million was recorded in the third quarter 2012. Eurocopter is continuing its high stake discussions with several NH90 and Tiger customers, whereby a charge of €-100 million for expected impacts of the renegotiation of governmental programs is included. Cassidian recognised a restructuring charge (in total) of €-98 million, of which €-49 million are allocated to cost of sales, and an additional expense of €-100 million for impairment charges.

2

8. Research and Development Expenses

Research and development expenses in 2012 amount to €3,142 million compared to €3,152 million in 2011 and €2,939 million in 2010, primarily reflecting R&D activities at Airbus Commercial. The main contribution to the expenses comes from the A350 XWB programme. In addition, an amount of €366 million of development costs for the A350 XWB programme has been capitalised.

9. Other Income

(In € million)	2012	2011	2010
Other income	**184**	**359**	**171**
Thereof rental income	6	16	13
Thereof income from sale of fixed assets	14	9	33
Thereof release of allowances	2	2	1
Thereof badwill and other gains related to business combinations	0	26	0

The decrease in **other income** in 2012 is mainly due to a release of refundable advances of €192 million at Airbus Commercial recognised in 2011 (see Note 28 "Other Liabilities").

10. Other Expenses

(In € million)	2012	2011	2010
Other expenses	**229**	**221**	**102**
Thereof goodwill impairment charge	17	20	0
Thereof loss from disposal of fixed assets	3	18	7

Regarding the goodwill impairment charge please refer to Note 14 “Intangible assets”.

11. Share of Profit from Associates Accounted for under the Equity Method and Other Income from Investments

(In € million)	2012	2011	2010
Share of profit from associates	241	164	127
Other income from investments	6	28	18
Total	**247**	**192**	**145**

The **share of profit from associates accounted for under the equity method** in 2012 is mainly derived from the result of the equity investment in Dassault Aviation of € 198 million (2011: € 146 million; 2010: € 130 million). For the first half-year of 2012, Dassault Aviation published a net income of € 191 million which has been recognised by EADS in its half year financial statements 2012 with its share of 46.32% amounting to € 88 million. Since for the second half-year 2012 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of the 2012 Consolidated Financial Statements, EADS uses a best estimate for the net income of Dassault Aviation. Furthermore, EADS’ net income includes an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

For the first half-year of 2011, Dassault Aviation published a net income of € 88 million which has been recognised by EADS in its half year financial statements 2011 with its share of 46.32% amounting to € 41 million. Since for the second half-year 2011 no published financial information was available from Dassault Aviation at the date of authorisation for issue of the 2011 Consolidated Financial Statements, EADS used a best estimate for the net income of Dassault Aviation. Furthermore, EADS’ net income included an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

12. Total Finance Costs

Interest result in 2012 comprises interest income of € 237 million (2011: €377 million; 2010: €316 million) and interest expense of €-522 million (2011: € -364 million; 2010: € -415 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 € -272 million (2011: € -92 million; 2010: € -132 million) which was positively impacted in 2011 by the release of € 120 million following the termination of the A340 programme (see Note 27 “Other Financial Liabilities”). A similar positive impact was recorded in 2010.

Other financial result in 2012 amounts to € -168 million (2011: € -233 million and in 2010: € -272 million) and mainly includes charges from the unwinding of discounts by € -180 million (2011: € -172 million; 2010: € -176 million) and the negative revaluation of financial instruments of € -11 million (2011: € -94 million; 2010: € -184 million), partly compensated by the positive impact from foreign exchange translation of monetary items of € +41 million (2011: € +109 million; 2010: € +71 million).

13. Income Taxes

The benefit from (expense for) income taxes is comprised of the following:

(In € million)	2012	2011	2010
Current tax expense	(409)	(253)	(259)
Deferred tax benefit/(expense)	(40)	(103)	15
Total	**(449)**	**(356)**	**(244)**

Deferred tax assets and liabilities are measured using enacted tax rates to be applied to taxable income in the years in which temporary differences are expected to be recovered or settled. The Group's parent company, EADS N.V., legally seated in Amsterdam, The Netherlands, applies Dutch tax law using an income tax rate of 25.0% for 31 December 2012 and for 31 December 2011 and 25.5% for 31 December 2010.

On 19 December 2011 a new tax law has been enacted in France increasing the income tax rate from previously 34.43% (in 2010) to 36.10% for the years 2011 and 2012. The new tax rate of 36.1% has been prolonged on 20 December 2012 for the years 2013 and 2014. Furthermore, for specific participations the French long-term capital gains regime requires to add back a lump sum rate of now 12% (in 2011: 10%).

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 2012, 2011 and 2010.

With respect to the Spanish subsidiaries, the corporate income tax rate amounts to 30% in 2012, 2011 and 2010.

All other foreign subsidiaries apply their national tax rates, including the latest changes in the United Kingdom.

The following table shows a reconciliation from the theoretical income tax (expense) – using the Dutch corporate tax rate of 25.0% in 2012 (2011: 25.0% and 2010: 25.5%) 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)	2012	2011	2010
Profit before income taxes	1,678	1,393	816
* Corporate income tax rate	25.0%	25.0%	25.5%
Expected (expense) for income taxes	(420)	(348)	(208)
Effects from tax rate differentials	(154)	(103)	(53)
Income from investments/associates	76	58	42
Tax credit for R&D expenses	54	68	59
Change of tax rate	(22)	(45)	(1)
Change in valuation allowances	44	(12)	(73)
Non-deductible expenses and tax-free income	(21)	(10)	(5)
Other	(6)	36	(5)
Reported tax (expense)	**(449)**	**(356)**	**(244)**

Changes in valuation allowances represent reassessments of the recoverability of deferred tax assets based on future taxable profits of certain companies mainly in the United Kingdom and in Germany. The amount of change in valuation allowances of €44 million in 2012 (2011: €-12 million) excludes a positive impact of €56 million (2011: €22 million) from a change in tax rates which is presented in the line "change of tax rate". Changes of tax rates in 2012 mainly relate to changes in the tax laws in the United Kingdom and in France. In 2011, the line "Other" mainly reflected a release of an income tax provision related to a reassessment of tax audit proceedings.

Deferred income taxes are the result of temporary differences between the carrying amounts of certain assets and liabilities in the financial statements and their tax bases. Future tax impacts from net operating losses and tax credit carry forwards are also considered in the deferred income tax calculation.

Deferred income taxes as of 31 December 2012 are related to the following assets and liabilities:

	31 December 2011[2] [3]		Other movements		Movement through income statement		31 December 2012	
(In € million)	*Deferred Tax assets*	*Deferred Tax liabilities*	*OCI/ IAS 19*	*Others[1]*	*R&D tax credits*	*Deferred tax benefit (expense)*	*Deferred Tax assets*	*Deferred Tax liabilities*
Intangible assets	27	(350)	0	1	0	52	153	(423)
Property, plant and equipment	242	(1,011)	0	(1)	0	12	381	(1,139)
Investments and other long-term financial assets	257	(99)	(34)	(1)	0	85	313	(105)
Inventories	1,192	(74)	0	1	0	596	1,752	(37)
Receivables and other assets	229	(1,900)	786	0	0	(1,341)	102	(2,328)
Prepaid expenses	2	(5)	0	0	0	(5)	1	(9)
Provision for retirement plans	883	0	347	4	0	(101)	1,133	0
Other provisions	2,060	(176)	0	1	0	224	2,385	(276)
Liabilities	1,059	(560)	(1,377)	3	0	235	684	(1,324)
Deferred income	161	(3)	0	0	0	29	225	(38)
Net operating loss and tax credit carry forwards	2,280	0	0	(18)	47	74	2,383	0
Deferred tax assets/(liabilities) before offsetting	**8,392**	**(4,178)**	**(278)**	**(10)**	**47**	**(140)**	**9,512**	**(5,679)**
Valuation allowances on deferred tax assets	(939)	0	0	20	0	100	(819)	0
Set-off	(3,135)	3,135	0	0	0	0	(4,175)	4,175
Net Deferred tax assets/(liabilities)	**4,318**	**(1,043)**	**(278)**	**10**	**47**	**(40)**	**4,518**	**(1,504)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.
(2) Deferred taxes on temporary differences of plan assets are reclassified compared to prior year's presentation.
(3) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Deferred income taxes as of 31 December 2011 are related to the following assets and liabilities:

	31 December 2010		Other movements		Movement through income statement		31 December 2011	
(In € million)	*Deferred Tax assets*	*Deferred Tax liabilities*	*OCI/ IAS 19*	*Others[1] [3]*	*R&D tax credits*	*Deferred tax benefit (expense)*	*Deferred Tax assets*	*Deferred Tax liabilities*
Intangible assets	10	(281)	0	(86)	0	34	27	(350)
Property, plant and equipment	228	(937)	0	(26)	0	(34)	242	(1,011)
Investments and other long-term financial assets[2]	159	(83)	17	4	0	61	257	(99)
Inventories	1,108	(140)	0	14	0	136	1,192	(74)
Receivables and other assets	740	(1,639)	(604)	32	0	(200)	229	(1,900)
Prepaid expenses	8	0	0	0	0	(11)	2	(5)
Provision for retirement plans[2]	877	0	167	1	0	(162)	883	0
Other provisions	1,888	(162)	0	7	0	151	2,060	(176)
Liabilities	613	(641)	751	3	0	(227)	1,059	(560)
Deferred income	181	0	0	3	0	(26)	161	(3)
Net operating loss and tax credit carry forwards	2,058	0	0	29	28	165	2,280	0
Deferred tax assets/(liabilities) before offsetting	**7,870**	**(3,883)**	**331**	**(19)**	**28**	**(113)**	**8,392**	**(4,178)**
Valuation allowances on deferred tax assets	(932)	0	0	(17)	0	10	(939)	0
Set-off[2]	(2,688)	2,688	0	0	0	0	(3,135)	3,135
Net Deferred tax assets/(liabilities)	**4,250**	**(1,195)**	**331**	**(36)**	**28**	**(103)**	**4,318**	**(1,043)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange effects.
(2) Deferred taxes on temporary differences of plan assets are reclassified compared to prior year's presentation.
(3) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

The amount of the Group's deferred tax assets' allowances is based upon management's estimate of the level of deferred tax assets that will be realised in the foreseeable future. In future periods, depending upon the Group's financial results, management's estimate of the amount of the deferred tax assets considered realisable may change, and hence the write down of deferred tax assets may increase or decrease. The Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. EADS believes that it has recorded adequate provisions for future income taxes that may be owed for all open tax years.

Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of € 923 million (in 2011: € 867 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 2012**	31 December 2011
Net Operating Losses (NOL)	1,839	1,787	158	2,972	228	6,984	6,645
Trade tax loss carry forwards	0	2,013	0	0	0	2,013	2,048
Tax credit carry forwards	0	0	381	0	2	383	323
Tax effect	**664**	**568**	**429**	**683**	**39**	**2,383**	**2,280**
Valuation allowances	(6)	(110)	(122)	(346)	(2)	(586)	(657)
Deferred tax assets on NOL's and tax credit carry forwards	**658**	**458**	**307**	**337**	**37**	**1,797**	**1,623**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable in France, Germany and in Great Britain. In Spain, NOLs and tax credit carry forwards expire after 18 years. The first tranche of tax credit carry forwards (€ 21 million) will expire in 2021.

Roll forward of deferred taxes:

(In € million)	**2012**	2011
Net deferred tax asset beginning of the year	**3,275**	**3,055**
Deferred tax (expense) in income statement	(40)	(103)
Deferred tax recognised directly in AOCI (IAS 39)	(625)	164
Variation of Defined benefit plan actuarial gains	347	167
Others	57	(8)[(1)]
Net deferred tax asset at year end	**3,014**	**3,275**[(1)]

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

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

(In € million)	**2012**	2011
Available-for-sale investments	(34)	(1)
Cash flow hedges	184	776
Defined benefit plan actuarial losses	982	635
Total	**1,132**	**1,410**

2.3 Notes to the Consolidated Statements of Financial Position (IFRS)

14. Intangible Assets

A schedule detailing gross values, accumulated depreciation and impairment and net values of intangible assets as of 31 December 2012 is as follows:

Cost

(In € million)	Balance at 1 January 2012	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	**Balance at 31 December 2012**
Goodwill	11,965[(1)]	4	5	199	4	0	12,177
Capitalised development costs	1,383[(1)]	5	488	0	79	0	1,955
Other intangible assets	2,523[(1)]	5	306	58	(78)	(78)	2,736
Total	**15,871[(1)]**	**14**	**799**	**257**	**5**	**(78)**	**16,868**

Amortisation / Impairment

(In € million)	Balance at 1 January 2012	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	**Balance at 31 December 2012**
Goodwill	(1,153)	(4)	(17)	0	0	0	(1,174)
Capitalised development costs	(418)	(1)	(171)	0	0	0	(590)
Other intangible assets	(1,514)	1	(243)	0	0	74	(1,682)
Total	**(3,085)**	**(4)**	**(431)**	**0**	**0**	**74**	**(3,446)**

Net Book Value

(In € million)	Balance at 1 January 2012	**Balance at 31 December 2012**
Goodwill	10,812[(1)]	11,003
Capitalised development costs	965[(1)]	1,365
Other intangible assets	1,009[(1)]	1,054
Total	**12,786[(1)]**	**13,422**

Additions to amortisation / impairment include impairment of capitalised development costs at Cassidian (€-74 million) based on a detailed re-usage analysis of respective intangible assets and latest business plan update as well as €-2 million at Airbus Commercial.

(1) Please refer to Note 4 “Acquisitions and Disposals”. Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

A schedule detailing gross values, accumulated depreciation and impairment and net values of intangible assets as of 31 December 2011 is as follows:

Cost

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Goodwill	10,934	33	0	1,020[1]	0	(22)	11,965[1]
Capitalised development costs	1,234	8	97	18[1]	26	0	1,383[1]
Other intangible assets	1,855	22	198	493[1]	25	(70)	2,523[1]
Total	**14,023**	**63**	**295**	**1,531[1]**	**51**	**(92)**	**15,871[1]**

Amortisation / Impairment

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Goodwill	(1,125)	(8)	(20)	0	0	0	(1,153)
Capitalised development costs	(288)	(1)	(116)	0	(13)	0	(418)
Other intangible assets	(1,311)	(5)	(241)	0	(21)	64	(1,514)
Total	**(2,724)**	**(14)**	**(377)**	**0**	**(34)**	**64**	**(3,085)**

Net Book Value

(In € million)	Balance at 1 January 2011		Balance at 31 December 2011
Goodwill	9,809		10,812[1]
Capitalised development costs	946		965[1]
Other intangible assets	544		1,009[1]
Total	**11,299**		**12,786[1]**

Additions to amortisation / impairment of capitalised development costs and other intangible assets are mainly accounted for in cost of sales.

Goodwill Impairment Tests

EADS performed goodwill impairment tests in the fourth quarter of the financial year on Cash Generating Unit (CGU) level where goodwill is allocated to.

As of 31 December 2012 and 2011, goodwill was allocated to CGUs, which is summarized in the following schedule on segment level:

(In € million)	Airbus Commercial	Airbus Military	Eurocopter	Astrium	Cassidian	Other Businesses	HQ / Conso.	**Consolidated**
Goodwill as of 31 December 2012	6,670	12	323	1,236	2,711	17	34	11,003
Goodwill as of 31 December 2011	6,672[1]	12	315[1]	1,212[1]	2,551	35	15	10,812[1]

In 2012 additional goodwill has been recognised due to acquisition of businesses within Cassidian (€ 159 million), Astrium (€ 21 million) and Headquarters (€ 19 million); for further details please refer to Note 4 “Acquisitions and disposals”.

The Astrium CGUs consist of Astrium Satellites, Astrium Space Transportation and Astrium Services (allocated goodwill 2012: € 657 million, 2011: € 653 million). Cassidian consists of two CGUs including MBDA with a goodwill of € 658 million (2011: € 656 million).

(1) Please refer to Note 4 “Acquisitions and Disposals”. Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

During the one-year windows period the 2011 Purchase Price Allocations were retrospectively adjusted which led to a total increase in goodwill of €52 million (increased goodwill in Airbus Commercial €+15 million and Astrium Services €+41 million, but decreased goodwill in Eurocopter €-4 million).

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 EADS impairment testing are based on operative planning.

The operative planning – approved by the Board of Directors on 13 December 2012 – takes into account general economic data derived from external macroeconomic and financial studies. 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 to 3% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA.

EADS follows an active policy of foreign exchange risk hedging. As of 31 December 2012, the total hedge portfolio with maturities up to 2020 amounts to US$84 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2013 to 2017). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2020 amounts to 1.35 US$/€ and for the US$/GBP hedge portfolio until 2018 amounts to 1.58 US$/GBP. For the determination of the operative planning in the CGUs management assumed future exchange rates of 1.35 US$/€ from 2013 onwards to convert in € the portion of future US$ which are not hedged. Foreign exchange exposure arises mostly from Airbus and to a lesser extent from the other EADS divisions.

The assumption for the perpetuity growth rate used to calculate the terminal values as of 31 December 2012 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 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 Commercial

The goodwill allocated to Airbus Commercial mainly relates to the creation of EADS 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 EADS 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 42 a/c, of the Long Range-programme to 10 a/c and of the A380 - programme to 2.7 a/c. 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 2012. 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 flow projections include all of the estimated cost savings of the Power8/Power8 Plus programme as well as non-recurring cost improvement plan and benefits from initiatives already launched in the frame of "Future EADS";
- cash flows are discounted using a euro weighted average cost of capital pre-tax (WACC) of 10.2% (in 2011: 10.4%);
- 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 Commercial, 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 EADS accounts;
- change of the WACC: An increase of 50 basis points in the WACC would not imply an impairment charge in the EADS accounts.

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

Airbus Military

For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 8.3% (in 2011: 8.7%).

A400M launch order from OCCAR is included as per assumptions used for the preparation of these Consolidated Financial Statements. A400M is based on the contract amendment negotiations with OCCAR and the seven A400M launch customer nations finalised on 7 April 2011.

This is the reference for projected cash flows for the next five years. 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.

Value in use of the CGU Airbus Military is above carrying value, indicating no goodwill impairment for 2012 and 2011.

Other Segments

In order to reflect the different underlying business risks, a segment specific WACC factor has been applied. For Eurocopter the cash flows were discounted using a weighted average cost of capital pre-tax (WACC) of 9.5% (in 2011: 9.6%), whereas Cassidian applied a weighted average cost of capital pre-tax (WACC) of 8.3% (in 2011: 8.8%) and Astrium applied a pre-tax WACC of 9.5% (in 2011: 9.8%). Cash flow projections are based on operative planning covering a five-year planning period.

The strong order book of the Cassidian Division as of 31 December 2012 supports the stable revenues, which are assumed for this Division over the operative planning period despite unfavourable conditions on the domestic markets. This is driven by further key orders from global markets for Missile export, Security and Communication Solutions, Integrated Systems, Electronic Warfare and Radar business. Any further major Eurofighter export campaign that will be secured represents additional upsides and will strongly contribute to further growth and profitability of Cassidian. Main key achievements in 2012 are the Eurofighter Sustainment Contract, Oman joining the international Eurofighter defence programme and contract award for Alliance Ground Surveillance (AGS). Following continued efforts for globalisation and product renewal, the Division continuously expects a strong and increasing performance over the operative planning period thanks to the investment in new products and cost efficiency programmes.

The strong order book of the Astrium Division as of 31 December 2012 (including satellites, launchers, ballistic missiles and military telecom services) supports the positive revenue development which is assumed for this Division over the operative planning period. Main key achievements in 2012 are the successful launch of 9 Astrium-built satellites, including 4 telecommunication satellites and 5 Earth observation, navigation and sciences satellites (including the second pair of Galileo IOVs deployed in orbit completing the initial consolidation of 4 satellites), 7 successful Ariane 5 launches, the successful mission of the third Automated Transfer Vehicle spacecraft and the confirmation of Astrium key programmes at ESA Ministerial Conference. Based on these achievements, the planning period is characterised by further order intake in home countries and export market in established key areas (*e.g.* M51, Ariane 5 production, Ariane 5 ME, MPCV, telecom and Earth observation satellites), as well as business development in telecom services and Earth observation services. The operating margin and the Free Cash Flow are planned to increase continuously, supported by existing process improvement programmes.

The recoverable amounts of all CGU's in Cassidian, Astrium and Eurocopter have exceeded their carrying amounts, indicating no goodwill impairment for 2012 and 2011.

The goodwill of Other Businesses fully relates to the CGU EADS North America reflecting the business activities in the US. For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 8.5% (in 2011: 8.9%). The annual impairment test resulted in an impairment charge of € 17 million in 2012.

Development Costs

EADS has capitalised development costs in the amount of € 1,365 million as of 31 December 2012 (€ 965[1] million as of 31 December 2011) as internally generated intangible assets mainly for the Airbus A380 and A350 XWB 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. Since 1 April 2012, a total amount of € 366 million was capitalised.

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

15. 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 2012:

Cost

(In € million)	Balance at 1 January 2012	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	**Balance at 31 December 2012**
Land, leasehold improvements and buildings including buildings on land owned by others	8,044	14	321	44	149	(30)	8,542
Technical equipment and machinery	13,376[1]	86	366	24	1,558	(117)	15,293
Other equipment, factory and office equipment	3,882[1]	(22)	567	(29)	(126)	(426)	3,846
Construction in progress	3,011	12	1,586	3	(1,141)	(30)	3,441
Total	**28,313**[1]	**90**	**2,840**	**42**	**440**	**(603)**	**31,122**

Depreciation / Impairment

(In € million)	Balance at 1 January 2012	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	**Balance at 31 December 2012**
Land, leasehold improvements and buildings including buildings on land owned by others	(3,547)	(3)	(339)	0	(30)	10	(3,909)
Technical equipment and machinery	(8,145)	(54)	(883)	0	(456)	116	(9,422)
Other equipment, factory and office equipment	(2,475)	10	(399)	0	79	190	(2,595)
Construction in progress	0	0	0	0	0	0	0
Total	**(14,167)**	**(47)**	**(1,621)**	**0**	**(407)**	**316**	**(15,926)**

Net Book Value

(In € million)	Balance at 1 January 2012	**Balance at 31 December 2012**
Land, leasehold improvements and buildings including buildings on land owned by others	4,497	4,633
Technical equipment and machinery	5,231[1]	5,871
Other equipment, factory and office equipment	1,407[1]	1,251
Construction in progress	3,011	3,441
Total	**14,146**[1]	**15,196**

Additions to depreciation / impairment include impairment of technical equipment and machinery at Cassidian (€ -26 million) as well as impairment of land and buildings (€ -8 million), technical equipment and machinery (€ -16 million) and other equipment (€ -4 million) at Airbus Commercial.

(1) Please refer to Note 4 “Acquisitions and Disposals”. Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Schedules detailing gross values, accumulated depreciation and impairment and net values of property, plant and equipment show the following as of 31 December 2011:

Cost

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	7,364	23	88	79	490	0	8,044
Technical equipment and machinery	12,517	130	222	57(1)	565	(115)	13,376(1)
Other equipment, factory and office equipment	3,712	42	428	40(1)	103	(443)	3,882(1)
Construction in progress	2,517	29	1,404	32	(969)	(2)	3,011
Total	**26,110**	**224**	**2,142**	**208(1)**	**189**	**(560)**	**28,313(1)**

Depreciation / Impairment

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	(3,192)	(7)	(266)	0	(82)	0	(3,547)
Technical equipment and machinery	(7,299)	(79)	(803)	0	(2)	38	(8,145)
Other equipment, factory and office equipment	(2,192)	(27)	(297)	0	(14)	55	(2,475)
Construction in progress	0	0	0	0	0	0	0
Total	**(12,683)**	**(113)**	**(1,366)**	**0**	**(98)**	**93**	**(14,167)**

Net Book Value

(In € million)	Balance at 1 January 2011		Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	4,172		4,497
Technical equipment and machinery	5,218		5,231(1)
Other equipment, factory and office equipment	1,520		1,407(1)
Construction in progress	2,517		3,011
Total	**13,427**		**14,146(1)**

(1) Please refer to Note 4 “Acquisitions and Disposals”. Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Property, plant and equipment include at 31 December 2012 and 2011, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of € 148 million and € 141 million, net of accumulated depreciation of €74 million and €60 million. The related depreciation expense for 2012 was € 14 million (2011: € 11 million; 2010: € 10 million).

Other equipment, factory and office equipment include the net book value of "aircraft under operating lease" for € 576 million and € 574 million as of 31 December 2012 and 2011, respectively; related accumulated depreciation is € 720 million and € 746 million. Depreciation expense for 2012 amounts to € 52 million (2011: € 59 million; 2010: € 31 million).

The "aircraft under operating lease" include:

i) 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 2012 are as follows:

(In € million)	
Not later than 2013	75
Later than 2013 and not later than 2017	188
Later than 2017	152
Total	**415**

ii) Aircraft which have been accounted as "operating lease" because they were sold under terms that include asset value guarantee commitments with the present value of the guarantee being more than 10% of the aircraft's sales price (assumed to be the fair value). Upon the initial sale of these aircraft to the customer, their total cost previously recognised in inventory is transferred to "Other equipment, factory and office equipment" and depreciated over its estimated useful economic life, with the proceeds received from the customer being recorded as deferred income (see Note 30 "Deferred income").

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

(In € million)	**31 December 2012**	31 December 2011
(i) Net book value of aircraft under operating lease before impairment charge	693	497
Accumulated impairment	(223)	(127)
Net book value of aircraft under operating lease	470	370
(ii) Aircraft under operating lease with the present value of the guarantee being more than 10%	106	204
Total Net Book value of aircraft under operating lease	**576**	**574**

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 € 346 million as of 31 December 2012 compared to 2011 of € 361 million.

16. 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 2011	Book value 31 December 2011	Disposals Historical cost	Depreciation/ Amortisation	Accumulated depreciation 31 December 2012	**Book value 31 December 2012**
Book value of Investment Property	211	(137)	74	0	(2)	(139)	72

As of 31 December 2012, the fair value of the Group's investment property amounts to €79 million (in 2011: €80 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 2012 is €8 million (in 2011: €9 million) with direct operating expenses amounting to €1 million (in 2011: €1 million).

17. Investments in Associates Accounted for Under the Equity Method, Other Investments and Other Long-Term Financial Assets

The following table sets forth the composition of investments in associates accounted for under the equity method, other investments and other long-term financial assets:

(In € million)	**31 December 2012**	31 December 2011
Investments in associates accounted for under the equity method	**2,662**	**2,677**
Non-current other investments and other long-term financial assets		
Other investments	596	466
Other long-term financial assets	1,519	1,886(1)
Total non-current other investments and other long-term financial assets	**2,115**	**2,352(1)**
Current portion of other long-term financial assets	**287**	**172**

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Investments in associates accounted for under the equity method as of 31 December 2012 and 2011, mainly comprise EADS' interest in Dassault Aviation (46.32% at 31 December 2012 and 2011) of €2,519 million and €2,552 million. Since for the second half-year 2012 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of 2012 financial statements, EADS used a best estimate for the net income of the second half year 2012 of Dassault Aviation. The equity investment in Dassault Aviation includes an IFRS catch-up adjustment for income and other comprehensive income relating to prior period. The 30 June 2012 equity components have been used to estimate the 2012 year-end consolidated equity position of Dassault Aviation.

Since for the second half-year 2011 no financial information was available from Dassault Aviation at the date of authorisation for issue of 2011 financial statements, EADS used a best estimate for the net income of the second half year 2011 of Dassault Aviation. The equity investment in Dassault Aviation included an IFRS catch-up adjustment for income and other comprehensive income relating to prior period. The 30 June 2011 equity components have been used to estimate the 2011 year-end consolidated equity position of Dassault Aviation.

EADS' 46.32% interest in Dassault Aviation's market capitalisation, derived from an observable free float of 3.5%, amounts to €3,490 million as of 31 December 2012 (as of 31 December 2011: €2,673 million).

The following table reflects summarised most recent published proportionate financial information of Dassault Aviation in which EADS holds 46.32%:

(In € million)	30 June 2012	31 December 2011
Share of the associate's financial position:		
Non-current assets	2,624	2,587
Current assets	2,092	2,127
Non-current liabilities	125	128
Current liabilities	2,566	2,519
Total equity	**2,025**	**2,067**
Share of the associate's revenues and profit:	**6 months**	**12 months**
Revenues	894	1,531
Net Income	88	149

(In € million)	31 December 2012	31 December 2011
Carrying amount of the investment at 31 December	**2,519**	**2,552**

Further significant associates, being accounted for under the equity method (like Air Tanker, Daher-Socata SA, Patria Oyi, United Monolithic Semiconductors and ESG), are stated in aggregate in the following table:

(In € million)	31 December 2012	31 December 2011
Share of the associate's financial position:		
Non-current assets	1,271	1,079
Current assets	256	248
Non-current liabilities	1,344	1,165
Current liabilities	285	279
Total equity	**(102)**	**(117)**
Share of the associate's revenues and profit:	**12 months**	**12 months**
Revenues	551	571
Net Income	38	24

(In € million)	31 December 2012	31 December 2011
Carrying amount of the investments	**125**	**109**

The cumulative unrecognised comprehensive loss in 2012 amounts to € -226 million (thereof € -5 million for the period).

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

Other investments mainly comprise EADS' participations, the most significant being at 31 December 2012 the participations in CARMAT SAS (EADS share: 30.7%) amounting to € 161 million (2011: € 106 million) and AviChina (EADS share: 5.0%) amounting to € 92 million (2011: € 80 million).

Other long-term financial assets of € 1,519 million (2011: € 1,886[(1)] million) and the **current portion of other long-term financial assets** of € 287 million (in 2011: € 172 million) encompass other loans in the amount of € 863 million and € 925[(1)] million as of 31 December 2012 and 2011, available-for-sale securities for part time retirement and deferred compensation amounting to € 203 million and € 184 million as of 31 December 2012 and 2011 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).

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

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:

(In € million)	31 December 2012	31 December 2011
Outstanding gross amount of loans to customers	424	503
Accumulated impairment	(60)	(82)
Total net book value of loans	**364**	**421**

Finance lease receivables from aircraft financing are as follows:

(In € million)	31 December 2012	31 December 2011
Minimum lease payments receivables	462	697
Unearned finance income	(14)	(79)
Accumulated impairment	(72)	(90)
Total net book value of finance lease receivables	**376**	**528**

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

(In € million)	
Not later than 2013	183
Later than 2013 and not later than 2017	139
Later than 2017	140
Total	**462**

18. Inventories

Inventories at 31 December 2012 and 2011 consist of the following:

(In € million)	31 December 2012	31 December 2011
Raw materials and manufacturing supplies	2,397	1,980
Work in progress	15,464	14,803
Finished goods and parts for resale	1,888	1,719
Advance payments to suppliers	3,467	4,061
Total	**23,216**	**22,563**

The increase in work in progress of €+661 million is mainly driven by Airbus Commercial and Eurocopter programmes, partly offset by Cassidian and Astrium programmes. Raw materials were built-up at Airbus, at Eurocopter and at Cassidian. Advance payments provided to suppliers mainly decrease at Astrium, at Cassidian and Eurocopter, partly compensated by higher advance payments made at Airbus.

The finished goods and parts for resale before write down to net realisable value amount to €2,481 million in 2012 (2011: €2,220 million) and work in progress before write down to net realisable value amounts to €17,599 million (2011: €16,270 million). Write downs for finished goods and services are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2012, write downs of inventories in the amount of €-368 million (2011: €-194 million) are recognised in Cost of Sales, whereas reversal of write downs amounts to €80 million (2011: €132 million). At 31 December 2012 €4,009 million of work in progress and €1,348 million of finished goods and parts for resale were carried at net realisable value.

19. Trade Receivables

Trade receivables at 31 December 2012 and 2011 consist of the following:

(In € million)	31 December 2012	31 December 2011
Receivables from sales of goods and services	7,138	6,760[1]
Allowance for doubtful accounts	(348)	(366)
Total	**6,790**	**6,394**[1]

The **trade receivables** increase by €+396 million mainly caused by Airbus (€+214 million), Eurocopter (€+145 million) and Astrium (€+60 million).

Trade receivables are classified as current assets. As of 31 December 2012 and 2011, respectively, €1,407 million and €668 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 2012 an amount of €1,946 million (in 2011: €2,170 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 €58,206 million comparable to €55,858 million at year-end 2011.

The **gross amount due from customers** for construction work amounts to €3,746 million (in 2011: €4,204 million) and relates to construction contracts where incurred contract costs plus recognised profits less the sum of recognised losses exceed progress billings.

The **gross amount due to customer**s amounts to €1,190 million (in 2011: €1,688 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)	31 December 2012	31 December 2011
Allowance balance at 1 January	(366)	(321)
Utilisations / disposals	10	11
(Additions) / release	8	(56)
31 December	**(348)**	**(366)**

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 €4,776 million (in 2011: €4,120[1] million).

(1) Please refer to Note 4 “Acquisitions and Disposals”. Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

20. Other Financial Assets

Other financial assets at 31 December 2012 and 2011 consist of the following:

(In € million)	31 December 2012	31 December 2011
Non-current other financial assets		
Positive fair values of derivative financial instruments	1,197	486
Option premiums	41	12
Others	148	133
Total	**1,386**	**631**
Current other financial assets		
Positive fair values of derivative financial instruments	321	404
Receivables from related companies	757	871
Loans	31	78
Others	339	386
Total	**1,448**	**1,739**

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21. Other Assets

Other assets at 31 December 2012 and 2011 consist of the following:

(In € million)	31 December 2012	31 December 2011
Non-current other assets		
Prepaid expenses	1,223	1,050
Capitalised settlement payments to German Government	0	35
Others	192	168
Total	**1,415**	**1,253**
Current other assets		
Value added tax claims	1,001	1,130
Prepaid expenses	586	591
Others	459	532
Total	**2,046**	**2,253**

22. Securities

The Group's security portfolio amounts to €8,315 million and €11,501 million as of 31 December 2012 and 2011, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of €5,978 million (in 2011: €7,212 million) and securities designated at fair value through profit or loss of €9 million (in 2011: €17 million) as well as a **current portion** of available-for-sale-securities of €2,328 million (in 2011: €4,222 million) and securities designated at fair value through profit or loss of €0 million (in 2011: €50 million).

Included in the securities portfolio as of 31 December 2012 and 2011, respectively, are corporate and government bonds bearing either fixed rate coupons (€7,400 million nominal value; comparably in 2011: €10,075 million) or floating rate coupons (€563 million nominal value; comparably in 2011: €1,057 million) as well as Structured Rate Notes (€0 million nominal value; 2011: €175 million) and foreign currency Funds of Hedge Funds (€14 million nominal value; 2011: €19 million).

23. Total Equity

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

(In number of shares)	2012	2011
Issued as at 1 January	**820,482,291**	**816,402,722**
Issued for ESOP	2,177,103	2,445,527
Issued for exercised options	5,261,784	1,712,892
Cancelled	(553,233)	(78,850)
Issued as at 31 December	**827,367,945**	**820,482,291**
Treasury shares as at 31 December	(5,226,305)	(5,585,780)
Outstanding as at 31 December	**822,141,640**	**814,896,511**

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

On 31 May 2012, the Shareholders' General Meeting of EADS renewed the authorisation given to the Board of Directors to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital, provided that such powers will be limited to 0.15% 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 Shareholders' General Meeting to be held in 2013. The mentioned powers include without limitation the approval of share-related long-term incentive plans (such as stock option, performance and restricted share plans) and employee share ownership plans. They may also include the granting of rights to subscribe for shares which can be exercised at a time that may be specified in or pursuant to such plans and the issue of shares to be paid up from freely distributable reserves.

The Shareholders' General Meeting on 31 May 2012 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 supersedes and replaces the authorisation given by the Annual General Meeting of 26 May 2011.

Furthermore, the Shareholders' General Meeting authorised both the Board of Directors and the Chief Executive Officer, with powers of substitution, to cancel up to a maximum of 553,233 shares. As per decision of the Chief Executive Officer, on 8 August 2012, 553,233 shares have been cancelled.

On 31 May 2012, the Shareholders' General Meeting decided to add the net profit of the fiscal year 2011 of €1,033 million to retained earnings. It also decided to distribute a gross amount of €0.45 per share, which was paid on 7 June 2012. For the fiscal year 2012, the EADS Board of Directors proposes a cash distribution payment of €0.60 per share.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of €5,261,784 (in 2011: €1,712,892) in compliance with the implemented stock option plans and by employees of €2,177,103 (in 2011: €2,445,527) under the Employee Stock Ownership Plans.

Share premium mainly results from contributions in kind in the course of the creation of EADS, 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 EADS N.V. shareholders. In 2012, € 13 million are reclassified from currency translation adjustments to profit or loss. Treasury shares represent the amount paid for own shares held in treasury.

24. Capital Management

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

As part of its capital management, it is one of EADS' objectives to maintain a strong credit rating by institutional rating agencies. This enables EADS to contain the Group's 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 capital ratios, cash flow ratios, profitability and liquidity ratios. EADS focuses on keeping them in a preferable range.

Standard & Poor's upgraded EADS' short-term rating to A-1 from A-2 and reconfirmed EADS' long-term A- rating and positive outlook on 2 October 2012. Moody's Investors Services upgraded EADS' Base Credit Assessment (BCA) to A3 from Baa1 on 20 November 2012 while reducing the Government Related Issuer (GRI) rating from A1 to A2 (stable outlook) as a result of the announced change in EADS governance and shareholding structure. In accordance with its conservative financial policy it is essential for EADS to maintain a strong investment grade rating.

EADS' management uses a Value Based Management approach in order to guide the Company towards management for sustainable value creation. The key elements of the Value Based Management concept are:

— the measurement of value creation;

— prioritisation of actions based on the financial value drivers and operational business drivers; and

— the assessment of value creation with reference to the competition and the industry in total.

EADS developed the following guiding principles with regard to this value based management approach:
Financial value is created if profits exceed the cost of the capital. For operational value creation deployment, EADS and its divisions internally plan and report on Return on Capital Employed (RoCE) which is defined as EBIT pre-goodwill impairment and exceptionals divided by Average Capital Employed. Average Capital Employed for the EADS Group is defined as the average of the opening and closing positions of: Fixed Assets plus Net Operating Working Capital plus operating cash less Other Provisions. A five year plan for a value creation ambition is annually constructed, which is decomposed into (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 and Contribution to plan assets for pensions. EADS' RoCE long-term aspiration is to reach the first quartile of our peers.

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

EADS 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, EADS 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, EADS generally does not trade with treasury shares.

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

25. Provisions

Provisions are comprised of the following:

(In € million)	31 December 2012	31 December 2011
Provision for retirement plans (see Note 25b)	5,986	5,463
Provision for deferred compensation (see Note 25a)	447	358
Retirement plans and similar obligations	**6,433**	**5,821**
Other provisions (see Note 25c)	9,428	9,179[(1)]
Total	**15,861**	**15,000[(1)]**
Thereof non-current portion	9,816	9,144[(1)]
Thereof current portion	6,045	5,856[(1)]

As of 31 December 2012 and 2011, respectively, €6,121 million and €5,628 million of retirement plans and similar obligations and €3,695 million and €3,516[(1)] million 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 in 2012 is as follows:

(In € million)	Balance at 1 January 2012	Utilisation	Transfer to other liabilities	Change in consolidated group	Actuarial (gains) and losses	Additions	Increase from passage of time	Balance at 31 December 2012
Deferred Compensation	358	(2)	(6)	2	45	35	15	447

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.

French law stipulates that employees are paid retirement indemnities on the basis of the length of service.

In Germany, EADS 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 the new 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. EADS implemented a Contractual Trust Arrangement (CTA) for EADS' pension obligation. The CTA structure is that of a bilateral trust arrangement. Assets that are transferred to the CTA qualify as plan assets under IAS 19.

In the UK, the EADS Astrium Pension Scheme was implemented by Astrium Ltd., Stevenage (UK). This plan comprises all eligible employees of Astrium Ltd. as well as all personnel, who is newly recruited by one of the EADS companies located in the UK. The majority of the Scheme's liabilities relates to Astrium Ltd. Moreover, EADS 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". EADS' most significant investments in terms of employees participating in these BAE Systems UK pension plans are Airbus Operations Ltd., UK and MBDA UK Ltd., UK. Participating Airbus Operations Ltd., UK employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between EADS and BAE Systems and a change in UK pensions legislation enacted in April 2006.

Generally, 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 EADS 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.

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

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

Based on detailed information about the different multi-employer pension schemes provided by BAE Systems, EADS 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 EADS 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 31 December 2012 and 2011, taking into account the impact of the capped contributions as well as future extra contributions agreed by BAE Systems with the Trustees. Therefore, EADS accounts for its participation in BAE Systems' UK defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

In 2012, the share of Airbus in BAE Systems' main schemes amounts to 19.57% (in 2011: 17.76%). The impact of this change is mainly reflected in actuarial gains and losses of the period.

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.

2

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

	Germany			France			UK			BAE Systems UK		
	31 December			*31 December*			*31 December*			*31 December*		
Assumptions in %	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Discount rate	3.7	4.5	4.7	3.5	4.75	4.75	4.7	4.8	5.4	4.5	4.8	5.5
Rate of compensation increase	3.25	3.0	3.0	3.1-3.5	3.1	3.0-3.5	3.5	3.6	4.0	3.4	3.4	4.4
Inflation rate	2.0	2.0	1.75	2.0	2.0	2.0	2.8	2.9	3.3	2.9	2.9	3.4
Expected return on plan assets as of 1 January	5.5	6.5	6.5	4.0	6.5	6.5	5.4	5.8	5.8	5.5	6.9	7.1

EADS 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 in 2012 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.

An increase of the discount rate for the pension plans in Germany and France of +0.25% would decrease the DBO by €204 million, whereas a corresponding decrease by -0.25% would increase the DBO by €200 million.

The amount recorded as provision in the Consolidated Statement of Financial Position can be derived as follows:

Change in defined benefit obligations

(In € million)	**2012**	2011	2010
Defined benefit obligations at beginning of year	10,639	9,645	8,845
Service cost	289	265	237
Interest cost	505	472	483
Plan amendments and curtailments	30	0	0
Actuarial (gains) and losses	1,463	506	387
Acquisitions and other	81	46	(19)
Benefits paid	(463)	(408)	(382)
Foreign currency translation adjustment	68	113	94
Defined benefit obligations at end of year	**12,612**	**10,639**	**9,645**

Included in the line "acquisitions and others" are €99 million from acquisitions in 2012 (2011: €61 million; 2010: €1 million).

Actuarial losses which are related to the BAE Systems UK pension plans amount to €567 million (2011: €213 million; 2010: €16 million) and foreign currency translation adjustment amounts to €73 million (2011: €99 million, 2010: €84 million).

Change in plan assets

(In € million)	**2012**	2011	2010
Fair value of plan assets at beginning of year	5,135	4,662	3,706
Expected return on plan assets	304	317	272
Actuarial gains and losses on plan assets	477	(222)	283
Contributions	856	489	553
Acquisitions and other	31	47	13
Benefits paid	(278)	(244)	(230)
Foreign currency translation adjustments	63	86	65
Fair value of plan assets at end of year	**6,588**	**5,135**	**4,662**

The actuarial gains and losses on plan assets include among others, also €429 million (2011: €-10 million; 2010: €251 million) relating to the BAE Systems' UK pension plans. Furthermore, €-158 million (2011: €-136 million; 2010: €-123 million) of benefits paid and €53 million (2011: €71 million; 2010: €57 million) of foreign currency translation adjustments relate to BAE Systems' UK pension plans.

In 2012, EADS companies contributed in total €856 million (2011: €489 million; 2010: €553 million) in cash. Main contributions were made into the CTA with €583 million (2011: €300 million; 2010: €300 million), into the relief fund in Germany with €96 million (2011: €94 million; 2010: €125 million) and the BAE Systems UK pension plans with €126 million (2011: €78 million; 2010: €66 million). In 2013, further contributions are intended.

In 2012, 45% (in 2011: 47%) of plan assets are invested in debt securities and 40% (in 2011: 38%) in equity securities. The remaining plan assets are mainly invested in other securities, property and cash.

Recognised Provision

(In € million)	**2012**	2011	2010	2009	2008
Funded status[(1)]	6,024	5,504	4,983	5,139	4,442
Unrecognised past service cost	(38)	(41)	(45)	(49)	(55)
Provision recognised in the statements of financial position	**5,986**	**5,463**	**4,938**	**5,090**	**4,387**

(1) Difference between the defined benefit obligations and the fair value of plan assets at the end of the year.

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. The provision contains the funded status less any unrecognised past service cost.

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

(In € million)	2012	2011	2010
Service cost	289	265	237
Interest cost	505	472	483
Expected return on plan assets	(304)	(317)	(272)
Past service cost	33	4	4
Net periodic pension cost	**523**	**424**	**452**

The expected return on plan assets for BAE Systems' UK pension plans amounts to €-147 million (in 2011: €-151 million).

Actuarial gains and losses for retirement plans and deferred compensation are recognised net of deferred taxes in total equity and develop as follows:

2

Actuarial gains and losses recognised directly in total equity (cumulative)

(In € million)	2012	2011	2010
Cumulative amount at 1 January	(3,023)	(2,277)	(2,140)
Recognised during the period	(1,116)	(746)	(137)
Cumulative value at 31 December	**(4,139)**	**(3,023)**	**(2,277)**
Deferred Tax Asset at 31 December	982	635	468
Actuarial gains and losses recognised directly in equity, net	**(3,157)**	**(2,388)**	**(1,809)**

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2012 amount to €623 million (in 2011: €643 million).

c) Other Provisions

Movements in provisions during the year were as follows:

(In € million)	Balance at 1 January 2012	Exchange differences	Increase from passage of time	Additions	Reclassification/ Change in consolidated group	Used	Released	**Balance at 31 December 2012**
Contract losses	3,252	0	65	251	(742)	(119)	(69)	2,638
Outstanding costs	2,071	0	0	729	259	(566)	(127)	2,366
Aircraft financing risks	959	(7)	60	39	3	(248)	(2)	804
Personnel charges	570	(1)	1	428	10	(272)	(10)	726
Obligation from services and maintenance agreements	380	0	14	38	2	(58)	(2)	374
Warranties	373	(1)	8	288	8	(50)	(21)	605
Restructuring measures/ pre-retirement part-time work	220(1)	3	2	176	10	(73)	(9)	329
Litigations and claims	185	(1)	0	43	3	(18)	(6)	206
Asset retirement	104	0	3	6	0	0	(1)	112
Other risks and charges	1,065(1)	1	2	683	(120)	(204)	(159)	1,268
Total	**9,179(1)**	**(6)**	**155**	**2,681**	**(567)**	**(1,608)**	**(406)**	**9,428**

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

The provision for contract losses mainly relates to Airbus Military in conjunction with the A400M and to the A350 programme in Airbus Commercial.

The addition to provisions for outstanding costs mainly relates to Eurocopter and Cassidian and mainly corresponds to tasks to complete on construction contracts.

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 €92 million (€224 million at 31 December 2011) and asset value risks of €712 million (€735 million at 31 December 2011) related to Airbus, Eurocopter and ATR (see Note 33 "Commitments and contingencies").

The addition to provision for restructuring measures / pre-retirement part-time work mainly relates to Cassidian.

"Reclassification / Change in consolidated group" mainly relates to offsetting of contract provisions to respective inventories.

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

In 2011, EADS entered into US$ 721 million long-term credit agreement with EIB (European Investment Bank) maturing in 2021 under which EADS pays variable interest rate of 3 month USD Libor +0.849%. Concurrently, EADS swapped the variable interest rate into fixed rate of 3.2%. In 2004, the EIB (European Investment Bank) granted a long-term loan to EADS in the amount of US$ 421 million maturing in 2014 and bearing a fixed interest rate of 5.1% (effective interest rate 5.1%). In 2011, EADS entered into a US$ 300 million credit facility maturing in 2021 with the Development Bank of Japan under which EADS drew the full amount and pays a variable interest rate of 3 month USD Libor +1.15%. Concurrently, EADS swapped the variable interest rate into fixed rate of 4.8%.

EADS issued under its EMTN Programme (Euro Medium Term Note Programme) two currently outstanding euro denominated bonds. The first issue of €0.5 billion maturing in 2018 carries a coupon of 5.5% (effective interest rate 5.6%) which was swapped during 2005 into variable rate of 3M-Euribor +1.72%. The second issue of € 1 billion in 2009 maturing 2016 carries a coupon of 4.625% (effective interest rate 4.7%) which was swapped into variable rate of 3M-Euribor +1.57%. 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 € 195 million (2011: € 224 million).

EADS 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 issued volume at 31 December 2012 amounted to € 165 million (2011: €0 million). The programme has been set up in 2003 with a maximum volume of €2 billion.

Financing liabilities include liabilities connected with sales financing transactions amounting to €345 million (2011: €532 million), mainly at variable interest rates.

Non recourse Airbus financing liabilities (risk is supported by external parties) amount to €345 million (2011: €455 million).

(In € million)	**31 December 2012**	31 December 2011
Bonds	1,669	1,605
thereof due in more than five years: 579 (31 December 2011: 549)		
Liabilities to financial institutions	1,382	1,480
thereof due in more than five years: 561 (31 December 2011: 679)		
Loans	287	372
thereof due in more than five years: 56 (31 December 2011: 185)		
Liabilities from finance leases	168	171
thereof due in more than five years: 69 (31 December 2011: 112)		
Long-term financing liabilities	**3,506**	**3,628**
Bonds	165	0
Liabilities to financial institutions	53	74
Loans	189	279
Liabilities from finance leases	13	13
Others	853	1,110
Short-term financing liabilities (due within one year)	**1,273**	**1,476**
Total	**4,779**	**5,104**

Included in "Others" are financing liabilities to joint ventures. The reduction mainly reflects a dividend from MBDA.

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2012 as follows:

(In € million)	Financing liabilities
2013	1,273
2014	539
2015	219
2016	1,316
2017	167
Thereafter	1,265
Total	**4,779**

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2011 as follows:

(In € million)	Financing liabilities
2012	1,476
2013	139
2014	482
2015	209
2016	1,273
Thereafter	1,525
Total	**5,104**

27. Other Financial Liabilities

(In € million)	31 December 2012	31 December 2011
Non-current other financial liabilities		
European Governments refundable advances	5,754	5,526
Liabilities for derivative financial instruments	1,159	2,140
Others	545	527
Total	**7,458**	**8,193**
Current other financial liabilities		
Liabilities to related companies	26	10
Liabilities for derivative financial instruments	852	995
Others	837	682
Total	**1,715**	**1,687**

European Governments refundable advances including interest accretion for the total amount of € 406 million representing obligations arising out of contracts associated with the long-range programme in Airbus Commercial have been settled as a result of actions taken by Airbus in 2011, due to the termination of the A340 programme. The release of the liabilities has positively affected the 2011 Consolidated Income Statement before taxes by € 192 million in other income and by € 120 million in interest result. The settlement has further resulted in an associated operating cash outflow of € 94 million in the fourth quarter 2011.

Regarding the interest expenses on European Governments refundable advances see Note 12 "Total finance costs". Due to their specific nature, namely their risk-sharing features and the fact that such advances are generally granted to EADS on the basis of significant development projects, European Governments refundable advances are accounted for by EADS 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 € 1,713 million (2011: € 1,753 million) due within one year and € 3,847 million (2011: € 4,526 million) maturing after more than five years.

28. Other Liabilities

(In € million)	31 December 2012	31 December 2011
Non-current other liabilities		
Customer advance payments	9,881	9,256
Others	643	561 [1]
Total	**10,524**	**9,817 [1]**
Current other liabilities		
Customer advance payments	25,333	25,006
Tax liabilities (excluding income tax)	592	595
Others	2,258	2,069
Total	**28,183**	**27,670**

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Included in "Other liabilities" are € 25,164 million (2011: € 23,617 million) due within one year and € 3,746 million (2011: € 3,493 million) maturing after more than five years.

Advance payments received relating to construction contracts amount to € 10,037 million (2011: € 9,586 million) mainly resulting from Airbus Military (€ 3,955 million), Astrium (€ 2,936 million), Cassidian (€ 2,136 million) and Eurocopter (€ 997 million).

29. Trade Liabilities

As of 31 December 2012, trade liabilities amounting to € 74 million (€ 74 million as of 31 December 2011) mature after more than one year.

30. Deferred Income

(In € million)	31 December 2012	31 December 2011
Non-current deferred income	212	290
Current deferred income	1,057	875
Total	**1,269**	**1,165**

Deferred income includes sales of Airbus and ATR aircraft with asset value guarantee commitments which are accounted for as operating leases (€ 117 million and € 198 million as of 31 December 2012 and 2011, respectively).

2.4 Notes to the Consolidated Statements of Cash Flows (IFRS)

31. Consolidated Statements of Cash Flows

As of 31 December 2012, EADS' cash position (stated as cash and cash equivalents in the Consolidated Statements of Cash Flows) includes €374 million (€710 million and €735 million as of 31 December 2011 and 2010, respectively) which represent EADS' share in MBDA's cash and cash equivalents, deposited at BAE Systems and Finmeccanica and which are available upon demand.

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)	31 December 2012	31 December 2011	31 December 2010
Total purchase price	(259)	(1,631)	(45)
thereof paid in cash and cash equivalents	(259)	(1,631)	(45)
Cash and cash equivalents included in the acquired subsidiaries, joint ventures and businesses	58	96	7
Cash Flow for acquisitions, net of cash	**(201)**	**(1,535)**	**(38)**

In 2012, the aggregate cash flow for acquisitions, net of cash of €-201 million relates mainly to the acquisitions of Cassidian (€-123 million for Carl Zeiss Optronics GmbH, Rheinmetall Airborne Systems GmbH and Netasq) and to the asset deals of Eurocopter (€-43 million).

In 2011, the aggregate cash flow for acquisitions, net of cash of €-1,535 million includes mainly the acquisition of Vizada (€-709 million), Vector (€-432 million) and Satair (€-342 million).

In 2010, the aggregate cash flow for acquisitions, net of cash results from the acquisition of Jena-Optronik GmbH amounting to €-38 million.

(In € million)	**31 December 2012**	31 December 2011	31 December 2010
Intangible assets; property, plant and equipment	99	719[1]	3
Inventories	105	274	9
Trade receivables	65	387[1]	13
Other assets	42	128[1]	1
Cash and cash equivalents	58	96	7
Assets	**369**	**1,604**[1]	**33**
Provisions	(126)	(140)[1]	(3)
Trade liabilities	(32)	(288)	(5)
Financing liabilities	(11)	(203)	0
Tax liabilities and other liabilities	(77)	(308)[1]	(14)
Liabilities	**(246)**	**(939)**[1]	**(22)**
Fair value of total net assets	**123**	**665**[1]	**11**
Increase in non-controlling interests due to acquisitions	(8)	(2)[1]	0
Fair value of net assets acquired	**115**	**663**[1]	**11**
Goodwill arising on acquisitions	199	1,020[1]	34
Badwill	0	(2)	0
Total consideration	**314**	**1,681**	**45**
Gains related to business combinations	(7)	(24)	0
Non-cash effective consideration of investments held prior to the acquisitions	(1)	(21)	0
Linked non-controlling interests squeeze out transactions of 2011' acquisitions settled in February 2012	5	(5)	0
Non-cash effective consideration of earn-outs to be paid at a later stage	(52)	0	0
Less cash and cash equivalents of acquired subsidiaries, joint ventures and businesses	(58)	(96)	(7)
Cash Flow for acquisitions, net of cash	**201**	**1,535**	**38**

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

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

(In € million)	**31 December 2012**	31 December 2011	31 December 2010
Total selling price	0	18	12
thereof received by cash and cash equivalents	0	18	12
Cash and cash equivalents included in the (disposed) subsidiaries	0	0	0
Cash Flow from disposals, net of cash	**0**	**18**	**12**

The aggregate cash flow from disposals, net of cash, in 2011 of € 18 million results from the sale of EADS NA Defense Security Systems Solutions Inc.

The aggregate cash flow from disposals, net of cash, in 2010 of € 12 million results from the sale of ASL Aircraft Services Lemwerder GmbH.

(In € million)	31 December 2012	31 December 2011	31 December 2010
Intangible assets; property, plant and equipment	0	(8)	(4)
Trade receivables	0	(4)	(3)
Other assets	0	0	(14)
Assets	**0**	**(12)**	**(21)**
Provisions	0	2	8
Other liabilities	0	2	12
Liabilities	**0**	**4**	**20**
Book value of net assets	**0**	**(8)**	**(1)**
Related disposal of Goodwill	0	(10)	0
Result from disposal of subsidiaries	0	0	(11)
Cash Flow from disposals, net of cash	**0**	**(18)**	**(12)**

2.5 Other Notes to the Consolidated Financial Statements (IFRS)

32. Litigation and Claims

EADS 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, EADS 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 EADS N.V.'s or the Group's financial position or profitability.

Regarding EADS' provisions policy, EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks. For the amount of provisions for litigation and claims, see Note 25c) "Other provisions".

WTO

Although EADS is not a party, EADS 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 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. The EU has cited the failure by the US to implement the findings prior to the due date of 23 September 2012 in commencing a new proceeding on the adequacy of US compliance.

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, proceedings initiated in other jurisdictions have also been terminated. Nevertheless, following criminal complaints filed by several shareholders in 2006 (including civil claims for damages), a French investigating judge is still carrying out an investigation based on the same facts. It is expected that the investigating judge will decide later in 2013 on whether to close the file (*ordonnance de non-lieu*) or to bring the case to trial (*renvoi devant le tribunal correctionnel*).

CNIM

On 30 July 2010, Constructions Industrielles de la Méditerrannée ("**CNIM**") brought an action against EADS and certain of its subsidiaries before the commercial court of Paris, alleging anti-competitive practices, breach of long-term contractual relationships and improper termination of pre-contractual discussions. CNIM is seeking approximately € 115 million in damages on a joint and several basis. On 12 January 2012, the court rejected all of CNIM's claims, following which CNIM filed for appeal.

GPT

Prompted by a whistleblower's allegations concerning GPT Special Project Management Ltd. ("**GPT**"), an EADS subsidiary, and certain aspects of the conduct of its business in Saudi Arabia, EADS conducted comprehensive internal audits in 2010 which did not detect any violations of law. To enable further investigation of the case, EADS engaged PricewaterhouseCoopers ("**PwC**"), which conducted an independent review into certain allegations made about GPT, the scope of which was agreed with the UK Serious Fraud Office ("**SFO**"). 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: "Further, the review did not find evidence to suggest that GPT or through GPT, any other EADS Group company, asked specific third parties to make improper payments on their behalves." The PwC review was conducted between November 2011 and March 2012, and a copy of its report was provided by EADS to the SFO in March 2012. Separately, in August 2012, the SFO announced that it had opened a formal criminal investigation into the matter. EADS is cooperating fully with this investigation.

Eurofighter Austria

In March 2012, a 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 and Eurofighter Jagdflugzeug GmbH as well as by third parties relating to the sale of Eurofighter aircraft to Austria in 2003. EADS is cooperating fully with this investigation, and has also launched its own independent review into the matter by outside legal counsel.

33. Commitments and Contingencies

Commitments and contingent liabilities

Sales financing – In relation to its Airbus, Eurocopter and ATR activities, EADS is committing itself in sales financing transactions with selected customers. Sales financing transactions are generally collateralised by the underlying aircraft. Additionally, Airbus, Eurocopter and ATR benefit from protective covenants and from security packages tailored according to the perceived risk and the legal environment. EADS 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 15 "Property, plant and equipment") or (ii) a loan from aircraft financing or (iii) a finance lease receivable (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). As of 31 December 2012, related accumulated impairment amounts to € 223 million (2011: € 127 million) for operating lease and to € 132 million (2011: € 172 million) for loans and finance lease receivables. As part of provisions for aircraft financing risks € 49 million (2011: € 45 million) are recorded (see Note 25c) "Other provisions").

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, which 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 2012 as follows:

(In € million)	
Not later than 2013	69
Later than 2013 and not later than 2017	219
Later than 2017	44
Total	**332**
Of which commitments where the transaction has been sold to third parties	(281)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**51**

2

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 2011 as follows:

(In € million)	
Not later than 2012	103
Later than 2012 and not later than 2016	404
Later than 2016	82
Total	**589**
Of which commitments where the transaction has been sold to third parties	(336)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**253**

Total aircraft lease commitments of € 332 million as of 31 December 2012 (2011: € 589 million) arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of € 300 million (2011: € 443 million). A large part of these lease commitments (€ 281 million and € 336 million as of 31 December 2012 and 2011) arises from transactions that were sold down to third parties, which assume liability for the payments. EADS 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 € 43 million as of 31 December 2012 (2011: € 179 million), as part of the provision for aircraft financing risks (see Note 25c) "Other provisions").

As of 31 December 2012 and 2011, the total consolidated – **on and off balance sheet** – Commercial Aviation Sales Financing Exposure is as follows (Airbus Commercial, Eurocopter and 50% for ATR):

(In € million)	**31 December 2012**	31 December 2011
Total gross exposure	1,297	1,289
Estimated fair value of collateral (aircraft)	(850)	(766)
Net exposure (fully provided for)	**447**	**523**

Details of provisions / accumulated impairments are as follows:

(In € million)	**31 December 2012**	31 December 2011
Accumulated impairment on operating leases (see Note 15 "Property, plant and equipment")	223	127
Accumulated impairment on loans from aircraft financing and finance leases (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets")	132	172
Provisions for aircraft financing risk (on balance sheet) (see Note 25c) "Other provisions")	49	45
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 25c) "Other provisions")	43	179
Total provisions / accumulated impairments for sales financing exposure	**447**	**523**

Asset value guarantees — Certain sales contracts may include the obligation of an asset value guarantee whereby Airbus Commercial, Eurocopter or ATR 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 2022. 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 15 "Property, plant and equipment" and Note 30 "Deferred income"). In addition, EADS 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 2012, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to €1,046 million (2011: €1,117 million), excluding €333 million (2011: €354 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 €712 million (2011: €735 million) (see Note 25c) "Other provisions"). 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.

With respect to ATR, EADS and Finmeccanica are jointly and severally liable to third parties without limitation. Amongst the shareholders, the liability is limited to each partner's proportionate share.

While ***backstop commitments*** to provide financing related to orders on Airbus Commercial's and ATR's 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 Commercial or ATR 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 Commercial and ATR 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 EADS as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to €916 million (2011: €968 million) as of 31 December 2012, and relate mainly to procurement operations (*e.g.* facility leases, car rentals).

Maturities as of 31 December 2012 are as follows:

(In € million)	
Not later than 2013	164
Later than 2013 and not later than 2017	383
Later than 2017	369
Total	**916**

The respective maturities as of 31 December 2011 are as follows:

(In € million)	
Not later than 2012	131
Later than 2012 and not later than 2016	362
Later than 2016	475
Total	**968**

34. Information about Financial Instruments

a) Financial Risk Management

By the nature of the activities carried out, EADS 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. EADS' 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 Group uses derivative financial instruments and, to a minor extent, non-derivative financial liabilities to hedge certain risk exposures.

The financial risk management of EADS is generally carried out by the Central Treasury department at EADS Headquarters 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 and Business Units.

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.

EADS 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 Commercial. This hedge portfolio covers to a large extent the Group's highly probable transactions.

Significant parts of EADS' revenues are denominated in US dollars, whereas a major portion of its costs is incurred in euros and to a smaller extent in GBP. Consequently, to the extent that EADS 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, EADS uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

EADS endeavours to hedge the majority of its exposure based on firm commitments or forecasted transactions. For financial reporting purposes, foreign currency transactions qualify as a hedged item if they are included in the internally audited order book or are otherwise considered highly probable, *e.g.* because of contractual or planning evidence.

For products such as aircraft, EADS 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, EADS 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. For the non-aircraft business EADS hedges in- and outflows in foreign currencies from firmly committed or 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, EADS primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and at Airbus Commercial to a minor extent non-derivative financial instruments.

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 the significant parties to the contract, principally USD and GBP. Gains or losses relating to such embedded foreign currency derivatives are reported in other financial result if not designated as hedging instrument. In addition, EADS hedges currency risk arising from financial transactions in other currencies than euro, such as funding transactions or securities.

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 in order to minimise risks and financial impacts. Hedging instruments that are specifically designated to debt instruments have at the maximum the same nominal amounts as well as the same maturity dates compared to the hedged item.

The cash and cash equivalents and securities portfolio of the Group is invested 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. Any related interest rate hedges qualify for hedge accounting as either fair value hedges or cash flow hedges. For this portfolio, EADS 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 — EADS is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. EADS manages these risks in the procurement process and to a certain extent uses derivative financial instruments in order to mitigate the risks associated with the purchase of raw materials.

Equity Price risk — EADS is to a small extent invested in equity securities mainly for operational reasons. Therefore, the Group assesses its exposure towards equity price risk as limited.

Sensitivities of Market Risks — The approach used to measure and control market risk exposure within EADS' 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 EADS 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 behavior 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.

EADS 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 five percent statistical probability that losses could exceed the calculated VaR.

— the use of historical data as a basis for estimating the statistical behavior of the relevant markets and finally determining the possible range of future outcomes out of this statistical behavior 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 EADS' financial instruments portfolio at 31 December 2012 and 31 December 2011 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2012					
FX hedges for forecast transactions or firm commitments	916	0	937	0	91
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	122	122	38	0	14
Finance lease receivables and liabilities, foreign currency trade payables and receivables	30	0	5	0	27
Commodity contracts	18	0	0	18	0
Diversification effect	(204)	0	(85)	0	(30)
All financial instruments	**882**	**122**	**895**	**18**	**102**
31 December 2011					
FX hedges for forecast transactions or firm commitments	1,249	0	1,264	0	128
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	192	164	71	0	37
Finance lease receivables and liabilities, foreign currency trade payables and receivables	61	0	10	0	56
Commodity contracts	8	0	1	7	0
Diversification effect	(219)	0	(27)	0	(44)
All financial instruments	**1,291**	**164**	**1,319**	**7**	**177**

The decrease of total VaR compared to 31 December 2011 is mainly attributable to strong decrease of market volatilities, in particular FX volatilities, despite an increase of the foreign exchange portfolio in comparison to year end 2011. EADS uses its derivative instruments almost entirely as well as some of its non-derivative financial liabilities for hedging purposes. As such, 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. The VaR of the FX hedging portfolio in the amount of €916 million (2011: €1,249 million) cannot be considered as a risk indicator for the Group in the economic sense.

Further, EADS also measures VaR of the Group-internal transaction risk arising on Group entities contracting in a currency different from its functional currency affecting Group profit and loss. However, these currency risks arise purely EADS internally and are in economic terms 100% compensated by the corresponding currency fluctuations recognised in a separate component of equity when translating the foreign entity into EADS functional currency. At 31 December 2012, the related total VaR amounts to €153 million (2011: €70 million).

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. EADS manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion as of 31 December 2012 and 2011, respectively) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, EADS may issue bonds, notes and commercial papers. EADS continues to keep within the asset portfolio the focus on low counterparty risk, however, 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 EADS 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 based on a quarterly rolling cash forecast.

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year – 2 years	2 years – 3 years	3 years – 4 years	4 years – 5 years	More than 5 years
31 December 2012								
Non-derivative financial liabilities	(15,697)	(16,430)	(11,574)	(708)	(426)	(1,599)	(416)	(1,707)
Derivative financial liabilities	(2,011)	(2,168)	(753)	(678)	(514)	(126)	(28)	(69)
Total	**(17,708)**	**(18,598)**	**(12,327)**	**(1,386)**	**(940)**	**(1,725)**	**(444)**	**(1,776)**
31 December 2011								
Non-derivative financial liabilities	(15,742)	(16,512)	(11,513)	(314)	(610)	(340)	(1,567)	(2,168)
Derivative financial liabilities	(3,135)	(3,556)	(919)	(1,052)	(769)	(597)	(144)	(75)
Total	**(18,877)**	**(20,068)**	**(12,432)**	**(1,366)**	**(1,379)**	**(937)**	**(1,711)**	**(2,243)**

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

The amounts disclosed are the contractual undiscounted cash flows, comprising all outflows of a liability such as repayments and eventual interest payments.

Non-derivative financial liabilities comprise financing liabilities at amortised cost and finance lease liabilities as presented in the tables of Note 34b) "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 are not included in the above mentioned table with an amount of €6,112 million (2011: €5,737 million).

Credit Risk

EADS 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. 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. Counterparts for transactions on cash, cash equivalents and securities as well as for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. For such financial transactions EADS 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, 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 counterparty data, as well as sectoral and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of EADS is reviewed on a regular basis and the respective limits are regularly monitored and updated. Further, EADS constantly aims for maintaining a certain level of diversification in its portfolio between individual counterparts as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparts.

The Group is monitoring the performance of the individual financial instruments and the impact of the credit markets on their performance. EADS 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 EADS 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.

European financial markets have recently experienced significant disruptions. Such disruptions affected the credit markets and created uncertainty regarding the near-term economic prospects of countries in the EU as well as the quality of loans to sovereign debtors and banks in the EU. There has also been an indirect impact on financial markets worldwide. If economic conditions in the relevant European countries or in Europe more generally 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 and equity markets. This could have a number of effects on EADS' 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 EADS for its businesses or restrict its ability to implement desired foreign currency hedges; and

— default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations.

EADS' 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 Commercial and ATR, EADS 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 Commercial 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' (*e.g.* airlines') creditworthiness by way of internal risk pricing methods.

The maximum exposure of the current portion of other long-term financial assets, trade receivables, receivables from related companies, loans and others included in current other financial assets to credit risk at the end of the reporting periods is the following:

(In € million)	**2012**	2011
Receivables, neither past due nor impaired	5,569	4,979 (1)
Not past due following negotiations and not impaired	39	52
Receivables impaired individually	30	18
Receivables not impaired and past due ≤ 3 months	1,107	1,139
Receivables not impaired and past due >3 and ≤ 6 months	124	314
Receivables not impaired and past due >6 and ≤ 9 months	255	331
Receivables not impaired and past due >9 and ≤ 12 months	273	233
Receivables not impaired and past due > 12 months	807	835
Total	**8,204**	**7,901**

(1) Please refer to Note 4 "Acquisitions and disposals". Comparative information is adjusted retrospectively in accordance with IFRS 3.45.

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.

The following tables present the carrying amounts and fair values of financial instruments according to IAS 39 measurement categories as of 31 December 2012 and 2011 respectively:

31 December 2012	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										
• thereof at amortised cost	-	-	-	-	-	1,115	1,115	201	1,316	1,316
• thereof at cost	-	-	-	341	[1]	-	-	-	341	[1]
• thereof Fair value via OCI	-	-	-	458	458	-	-	-	458	458
Current portion of other long-term financial assets	-	-	-	-	-	112	112	175	287	287
Non-current and current other financial assets	422	-	1,145	-	-	1,267	1,267	-	2,834	2,834
Trade receivables	-	-	-	-	-	6,790	6,790	-	6,790	6,790
Non-current and current securities	-	9	-	8,306	8,306	-	-	-	8,315	8,315
Cash and Cash Equivalents	-	2,296	-	3,323	3,323	3,137	3,137	-	8,756	8,756
Total	**422**	**2,305**	**1,145**	**12,428**	**12,087**	**12,421**	**12,421**	**376**	**29,097**	**28,756**
Liabilities										
Long-term and short-term financing liabilities	-	-	-	-	-	(4,598)	(4,892)	(181)	(4,779)	(5,073)
Non-current and current other financial liabilities	(278)	-	(1,787)	-	-	(7,108)	(7,108)[2]	-	(9,173)	(9,173)
Trade liabilities	-	-	-	-	-	(9,917)	(9,917)	-	(9,917)	(9,917)
Total	**(278)**	**-**	**(1,787)**	**-**	**-**	**(21,623)**	**(21,917)**	**(181)**	**(23,869)**	**(24,163)**

(1) Fair value is not reliably measurable.
(2) The European Governments refundable advances of €6,112 million are measured at amortised cost; a fair value cannot be measured reliably due to their risk sharing nature and uncertainty about the repayment dates. They may be reassessed as relating programmes approach the end of production.
(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables / payables approximate their fair values.

31 December 2011	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										
• thereof at amortised cost	-	-	-	-	-	1,270[4]	1,270[4]	432	1,702	1,702
• thereof at cost	-	-	-	279	[1]	-	-	-	279	[1]
• thereof Fair value via OCI	-	-	-	371	371	-	-	-	371	371
Current portion of other long-term financial assets	-	-	-	-	-	76	76	96	172	172
Non-current and current other financial assets	412	-	490	-	-	1,468	1,468	-	2,370	2,370
Trade receivables	-	-	-	-	-	6,394[4]	6,394[4]	-	6,394	6,394
Non-current and current securities	-	67	-	11,434	11,434	-	-	-	11,501	11,501
Cash and Cash Equivalents	-	365	-	2,842	2,842	2,077	2,077	-	5,284	5,284
Total	**412**	**432**	**490**	**14,926**	**14,647**	**11,285**	**11,285**	**528**	**28,073**	**27,794**
Liabilities										
Long-term and short-term financing liabilities	-	-	-	-	-	(4,920)	(5,180)	(184)	(5,104)	(5,364)
Non-current and current other financial liabilities	(131)	-	(3,060)	-	-	(6,689)	(6,689)[2]	-	(9,880)	(9,880)
Trade liabilities	-	-	-	-	-	(9,630)	(9,630)	-	(9,630)	(9,630)
Total	**(131)**	**-**	**(3,060)**	**-**	**-**	**(21,239)**	**(21,499)**	**(184)**	**(24,614)**	**(24,874)**

(1) Fair value is not reliably measurable.
(2) The European Governments refundable advances of €5,737 million are measured at amortised cost; a fair value can not be measured reliably due to their risk sharing nature and uncertainty about the repayment dates. They may be reassessed as relating programmes approach the end of production.
(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables / payables approximate their fair values.
(4) Please refer to Note 4 "Acquisitions and disposals". Comparative information is adjusted retrospectively in accordance with IFRS 3.45.

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 following tables allocate the financial assets and liabilities measured at fair value to the three levels of the **fair value hierarchy** as of 31 December 2012 and 2011 respectively:

31 December 2012	Level 1	Level 2	Level 3	Total
(In € million)				
Financial assets measured at fair value				
Financial assets measured at fair value through profit or loss	2,296	390	41	2,727
Derivative financial instruments for hedge relations	-	1,137	8	1,145
Available for Sale financial assets	11,780	307	-	12,087
Total	**14,076**	**1,834**	**49**	**15,959**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit or loss	-	(278)	-	(278)
Financial instruments for hedge relations	-	(1,782)	(5)	(1,787)
Total	**-**	**(2,060)**	**(5)**	**(2,065)**

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

Financial assets and liabilities on Level 3	*Balance at 1 January 2012*	Total gains or losses in *profit or loss*	Total gains or losses in *other comprehensive income*	*Purchases*	*Issues*	*Settlements*	*Reclassification*	**Balance at 31 December 2012**
Financial assets								
Financial assets measured at fair value through profit or loss	39	-	-	39	-	(37)	-	41
Financial instruments for hedge relations	0	(1)	2	-	-	-	7	8
Total	**39**	**(1)**	**2**	**39**	**-**	**(37)**	**7**	**49**
Financial liabilities								
Financial instruments for hedge relations	(56)	(1)	(3)	-	-	62	(7)	(5)

31 December 2011 (In € million)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets measured at fair value through profit or loss	365	440	39	844
Derivative financial instruments for hedge relations	-	490	-	490
Available for Sale financial assets	11,649	2,998	-	14,647
Total	**12,014**	**3,928**	**39**	**15,981**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit or loss	-	(131)	-	(131)
Financial instruments for hedge relations	-	(3,004)	(56)	(3,060)
Total	**-**	**(3,135)**	**(56)**	**(3,191)**

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

Financial assets and liabilities on Level 3	*Balance at 1 January 2011*	Total gains or losses in *profit or loss*	Total gains or losses in *other comprehensive income*	*Purchases*	*Issues*	*Settlements*	*Transfer to liabilities*	Balance at 31 December 2011
Financial assets								
Financial assets measured at fair value through profit or loss	-	39	-	-	-	-	-	39
Financial liabilities								
Financial instruments for hedge relations	(101)	(5)	(1)	-	-	51	-	(56)

Financial Assets and Liabilities — Generally, fair values are determined by observable market quotations or valuation techniques supported by observable market quotations.

By applying a valuation technique, such as present value of future cash flows, fair values are based on estimates. However, methods and assumptions followed to disclose data presented herein are inherently judgmental and involve various limitations like estimates as of 31 December 2012 and 2011, which are not necessarily indicative of the amounts that the Company would record upon further disposal / termination of the financial instruments. Unquoted other investments are measured at cost as their fair value is not reliably determinable.

The methodologies used are as follows:

Short-term investments, cash, short-term loans, suppliers — The carrying amounts reflected in the annual accounts are reasonable estimates of fair value because of the relatively short period of time between the origination of the instruments and its expected realisation.

Securities — The fair value of securities included in available-for-sale investments is determined by reference to their quoted market price at the end of the reporting period. If a quoted market price is not available, fair value is determined on the basis of generally accepted valuation methods on the basis of market information available at the end of the reporting period.

Currency, Interest Rate and Commodity Contracts — The fair value of these instruments is the estimated amount that the Company would receive or pay to settle the related agreements as of 31 December 2012 and 2011. EADS determines the fair values of derivative financial instruments using recognised valuation techniques such as option-pricing models and discounted cash flow models. The valuation is based on market data such as currency rates, interest rates and credit spreads as well as price and rate volatilities obtained from recognised vendors of market data.

The fair value of ***financing liabilities*** as of 31 December 2012 and 2011 has been estimated including all future interest payments. It also reflects the interest rate as stated in the tables above. The fair value of the EMTN bonds has been assessed using public price quotations.

The following types of **financial assets** held at 31 December 2012 and 2011 respectively are designated at fair value through profit or loss:

(In € million)	**Nominal amount at initial recognition as of 31 December 2012**	**Fair value as of 31 December 2012**	Nominal amount at initial recognition as of 31 December 2011	Fair value as of 31 December 2011
Designated at fair value through profit or loss at recognition:				
Money Market Funds (accumulating)	2,296	2,296	365	365
Foreign currency Funds of Hedge Funds	14	9	19	17
Uncapped Structured Interest Rate Notes	0	0	50	50
Total	**2,310**	**2,305**	**434**	**432**

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, EADS 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 €3,117 million (2011: €2,609 million).

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

c) 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 2012	Remaining period								**Total**
(In € million)	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020+*	
Foreign Exchange Contracts:									
Net forward sales contracts	16,034	16,201	13,680	9,422	4,663	1,079	(118)	1	**60,962**
Foreign Exchange Options:									
Purchased USD call options	407	0	0	0	0	0	0	0	**407**
Purchased USD put options	880	0	0	0	0	0	0	0	**880**
Written USD call options	881	0	0	0	0	0	0	0	**881**
Other Purchased call options	5	0	0	0	0	0	0	0	**5**
FX swap contracts	1,689	211	0	172	0	0	0	0	**2,072**

Year ended 31 December 2011	Remaining period								Total
(In € million)	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019+*	
Foreign Exchange Contracts:									
Net forward sales contracts	13,457	14,707	12,916	8,567	2,359	(92)	(235)	(275)	**51,404**
Foreign Exchange Options:									
Purchased USD call options	1,525	415	0	0	0	0	0	0	**1,940**
Purchased USD put options	2,814	1,222	0	0	0	0	0	0	**4,036**
Written USD call options	2,723	1,236	0	0	0	0	0	0	**3,959**
FX swap contracts	4,821	130	225	0	228	0	0	0	**5,404**

The notional amounts of interest rate contracts are as follows:

Year ended 31 December 2012	Remaining period									Total
(In € million)	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021+*	
Interest Rate Contracts	1,044	1,297	922	1,513	146	595	1,065	0	980	**7,562**

Please also refer to Note 26 “Financing Liabilities”.

Year ended 31 December 2011	Remaining period										Total
(In € million)	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021+*	
Interest Rate Contracts	230	1,073	1,330	983	1,507	142	610	1,157	0	922	**7,954**

Notional amounts of commodity contracts:

Year ended 31 December 2012	Remaining period					Total
(In € million)	*2013*	*2014*	*2015*	*2016*	*2017*	
Commodity contracts	332	167	126	89	51	**765**

Year ended 31 December 2011	Remaining period			Total
(In € million)	*2012*	*2013*	*2014*	
Commodity contracts	283	104	6	**393**

d) 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 2012 and 2011:

31 December 2012	EUR	USD	GBP
Interest rate in %			
6 months	0.16	0.52	0.62
1 year	0.47	0.88	0.96
5 years	0.63	0.82	1.02
10 years	1.45	1.74	1.86

31 December 2011	EUR	USD	GBP
Interest rate in %			
6 months	1.82	0.93	1.45
1 year	2.15	1.35	1.96
5 years	1.73	1.21	1.57
10 years	2.37	2.03	2.31

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2012 and 2011 is as follows:

(In € million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total
1 January 2011	**(1,373)**	**1**	**(1,372)**
Unrealised gains and losses from valuations, net of tax	(276)	1	(275)
Transferred to profit or loss for the period, net of tax	(124)	0	(124)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	(400)	1	(399)
31 December 2011 / 1 January 2012	**(1,773)**	**2**	**(1,771)**
Unrealised gains and losses from valuations, net of tax	718	(1)	717
Transferred to profit or loss for the period, net of tax	638	0	638
Changes in fair values of hedging instruments recorded in AOCI, net of tax	1,356	(1)	1,355
31 December 2012	**(417)**	**1**	**(416)**

In the year 2012 an amount of € -917 million (in 2011: € 171 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges. No material ineffectiveness arising from hedging relationship has been determined.

Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments is as follows:

	31 December 2012		31 December 2011	
(In € million)	*Assets*	*Liabilities*	*Assets*	*Liabilities*
Foreign currency contracts – Cash Flow Hedges	959	(1,484)	233	(2,742)
Foreign currency contracts – not designated in a hedge relationship	164	(51)	361	(55)
Interest rate contracts – Cash Flow Hedges	0	(81)	0	(61)
Interest rate contracts – Fair Value Hedges	178	(171)	257	(116)
Interest rate contracts – not designated in a hedge relationship	144	(144)	0	(19)
Commodity contracts – not designated in a hedge relationship	41	(32)	39	(28)
Embedded foreign currency derivatives – Cash Flow Hedges	0	(46)	0	(85)
Embedded foreign currency derivatives – not designated in a hedge relationship	32	(2)	0	(29)
Total	**1,518**	**(2,011)**	**890**	**(3,135)**

e) Net Gains or Net Losses

EADS net gains or net losses recognised in profit or loss in 2012 and 2011 respectively are as follows:

(In € million)	**2012**	2011
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	44	71
Designated on initial recognition	(1)	4
Loans and receivables	18	19
Financial liabilities measured at amortised cost	(27)	105

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 € 189 million (2011: € -20 million) are recognised directly in equity relating to available-for-sale financial assets.

In 2011, the net gains or net losses of financial liabilities measured at amortised cost include among others the gains from the release of European government refundable advances due to the termination of the A340 programme (see Note 27 “Other financial liabilities”).

f) Total Interest Income and Total Interest Expenses

In 2012, the total interest income amounts to € 238 million (in 2011: € 372 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 € -522 million (in 2011: €-364 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

g) Impairment Losses

The following impairment losses on financial assets are recognised in profit or loss in 2012 and 2011 respectively:

(In € million)	**2012**	2011
Available-for-sale financial assets	(2)	(12)
Loans and receivables	(100)	(156)
Other[1]	(4)	(2)
Total	**(106)**	**(170)**

(1) Concerns finance lease receivables.

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 (see dates below), the Group’s Board of Directors approved (see dates below) stock option plans in 2006, 2005, 2004, 2003, 2002 and 2001. 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 EADS shares.

For all of EADS’ Stock Option Plans, the granted exercise price was exceeding the share price at grant date.

In 2012, 2011, 2010, 2009, 2008 and 2007, 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 EADS Executive Committee Members) but represents a cash settled plan in accordance with IFRS 2.

In 2012, compensation expense for Long-Term Incentive Plans was recognised for an amount of € 163 million (in 2011: € 99 million). The fair value of units granted per vesting date is as follows (LTIP plan 2012):

In € (per unit granted)	FV of restricted and performance units to be settled in cash
Expected vesting date	
May 2016	25.61
November 2016	25.07
May 2017	24.56
November 2017	24.04

As of 31 December 2012 provisions of € 253 million (2011: € 160 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 an Option Pricing Model which is, next to other market data, mainly affected by the share price as of the end of the reporting period (€ 29.50 as of 31 December 2012) and the lifetime of the units.

The principal characteristics of the options as well as performance and restricted units as at 31 December 2012 are summarised in the various tables below:

	Fourth tranche
Date of Shareholders' Meeting	10 May 2001
Grant date	9 August 2002
Number of options granted	7,276,700
Number of options outstanding	-
Total number of eligible employees	1,562
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2 / 3.1.3 Governing Law — Dutch Regulations").
Expiry date	8 August 2012
Conversion right	One option for one share
Vested	100%
Exercise price	€ 16.96
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	6,434,110

	Fifth tranche	Sixth tranche
Date of Shareholders' Meeting	6 May 2003	6 May 2003
Grant date	10 October 2003	8 October 2004
Number of options granted	7,563,980	7,777,280
Number of options outstanding	1,502,835	3,316,613
Total number of eligible employees	1,491	1,495
Exercise date	50% of options may be exercised after a period of two years and four weeks 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	9 October 2013	7 October 2014
Conversion right	One option for one share	
Vested	100%	100%[(1)]
Exercise price	€ 15.65	€ 24.32
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	5,403,571	1,909,745

(1) As regards to the sixth tranche, vesting of part of the options granted to EADS 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.

	Seventh tranche
Date of Shareholders' Meeting	11 May 2005
Grant date	9 December 2005
Number of options granted	7,981,760
Number of options outstanding	5,333,695
Total number of eligible beneficiaries	1,608
Exercise date	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2 / 3.1.3 Governing Law — Dutch Regulations"). As regards the seventh tranche, part of the options granted to the EADS top Executives are performance related.
Expiry date	8 December 2015
Conversion right	One option for one share
Vested	100%(1)
Exercise price	€33.91
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	0

(1) As regards to the seventh tranche, vesting of part of the options granted to EADS 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.

	Eighth tranche
Date of Shareholders' Meeting	4 May 2006
Grant date	18 December 2006
Number of options granted	1,747,500
Number of options outstanding	1,202,000
Total number of eligible beneficiaries	221
Date from which the options may be exercised	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2 / 3.1.3 Governing Law — Dutch Regulations").
Date of expiration	16 December 2016
Conversion right	One option for one share
Vested	100%
Exercise price	€25.65
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	350,000

		Ninth tranche
Grant date		7 December 2007
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted	1,693,940	506,060
Number of units outstanding	0	0
Total number of eligible beneficiaries		1,617
Vesting dates		The restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates. Vesting schedule is made up of 4 payments over two years: • 25% in May 2011; • 25% in November 2011; • 25% in May 2012; • 25% in November 2012.
Number of vested units	4,240	475,860

		Tenth tranche
Grant date		13 November 2008
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted(1)	2,192,740	801,860
Number of units outstanding(2)	1,409,592	377,575
Total number of eligible beneficiaries		1,684
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS 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 over two years: • 25% in May 2012; • 25% in November 2012; • 25% expected in May 2013; • 25% expected in November 2013.
Number of vested units(2)	1,422,956	382,535

(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 EADS) 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) Re-evaluation is based on 136% performance achievement for the remaining outstanding performance units.

		Eleventh tranche
Grant date		13 November 2009
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted(1)	2,697,740	928,660
Number of units outstanding	2,579,920	903,820
Total number of eligible beneficiaries		1,749
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS 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 over two years: • 25% expected in May 2013; • 25% expected in November 2013; • 25% expected in May 2014; • 25% expected in November 2014.
Number of vested units	9,150	4,160

(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 EADS) 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).

		Twelfth tranche
Grant date		10 November 2010
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted[1]	2,891,540	977,780
Number of units outstanding	2,835,240	947,160
Total number of eligible beneficiaries		1,711
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS 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 over two years: • 25% expected in May 2014; • 25% expected in November 2014; • 25% expected in May 2015; • 25% expected in November 2015.
Number of vested units	0	700

(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 EADS) 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).

		Thirteenth tranche
Grant date		9 November 2011
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted[1]	2,588,950	877,750
Number of units outstanding	2,559,950	877,125
Total number of eligible beneficiaries		1,771
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS 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 over two years: • 25% expected in May 2015; • 25% expected in November 2015; • 25% expected in May 2016; • 25% expected in November 2016.
Number of vested units	0	625

(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 EADS) 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).

		Fourteenth tranche
Grant date		13 December 2012
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted[1]	2,121,800	623,080
Number of units outstanding	2,121,800	623,080
Total number of eligible beneficiaries		1,797
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS 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 over two years: • 25% expected in May 2016; • 25% expected in November 2016; • 25% expected in May 2017; • 25% expected in November 2017.
Number of vested units	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 EADS) 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).

The following table summarises the development of the number of stock options, shares as well as units:

	Number of Options				
Fourth Tranche	*Options granted*	*Balance at 1 January*	*Exercised*	*Forfeited*	*Balance at 31 December*
2002	7,276,700	-	-	(600)	7,276,100
2003	-	7,276,100	-	(70,125)	7,205,975
2004	-	7,205,975	(262,647)	(165,500)	6,777,828
2005	-	6,777,828	(2,409,389)	(9,250)	4,359,189
2006	-	4,359,189	(1,443,498)	(3,775)	2,911,916
2007	-	2,911,916	(189,532)	(15,950)	2,706,434
2008	-	2,706,434	-	(159,313)	2,547,121
2009	-	2,547,121	-	(87,845)	2,459,276
2010	-	2,459,276	(88,881)	(86,925)	2,283,470
2011	-	2,283,470	(664,727)	(25,200)	1,593,543
2012	-	1,593,543	(1,375,436)	(218,107)	0

	Number of Options				
Fifth Tranche	*Options granted*	*Balance at 1 January*	*Exercised*	*Forfeited*	*Balance at 31 December*
2003	7,563,980	-	-	-	7,563,980
2004	-	7,563,980	(9,600)	(97,940)	7,456,440
2005	-	7,456,440	(875,525)	(87,910)	6,493,005
2006	-	6,493,005	(1,231,420)	(31,620)	5,229,965
2007	-	5,229,965	(386,878)	(24,214)	4,818,873
2008	-	4,818,873	(14,200)	(75,080)	4,729,593
2009	-	4,729,593	-	(113,740)	4,615,853
2010	-	4,615,853	(208,780)	(168,120)	4,238,953
2011	-	4,238,953	(1,044,665)	(28,300)	3,165,988
2012	-	3,165,988	(1,632,503)	(30,650)	1,502,835

	Number of Options				
Sixth Tranche	*Options granted*	*Balance at 1 January*	*Exercised*	*Forfeited*	*Balance at 31 December*
2004	7,777,280	-	-	-	7,777,280
2005	-	7,777,280	-	(78,220)	7,699,060
2006	-	7,699,060	(2,400)	(96,960)	7,599,700
2007	-	7,599,700	-	(1,358,714)	6,240,986
2008	-	6,240,986	-	(183,220)	6,057,766
2009	-	6,057,766	-	(41,060)	6,016,706
2010	-	6,016,706	-	(419,680)	5,597,026
2011	-	5,597,026	(3,500)	(324,526)	5,269,000
2012	-	5,269,000	(1,903,845)	(48,542)	3,316,613

Seventh Tranche	Number of Options				
	Options granted	*Balance at 1 January*	*Exercised*	*Forfeited*	*Balance at 31 December*
2005	7,981,760	-	-	-	7,981,760
2006	-	7,981,760	-	(74,160)	7,907,600
2007	-	7,907,600	-	(142,660)	7,764,940
2008	-	7,764,940	-	(1,469,989)	6,294,951
2009	-	6,294,951	-	(49,520)	6,245,431
2010	-	6,245,431	-	(149,040)	6,096,391
2011	-	6,096,391	-	(295,713)	5,800,678
2012	-	5,800,678	-	(466,983)	5,333,695

Eighth Tranche	Number of Options				
	Options granted	*Balance at 1 January*	*Exercised*	*Forfeited*	*Balance at 31 December*
2006	1,747,500	-	-	-	1,747,500
2007	-	1,747,500	-	(5,500)	1,742,000
2008	-	1,742,000	-	(64,000)	1,678,000
2009	-	1,678,000	-	(11,000)	1,667,000
2010	-	1,667,000	-	(16,500)	1,650,500
2011	-	1,650,500	-	(11,000)	1,639,500
2012	-	1,639,500	(350,000)	(87,500)	1,202,000
Total options for all Tranches	**32,347,220**	**17,468,709**	**(14,097,426)**	**(6,894,651)**	**11,355,143**

Ninth Tranche	Number of Units				
	Units granted	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2007	1,693,940	-	-	-	1,693,940
Performance units in 2008	-	1,693,940	(1,680)	(38,760)	1,653,500
Performance units in 2009	-	1,653,500	(840)	(18,560)	1,634,100
Performance units in 2010	-	1,634,100	(1,720)	(29,100)	1,603,280
Performance units in 2011	-	1,603,280	-	(1,603,280)	0
Restricted units in 2007	506,060	-	-	-	506,060
Restricted units in 2008	-	506,060	-	(9,800)	496,260
Restricted units in 2009	-	496,260	-	(2,940)	493,320
Restricted units in 2010	-	493,320	(640)	(5,960)	486,720
Restricted units in 2011	-	486,720	(240,712)	(11,500)	234,508
Restricted units in 2012	-	234,508	(234,508)	-	0
Total units	**2,200,000**	**234,508**	**(480,100)**	**(1,719,900)**	**0**

Tenth Tranche	Number of Units					
	Units granted	*Balance at 1 January*	*Vested*	*Forfeited*	*Re-evaluation**	*Balance at 31 December*
Performance units in 2008	2,192,740	-	-	-		2,192,740
Performance units in 2009	-	2,192,740	(1,120)	(21,280)	-	2,170,340
Performance units in 2010	-	2,170,340	(2,520)	(29,120)	-	2,138,700
Performance units in 2011	-	2,138,700	(1,960)	(31,920)	-	2,104,820
Performance units in 2012	-	2,104,820	(1,417,356)	(29,764)	751,892	1,409,592
Restricted units in 2008	801,860	-	-	-	-	801,860
Restricted units in 2009	-	801,860	-	(6,480)	-	795,380
Restricted units in 2010	-	795,380	(2,940)	(10,480)	-	781,960
Restricted units in 2011	-	781,960	(840)	(19,700)	-	761,420
Restricted units in 2012	-	761,420	(378,755)	(5,090)	-	377,575
Total units	**2,994,600**	**2,866,240**	**(1,805,491)**	**(153,834)**	**751,892**	**1,787,167**

* Re-evaluation is based on 136% performance achievement for the remaining outstanding performance units.

Eleventh Tranche	Number of Units				
	Units granted	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2009	2,697,740	-	-	-	2,697,740
Performance units in 2010	-	2,697,740	(4,250)	(29,400)	2,664,090
Performance units in 2011	-	2,664,090	(3,600)	(48,110)	2,612,380
Performance units in 2012	-	2,612,380	(1,300)	(31,160)	2,579,920
Restricted units in 2009	928,660	-	-	-	928,660
Restricted units in 2010	-	928,660	(400)	(1,400)	926,860
Restricted units in 2011	-	926,860	(3,000)	(13,500)	910,360
Restricted units in 2012	-	910,360	(760)	(5,780)	903,820
Total units	**3,626,400**	**3,522,740**	**(13,310)**	**(129,350)**	**3,483,740**

Twelfth Tranche	Number of Units				
	Units granted	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2010	2,891,540	-	-	(1,400)	2,890,140
Performance units in 2011	-	2,890,140	-	(46,700)	2,843,440
Performance units in 2012	-	2,843,440	-	(8,200)	2,835,240
Restricted units in 2010	977,780	-	-	(460)	977,320
Restricted units in 2011	-	977,320	-	(20,920)	956,400
Restricted units in 2012	-	956,400	(700)	(8,540)	947,160
Total units	**3,869,320**	**3,799,840**	**(700)**	**(86,220)**	**3,782,400**

Thirteenth Tranche	Number of Units				
	Units granted	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2011	2,588,950	-	-	-	2,588,950
Performance units in 2012	-	2,588,950	-	(29,000)	2,559,950
Restricted units in 2011	877,750	-	-	-	877,750
Restricted units in 2012	-	877,750	(625)	-	877,125
Total units	**3,466,700**	**3,466,700**	**(625)**	**(29,000)**	**3,437,075**

	Number of Units				
Fourteenth Tranche	*Units granted*	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2012	2,121,800		-	-	2,121,800
Restricted units in 2012	623,080		-	-	623,080
Total units	**2,744,880**		**-**	**-**	**2,744,880**

b) Employee Stock Ownership Plan (ESOP)

In 2012 (and 2011), the Board of Directors approved an additional ESOP. For the 2012 and 2011 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). EADS matched each fixed number of shares with a number of free EADS 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 EADS shares have in addition the ability to vote at the annual Shareholder Meetings. The subscription price was equal to the opening price at the Paris stock exchange on 31 May 2012 and amounted to €27.07 (in 2011 the subscription price for ESOP was equal to the opening price at the Paris stock exchange on 3 June 2011 and amounted to €21.49). Investing through the mutual fund led to a price which was the higher of the subscription price or the average opening price at the Paris stock during the 20 trading days immediately preceding 31 May 2012 (in 2011: preceding 3 June 2011), resulting in a price of €28.55 (in 2011: €22.15). EADS issued and sold 2,177,103 ordinary shares (in 2011: 2,445,527 ordinary shares) with a nominal value of €1.00 in total. Compensation expense of €18 million (in 2011: €15 million) was recognised in connection with ESOP.

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36. Related Party Transactions

Related parties — The Group has entered into various business transactions with related companies in 2012 and 2011 that have all been carried out in the normal course of business. As is the Group's policy, related party transactions have to be carried out at arm's length. Transactions with related parties include the French government, Daimler AG, Lagardère and the Spanish government (SEPI) and their related entities. Except for the transactions with the French and Spanish government, the transactions are not considered material to the Group either individually or in the aggregate. The transactions with the French government include mainly sales from Eurocopter, Astrium, Cassidian and Airbus Military for programmes like Tiger, M51 / M45 ballistic missiles and SCALP naval cruise missiles. The transactions with the Spanish government include mainly sales from Airbus Military and Cassidian for military programmes. The transactions with the joint ventures mainly concern the Eurofighter programme.

On 5 December 2012, EADS announced that their Board of Directors and core shareholders have agreed on a far-reaching change of the company's shareholding structure and governance. This agreement aims at normalising and simplifying the governance of EADS while securing a shareholding structure that allows France, Germany and Spain to protect their legitimate strategic interests. Subject to customary regulatory conditions and the approval of the shareholders in an Extraordinary General Meeting, the implementation of the changes shall be closed in 2013.

EADS intends to enter into an agreement with the French State by the Consummation pursuant to which EADS will:

— grant the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and

— commit to consult with the French State prior to making any decision at any General Meeting of Dassault Aviation.

This agreement will be conditional upon (A) obtaining the required regulatory approvals and (B) the Consummation occurring.

The following table discloses the related party transactions on a full EADS' share as of 31 December 2012:

(In € million)	Sales of goods and services and other income in 2012	Purchases of goods and services and other expense in 2012	Receivables due as of 31 December 2012	Payables due as of 31 December 2012	Other Liabilities/Loans received as of 31 December 2012[(1)]
French government	1,347	91	706	6	2,852
Spanish government (SEPI)	63	0	20	0	610
Daimler AG	1	15	1	0	0
Lagardère group	0	0	0	0	0
Total transactions with shareholder	**1,411**	**106**	**727**	**6**	**3,462**
Total transactions with French government related entities	**97**	**461**	**84**	**205**	**0**
Total transactions with joint ventures	**2,192**	**46**	**612**	**41**	**1,000**
Total transactions with associates	**488**	**97**	**13**	**7**	**24**

(1) Including European Governments refundable advances from the French and Spanish government.

As of 31 December 2012, EADS granted guarantees to the Spanish State in the amount of €52 million mainly relating to advance payments received and performance bonds and in the amount of €452 million to Air Tanker group in the UK, a loan to Daher-Socata SA in the amount of €24 million and a loan to OnAIR B.V. in the amount of €9 million.

The following table discloses the related party transactions being made comparable on a full EADS' share as of 31 December 2011:

(In € million)	Sales of goods and services and other income in 2011	Purchases of goods and services and other expense in 2011	Receivables due as of 31 December 2011	Payables due as of 31 December 2011	Other Liabilities/Loans received as of 31 December 2011[(1)]
French government	1,252	139	1,484	0	2,351
Spanish government (SEPI)	63	0	67	0	535
Daimler AG	2	16	1	3	0
Lagardère group	0	6	0	0	0
Total transactions with shareholder	**1,317**	**161**	**1,552**	**3**	**2,886**
Total transactions with French government related entities	**93**	**509**	**92**	**151**	**0**
Total transactions with joint ventures	**2,110**	**39**	**723**	**18**	**1,526**
Total transactions with associates	**315**	**25**	**31**	**6**	**0**

(1) Including European Governments refundable advances from the French and Spanish government.

As of 31 December 2011, EADS granted guarantees to the Spanish State in the amount of €181 million mainly relating to advance payments received and performance bonds and in the amount of €334 million to Air Tanker group in the UK, a loan to Daher-Socata SA in the amount of €24 million and a loan to OnAIR B.V. in the amount of €23 million.

On 7 June 2011, EADS N.V. acquired the remaining 25% in DADC Luft- und Raumfahrt Beteiligungs AG, Munich (Germany) from Daimler AG, please refer to Note 4 "Acquisitions and Disposals".

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, can be summarised as follows:

2012	Compensation expense	Pension	
(In € million)		*Defined benefit obligation*[1]	*Pension expense*[2]
Non-Executive Board Members[3]	1.7	-	-
Executive Board Member (former CEO Louis Gallois)[4]	1.2	3.9	-
Executive Board Member (current CEO Tom Enders)[4]	2.1	11.8	1.0
Other Executive Committee Members[5]	23.4	29.1	5.3

(1) Amount of the net pension defined benefit obligation.
(2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2012.
(3) Non-Executive Board Members in office as at 31 December 2012.
(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2012. Figures account for pro rata periods considering the change of EADS CEO during 2012.
(5) Executive Committee Members in office as at 31 December 2012, including specific exceptional bonus if any and EADS N.V. compensation.

2011	Compensation expense	Pension	
(In € million)		*Defined benefit obligation*[1]	*Pension expense*[2]
Non-Executive Board Members[3]	1.6	-	-
Executive Board Member[4]	3.0	2.9	0.6
Other Executive Committee Members[5]	17.0	32.0	3.1

(1) Amount of the net pension defined benefit obligation.
(2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2011.
(3) Non-Executive Board Members in office as at 31 December 2011.
(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2011.
(5) Executive Committee Members in office as at 31 December 2011, including specific exceptional bonus if any and EADS N.V. compensation.

Additionally, performance units granted in 2012 to the Chief Executive Officer and to the other Executive Committee Members represented 275,900 units.

The amounts detailed above do neither comprise the termination package nor the estimated cost of long-term incentives granted to Executive Committee Members.

For more information in respect of remuneration of Directors, see "Notes to the Company Financial Statements – Note 11: Remuneration".

EADS has not provided any loans to / advances to / guarantees on behalf of Directors, former Directors or Executive Committee Members except for salary and reimbursement advances and an undertaking to potentially assume certain legal defence costs for certain of its Executive Committee Members in relation with certain regulatory or judicial proceedings.

The Executive Committee Members are furthermore entitled to a termination indemnity when the departure results from a decision by the Company (good leaver). The maximum termination indemnity comprises 18 months of an annual total target salary.

The indemnity could be reduced pro rata or would even not be applicable depending on age and date of retirement.

In order to strengthen the alignment of EADS top management with the long-term growth objectives of the Company, the Board has requested EADS Executive Committee Members to acquire and to hold in the future EADS 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 EADS shares but expects Executive Committee Members to use specifically gains from EADS Long-term Incentive Plans to achieve this goal in a timely manner.

The Company grants the Members of the Executive Committee appropriate insurance coverage, in particular D&O insurance.

Executive Committee Members are also entitled to a company car.

37. Interest in Joint Ventures

The Group's principal investments in joint ventures and the proportion of ownership are included in Appendix "Information on principal investments". Joint ventures are consolidated using the proportionate method.

The following amounts represent the Group's proportional share of the assets, liabilities, income and expenses of the significant joint ventures (MBDA, Atlas, ATR, Signalis and Emiraje Systems) in aggregate:

(In € million)	2012	2011
Non-current assets	557	564
Current assets	2,526	3,049
Non-current liabilities	522	490
Current liabilities	2,567	2,607
Revenues	1,928	1,876
Profit for the period	148	154

The Group's proportional share in contingent liabilities of these joint ventures as of 31 December 2012 amounts in aggregate to €495 million (2011: €391 million).

38. 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.

	2012	2011	2010
Profit for the period attributable to equity owners of the parent (Net income)	€1,228 million	€1,033 million	€553 million
Weighted average number of ordinary shares	819,378,264	812,507,288	810,693,339
Basic earnings per share	€1.50	€1.27	€0.68

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. After the end of the vesting period of the performance and restricted shares granted under the 8th tranche, the Group's only remaining category of dilutive potential ordinary shares is stock options. In 2012, the average share price of EADS exceeded the exercise price of the 5th, 6th and the 8th stock option plan (in 2011: the 4th and the 5th stock option plan, in 2010: the 5th stock option plan). Hence, 1,173,667 shares related to stock options (in 2011: 1,194,624 shares, in 2010: 242,591 shares) were considered in the calculation of diluted earnings per share.

	2012	2011	2010
Profit for the period attributable to equity owners of the parent (Net income)	€1,228 million	€1,033 million	€553 million
Weighted average number of ordinary shares (diluted)	820,551,931	813,701,912	810,935,930
Diluted earnings per share	€1.50	€1.27	€0.68

39. Number of Employees

The number of employees at 31 December 2012 is 140,405 as compared to 133,115 at 31 December 2011.

40. Events after the Reporting Date

On 31 January 2013, ST Aerospace Ltd., Singapore (Singapore) acquired a 35% equity stake in Elbe Flugzeugwerke, Dresden (Germany) (EFW) to support the establishment of a strategic partnership for the development of an A330 passenger-to-freighter conversion program. EADS as the former sole shareholder retains 65% of the shares of EFW. In 2012 EFW contributed €207 million to EADS Group revenues on a preconsolidated base.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 26 February 2013.

2.6 Appendix "Information on Principal Investments" — Consolidation Scope

2012	%	2011	%	Company	Head office
Airbus Commercial					
F	100.00	F	100.00	AD Grundstückgesellschaft mbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Aerolia S.A.S.	Toulouse (France)
F	100.00	F	100.00	AFS Cayman II Ltd.	Cayman Islands
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	70.00	F	70.00	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)
P	51.00	P	51.00	Airbus (TIANJIN) Final Assembly Company Ltd.	Tianjin (China)
P	51.00	P	51.00	Airbus (TIANJIN) Jigs & Tools Company Ltd.	Tianjin (China)
F	100.00			Airbus (TIANJIN) Logistics Company Ltd.	Tianjin (China)
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 Corporate Jet Centre S.A.S. (ACJC)	Toulouse (France)
		F	100.00	Airbus Denmark Holdings ApS	Copenhagen (Denmark)
F	100.00	F	100.00	Airbus Filton Limited	Bristol (United Kingdom)
F	100.00	F	100.00	Airbus Financial Service Unlimited	Dublin (Ireland)
F	100.00			Airbus Flight Hour Services Ltd.	Dublin (Ireland)
E	50.00	E	50.00	Airbus Freighter Conversion GmbH	Dresden (Germany)
F	100.00	F	100.00	Airbus Invest	Blagnac (France)
F	100.00	F	100.00	Airbus Invest II 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	100.00	F	100.00	Airbus UK Limited	Bristol (United Kingdom)
F	100.00	F	100.00	Aviateur Finance Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Aviateur International Ltd.	Dublin (Ireland)

F: Fully consolidated P: Proportionate consolidated E: At equity consolidated
The stated percentage of ownership is related to EADS N.V.
* Regarding associated investments, only the parent company is stated in this list.

2012	%	2011	%	Company	Head office
F	100.00	F	100.00	Aviateur Leasing Ltd.	Dublin (Ireland)
E	33.33	E	33.33	Blue Sky Alliance GmbH	Kaltenkirchen (Germany)
F	100.00	F	100.00	CIMPA GmbH	Hamburg (Germany)
F	100.00	F	100.00	CIMPA Ltd.	Bristol (United Kingdom)
F	100.00	F	100.00	CIMPA S.A.S.	Blagnac (France)
F	100.00	F	100.00	CTC GmbH	Stade (Germany)
F	100.00	F	100.00	EADS Real Estate Premium AEROTEC Augsburg GmbH & Co. KG	Augsburg (Germany)
F	100.00	F	100.00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
P	50.00	P	50.00	Hua-Ou Aviation Support Centre Ltd.	Beijing (China)
P	50.00	P	50.00	Hua-Ou Aviation Training Centre Ltd.	Beijing (China)
F	100.00	F	100.00	IFR France S.A.S.	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	30.05	E	30.05	OnAir N.V.	Amsterdam (Netherlands)
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	F	100.00	Satair A/S	Kastrup (Denmark)
F	100.00	F	100.00	Satair China	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	Star Real Estate S.A.S.	Toulouse (France)
E	29.50	E	29.50	Telair International Services Pte Ltd.	Singapore (Singapore)
Additionally consolidated are 28 SPEs.					
Airbus Military					
F	90.00	F	90.00	Airbus Military S.L.	Madrid (Spain)
E	40.00	E	40.00	AirTanker Holdings Ltd.*	London (United Kingdom)
F	100.00	F	100.00	EADS CASA North America, Inc.	Chantilly, VA (USA)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Airbus Military)	Madrid (Spain)
F	78.54	F	78.54	EADS PZL "WARSZAWA-OKECIE" S.A.	Warsaw (Poland)
Eurocopter					
F	100.00	F	100.00	AA Military Maintenance Pty. Ltd.	Brisbane (Australia)
F	100.00	F	100.00	AA New Zealand Pty. Ltd.	Bankstown (Australia)
F	100.00	F	100.00	American Eurocopter Corp.	Dallas, TX (USA)
F	100.00	F	100.00	Australian Aerospace Composites Pty Ltd.	Sydney (Australia)
F	100.00	F	100.00	Australian Aerospace Ltd.	Bankstown (Australia)
F	100.00	F	100.00	EADS SECA S.A.S.	Le Bourget (France)
F	100.00	F	100.00	EIP Holding Pty. Ltd.	Bankstown (Australia)
F	75.00	F	75.00	Eurocopter South East Asia Pte. Ltd.	Singapore (Singapore)
F	100.00	F	100.00	Eurocopter Canada Ltd.	Ontario (Canada)
F	100.00			Eurocopter Chile S.A.	Santiago (Chile)
F	100.00			Eurocopter Cono Sur S.A.	Montevideo (Uruguay)
F	100.00	F	100.00	Eurocopter de Mexico Planta Queretaro S.A. de C.V.	Queretaro (Mexico)
F	100.00	F	100.00	Eurocopter de Mexico S.A.	Mexico D.F. (Mexico)

F: Fully consolidated   P: Proportionate consolidated   E: At equity consolidated
The stated percentage of ownership is related to EADS N.V.
* Regarding associated investments, only the parent company is stated in this list.

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2012	%	2011	%	Company	Head office
F	100.00	F	100.00	Eurocopter Deutschland GmbH	Donauwörth (Germany)
F	100.00	F	100.00	Eurocopter Deutschland Real Estate GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Eurocopter España S.A.	Madrid (Spain)
F	100.00	F	100.00	Eurocopter Financial Services Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Eurocopter Holding S.A.	Paris (France)
F	100.00	F	100.00	Eurocopter International Services Ltd.	Dublin (Ireland)
F	90.00	F	90.00	Eurocopter Japan Co. Ltd.	Tokyo (Japan)
F	90.00	F	90.00	Eurocopter Japan RG Co.Ltd.	Tokyo (Japan)
		F	90.00	Eurocopter Japan T&E Co. Ltd.	Osaka (Japan)
F	100.00	F	100.00	Eurocopter Malaysia Sdn. Bhd.	Subang Selongor (Malaysia)
F	100.00			Eurocopter Malaysia Simulation Center Sdn. Bhd.	Subang Selongor (Malaysia)
F	95.00	F	95.00	Eurocopter S.A.S.	Marignane (France)
F	100.00	F	100.00	Eurocopter South Africa Pty. Ltd.	Lanseria (South Africa)
F	100.00	F	100.00	Eurocopter Training Services S.A.S.	Marignane (France)
F	100.00	F	100.00	Eurocopter UK Ltd.	Oxford (United Kingdom)
F	100.00			Eurovertol LLC	Moscow (Russia)
F	85.66	F	85.66	Helibras - Helicopteros do Brasil S.A.	Itajuba (Brazil)
F	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	F	100.00	Korean Helicopter Development Support Ltd.	Sacheon-si (South Korea)
F	100.00			Motorflug Baden-Baden GmbH	Baden-Baden (Germany)
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.	Lanseria (South Africa)
F	100.00			Vector Aerospace Australia Pty. Ltd.	Brisbane (Australia)
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			Vector Aerospace Financial Services Ltd.	Dublin (Ireland)
F	67.70	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)
F	100.00	F	100.00	Vector Aerospace Holdings Ltd.	Toronto (Canada)
F	100.00	F	100.00	Vector Aerospace International Ltd.	Gosport (United Kingdom)
F	100.00	F	100.00	Vector Aerospace USA Holdings, Inc.	Las Vegas, NV (USA)
F	100.00	F	100.00	Vector Aerospace USA, Inc.	Montgomery, AL (USA)
F	100.00	F	100.00	Vector Holding S.A.S.	Marignane (France)
Cassidian					
E	24.01	E	24.01	Advanced Lithium Systems Europe S.A.	Athens (Greece)
F	100.00	F	100.00	Apsys S.A.	Suresnes (France)
E	14.70	E	14.70	Atlas Defence Technology Sdn. Bhd.	Kuala Lumpur (Malaysia)
P	49.00	P	49.00	Atlas Elektronik Finland Oy	Helsinki (Finland)
P	49.00	P	49.00	Atlas Elektronik GmbH	Bremen (Germany)
P	49.00	P	49.00	Atlas Elektronik Pty. Ltd.	Sydney (Australia)

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P	49.00	P	49.00	Atlas Elektronik UK (Holdings) Ltd.	Newport (United Kingdom)
P	49.00	P	49.00	Atlas Elektronik UK Ltd.	Newport (United Kingdom)
P	49.00	P	49.00	Atlas Hydrographic GmbH	Bremen (Germany)
P	49.00	P	49.00	Atlas Maridan ApS	Horsholm (Denmark)
P	49.00	P	49.00	Atlas Naval Engineering Company	Kyungnam (South Korea)
E	24.01			Atlas Naval Support Centre Ltd.	Bangkok (Thailand)
P	49.00	P	49.00	Atlas Naval Systems Malaysia Sdn. Bhd.	Kuala Lumpur (Malaysia)
P	49.00	P	49.00	Atlas North America LLC	Virginia Beach, VA (USA)
F	43.89	F	43.89	Aviation Defense Service S.A.	Saint-Gilles (France)
P	37.50	P	37.50	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
F	100.00	F	100.00	Cassidian Aviation Training Services S.A.S.	Paris (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	Plant Holdings, Inc.	Temecula, CA (USA)
F	100.00			Cassidian Cybersecurity GmbH	Ottobrunn (Germany)
F	100.00			Cassidian Cybersecurity S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Finland Oy	Helsinki (Finland)
F	100.00	F	100.00	Cassidian Ltd.	Newport (United Kingdom)
F	100.00	F	100.00	Cassidian Ltd. - Holding	Newport (United Kingdom)
F	100.00			Cassidian Optronics GmbH	Oberkochen (Germany)
F	70.00			Cassidian Optronics Pty. Ltd.	Irene (South Africa)
F	100.00	F	100.00	Cassidian Real Estate Manching GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Cassidian Real Estate Ulm/ Unterschleißheim GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Cassidian S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Solutions S.A.U.	Madrid (Spain)
F	100.00	F	100.00	Cassidian Test & Services Ltd.	Wimborne (United Kingdom)
F	100.00	F	100.00	Cassidian Test & Services S.A.S.	Velizy (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	Friedrichshafen (Germany)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Military Aircraft)	Madrid (Spain)
F	100.00	F	100.00	Cassidian Saudi Ltd.	Riyadh (Saudi Arabia)
F	100.00	F	100.00	EADS Deutschland GmbH (Unit: Cassidian)	Ottobrunn (Germany)
F	100.00	F	100.00	EADS Operations & Services UK Ltd.	Newport (United Kingdom)
		F	100.00	EADS Secure Networks S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Mexico SA de C.V.	Mexico D.F. (Mexico)
P	49.00	P	49.00	Emiraje Systems LLC	Abu Dhabi (United Arab Emirates)
E	30.00	E	30.00	ESG Elektroniksystem- und Logistikgesellschaft mbH	Munich (Germany)
E	24.50	E	24.50	ET Marinesysteme GmbH	Wilhelmshaven (Germany)
F	100.00	F	100.00	Fairchild Controls Corporation	Frederick, MD (USA)
F	100.00	F	100.00	FmElo Elektronik- und Luftfahrtgeräte GmbH	Ottobrunn (Germany)
F	100.00	F	100.00	Get Electronique S.A.S.	Castres (France)
F	100.00	F	100.00	GFD Gesellschaft für Flugzieldarstellung mbH	Hohn (Germany)
F	75.00	F	87.40	GEW Technologies Pty. Ltd.	Pretoria (South Africa)

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P	49.00	P	49.00	Hagenuk Marinekommunikation GmbH	Flintbek (Germany)
P	50.00	P	50.00	Maîtrise d'Oeuvre Système S.A.S.	Issy-les-Moulineaux (France)
P	37.50	P	37.50	Matra Electronique S.A.S.	Le Plessis-Robinson (France)
E	49.00	E	49.00	Matrium GmbH	Karlsruhe (Germany)
P	37.50	P	37.50	MBDA Deutschland GmbH	Schrobenhausen (Germany)
P	37.50	P	37.50	MBDA España S.L.	Madrid (Spain)
P	37.50	P	37.50	MBDA France S.A.S.	Velizy (France)
P	75.00	P	75.00	MBDA Holding S.A.S.	Velizy (France)
P	37.50	P	37.50	MBDA International Ltd.	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA Italy SpA	Roma (Italy)
P	37.50	P	37.50	MBDA Reinsurance Ltd.	Dublin (Ireland)
P	37.50	P	37.50	MBDA S.A.S.	Velizy (France)
P	37.50	P	37.50	MBDA Services S.A.	Velizy (France)
P	37.50	P	37.50	MBDA Treasury Ltd.	Jersey (United Kingdom)
P	37.50	P	37.50	MBDA UAE	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA UK Ltd.	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA, Inc.	Westlack, CA (USA)
F	99.84			NETASQ S.A	Villeneuve d'Asq (France)
E	26.80	E	26.80	Patria Oyj	Helsinki (Finland)
F	80.00	F	80.00	Pentastar S.A.	Paris (France)
F	51.00			Rheinmetall Airborne Systems GmbH	Bremen (Germany)
E	18.75	E	18.75	Roxel S.A.	Saint-Médard-en-Jalles (France)
P	79.60	P	79.60	Signalis GmbH	Bremen (Germany)
P	79.60	P	79.60	Signalis Holding GmbH	Unterschleißheim (Germany)
P	79.60	P	79.60	Signalis S.A.S.	Bozons (France)
P	49.00	P	49.00	Sonartech Atlas Pty. Ltd.	Sydney (Australia)
P	25.13	P	25.13	TAURUS Systems GmbH	Schrobenhausen (Germany)
P	37.50	P	37.50	TDW- Ges. für verteidigungstechnische Wirksysteme GmbH	Schrobenhausen (Germany)
E	50.00	E	50.00	United Monolithic Semiconductors Holding*	Orsay (France)
F	90.00	F	90.00	UTE CASA y Aeronautica industrial S.A.	Madrid (Spain)
Astrium					
F	100.00	F	100.00	Astrium Americas, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Astrium GmbH (Unit: Satellites)	Munich (Germany)
F	100.00	F	100.00	Astrium GmbH (Unit: Services)	Munich (Germany)
F	100.00	F	100.00	Astrium GmbH (Unit: Space Transportation)	Munich (Germany)
F	100.00			Astrium GmbH (Unit: HQs & Holdings)	Munich (Germany)
F	100.00	F	100.00	Astrium Holding S.A.S.	Paris (France)
F	100.00			Astrium Ltd. (Unit: HQs & Holdings)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium Ltd. (Unit: Satellites)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium Ltd. (Unit: Services)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium Pte Ltd.	Singapore (Singapore)
F	100.00	F	100.00	Astrium S.A.S. (Unit: HQs & Holdings)	Les Muraux (France)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Satellites)	Toulouse (France)

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F	100.00	F	100.00	Astrium S.A.S. (Unit: Services)	Paris (France)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Space Transportation)	Les Muraux (France)
F	100.00			Astrium s.r.l.	Rome (Italy)
F	100.00	F	100.00	Astrium Services AS	Lysaker (Norway)
F	100.00	F	100.00	Astrium Services BC AS	Lysaker (Norway)
F	100.00	F	100.00	Astrium Services BC B.V.	's-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 (Tansania)
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	Holmestrand (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 Government, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Astrium Services Holding S.A.S.	Paris (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	98.86	F	98.86	Axio-Net GmbH	Hannover (Germany)
F	54.40	F	54.40	Beijing Spot Image Co Ltd.	Beijing (China)
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	Dutch Space B.V.	Leiden (Netherlands)
F	100.00	F	100.00	Astrium B.V.	The Hague (Netherlands)
F	100.00	F	100.00	Astrium España S.L.	Madrid (Spain)
F	100.00	F	100.00	EADS CASA Espacio S.L.	Madrid (Spain)
F	100.00	F	100.00	GPT Special Project Management Ltd.	Riyadh (Saudi Arabia)
F	76.85	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)
F	100.00	F	100.00	Infoterra GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	Infoterra Ltd.	Leicester (United Kingdom)
F	100.00	F	100.00	Jena-Optronik GmbH	Jena (Germany)
F	100.00	F	100.00	Matra Marconi Space UK Ltd.	Stevenage (United Kingdom)
F	74.90	F	74.90	MilSat Services GmbH	Bremen (Germany)
F	100.00	F	100.00	Mobsat Group Holding S.A.R.L.	Munsbach (Luxembourg)
F	100.00	F	100.00	Mobsat Holding 1BV	Amsterdam (Netherlands)
F	100.00	F	100.00	Mobsat Holding 2BV	Amsterdam (Netherlands)
F	100.00	F	100.00	Mobsat Holding Norway AS	Lysaker (Norway)
F	75.10	F	75.10	ND SatCom Defence GmbH	Immenstaad (Germany)

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F	75.10	F	75.10	ND Satcom GmbH	Immenstaad (Germany)
F	75.10	F	75.10	ND SatCom Products GmbH	Immenstaad (Germany)
F	75.10	F	75.10	ND SatCom Satellite Communication Systems (Beijing) Co. Ltd.	Beijing (China)
F	75.10	F	75.10	ND SatCom FZE	Dubai (United Arab Emirates)
F	75.10	F	75.10	ND Satcom, Inc.	Richardson, TX (USA)
F	100.00	F	100.00	Paradigm Secure Communications Ltd.	Stevenage (United Kingdom)
F	100.00	F	100.00	Paradigm Services Ltd.	Stevenage (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			Space Engineering SpA	Rome (Italy)
F	69.24	F	69.24	Spot Asia Pte Ltd.	Singapore (Singapore)
F	98.91	F	98.91	Spot Image Brasil Servicios en Image	São Paulo (Brazil)
F	98.91	F	98.91	Spot Image Corporation, Inc.	Chantilly, VA (USA)
F	98.91	F	98.91	Spot Image S.A.	Toulouse (France)
F	99.81	F	98.81	Spot Imaging Services Pty. Ltd.	Weston Creek (Australia)
F	99.99	F	99.99	Surrey Satellite Investments Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Services Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Technology Holdings, Inc.	Delaware (USA)
F	99.99	F	99.99	Surrey Satellite Technology Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Technology Ltd.	Isle of Man
F	99.99	F	99.99	Surrey Satellite Technology US LLC	Delaware (USA)
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	F	98.91	Tokyo Spot Image	Tokyo (Japan)
F	100.00	F	100.00	Vizada Networks B.V.	Hoofddorp (Netherlands)
Other Businesses					
P	50.00	P	50.00	ATR Eastern Support Pte. Ltd.	Singapore (Singapore)
P	50.00	P	50.00	ATR G.I.E.	Blagnac (France)
P	50.00	P	50.00	ATR India Customer Support Pte. Ltd.	Bangalore (India)
P	50.00	P	50.00	ATR International S.A.S.	Blagnac (France)
P	50.00	P	50.00	ATR North America, Inc.	Washington, VA (USA)
P	50.00	P	50.00	ATR North American Training Center, Inc.	Montreal (Canada)
P	50.00	P	50.00	ATR South African Training Center (Proprietary) Ltd.	Illovo (South Africa)
P	50.00	P	50.00	ATR Training Center S.A.R.L.	Blagnac (France)
P	50.00	P	50.00	ATRiam Capital Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Composites Aquitaine S.A.	Salaunes (France)
F	100.00	F	100.00	Composites Atlantic Ltd.	Halifax (Canada)
E	30.00	E	30.00	Daher - Socata S.A.*	Louey (France)
F	100.00	F	100.00	EADS ATR S.A.	Colomiers (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 Sogerma S.A.	Mérignac (France)
F	100.00	F	100.00	EADS Supply Services, Inc.	Rockville, MD (USA)

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F	100.00	F	100.00	Manhattan Beach Holding Company	Herndon, VA (USA)
F	100.00	F	100.00	Maroc Aviation S.A.	Casablanca (Morocco)
F	100.00	F	100.00	Matra Aerospace, Inc.	Herndon, VA (USA)
Headquarters					
F	100.00			Aelis Mexico LLP	Querétaro (Mexico)
F	60.00			Aero Equipement S.A.S.	Boulogne-Billancourt (France)
F	100.00	F	100.00	Aero Ré S.A.	Luxembourg (Luxembourg)
F	100.00	F	100.00	EADS Aeroassurance S.N.C.	Paris (France)
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 AG	Munich (Germany)
E	46.32	E	46.32	Dassault Aviation S.A.*	Paris (France)
F	100.00	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	EADS CASA S.A. (Unit: Headquarters)	Madrid (Spain)
F	100.00	F	100.00	EADS Deutschland GmbH (Unit: Headquarters)	Ottobrunn (Germany)
F	100.00	F	100.00	EADS Finance B.V.	Amsterdam (Netherlands)
F	100.00	F	100.00	EADS France S.A.S.	Paris (France)
F	100.00	F	100.00	EADS Management Service GmbH	Munich (Germany)
F	100.00	F	100.00	EADS Real Estate Dornier Grundstücke GmbH & Co. KG	Taufkirchen (Germany)
F	100.00	F	100.00	EADS Real Estate Taufkirchen GmbH & Co. KG	Pullach (Germany)
F	100.00	F	100.00	EADS UK Ltd.	London (United Kingdom)
E	30.00			Elson Ltd.	Hong Kong (China)
F	100.00			Eltra Aeronautics Pte Ltd.	Singapore (Singapore)
F	99.00			Eltra Aeronautique S.A.S.	Marseille (France)
F	49.00			Eltra Beijing Outou	Beijing (China)
F	100.00			Eltra Holdings Pte Ltd.	Singapore (Singapore)
F	100.00			Eltra Services Ltd.	Hong Kong (China)
F	100.00			Immobilière AELIS S.A.S.	Paris (France)
F	100.00	F	100.00	Matra Défense S.A.S.	Velizy (France)
F	100.00	F	100.00	Matra Holding GmbH	Kehl (Germany)
F	100.00	F	100.00	OBRA Grundstücks-Verwaltungsgesellschaft mbH	Grünwald (Germany)
F	100.00	F	100.00	OOO "EADS"	Moscow (Russia)
E	33.00			Pesola Ltd.	São José dos Campos (Brazil)
E	30.00			Sinelson Aero	Tianjin (China)
E	34.00			Sopecaero Ltd.	São José dos Campos (Brazil)

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EADS N.V. — Auditors' report on the Consolidated Financial Statements (IFRS)

Independent Auditors' report

To: The EADS N.V. Shareholders:

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements 2012 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the consolidated statement of financial position as at 31 December 2012, the Consolidated Statements of income, comprehensive income, cash flow and changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the report of the Board of Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

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

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f 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 this Code, and if the information as required under Section 2:392 sub 1 at b-h has been annexed. Further, we report that the report of the Board of Directors, to the extent we can assess, is consistent with the Consolidated Financial Statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 26 February 2013	Rotterdam, 26 February 2013
KPMG Accountants N.V.	Ernst & Young Accountants LLP
J.C.M. van Rooijen RA	C.T. Reckers RA

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Company Financial Statements

Balance Sheet of the Company Financial Statements

(In € million)	Note	At 31 December 2012	At 31 December 2011
Assets			
Fixed assets			
Goodwill	2	4,354	4,354
Financial fixed assets	2	11,337	9,802
Non-current securities	4	5,786	7,103
		21,477	**21,259**
Non-fixed assets			
Receivables and other assets	3	8,654	6,362
Current securities	4	2,228	4,140
Cash and cash equivalents	4	6,962	3,394
		17,844	**13,896**
Total assets		**39,321**	**35,155**
Liabilities and stockholders' equity			
Stockholders' equity(1)	5		
Issued and paid up capital		827	820
Share premium		7,253	7,519
Revaluation reserves		146	(1,207)
Legal reserves		4,143	3,544
Treasury shares		(84)	(113)
Retained earnings		(3,104)	(2,746)
Result of the year		1,228	1,033
		10,409	**8,850**
Non-current liabilities			
Financing liabilities	6	3,078	3,090
		3,078	**3,090**
Current liabilities			
Other current liabilities	7	25,834	23,215
		25,834	**23,215**
Total liabilities and stockholders' equity		**39,321**	**35,155**

(1) The balance sheet is prepared before appropriation of the net result.

Income Statement of the Company Financial Statements

(In € million)	Note	2012	2011
Income from investments		1,168	1,010
Other results		60	23
Net result	8	**1,228**	**1,033**

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Notes to the Company Financial Statements

Contents

1. Basis of presentation

1.1 General

EADS 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 2012 financial statements of EADS 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, EADS 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 EADS 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 EADS N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between EADS N.V. and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

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 2012, goodwill acquisition cost amounts to €5,676 million (2011: €5,676 million) and the cumulative amortisation and impairments to €1,322 million (2011: €1,322 million).

The movements in financial fixed assets are detailed as follows:

(In € million)	Subsidiaries	Participations	Loans	Total
Balance at 31 December 2010	**5,902**	**149**	**1,909**	**7,960**
Additions	110		1,625	1,735
Redemptions			(109)	(109)
Share based payments	16			16
Net income from investments	1,004	6		1,010
Actuarial gains/losses IAS 19	(579)			(579)
Dividends received	(75)			(75)
Translation differences/other changes	(252)	(6)	102	(156)
Balance at 31 December 2011	**6,126**	**149**	**3,527**	**9,802**
Additions	138	9	367	514
Redemptions		(4)	(328)	(332)
Share based payments	18			18
Net income from investments	1,150	18		1,168
Actuarial gains/losses IAS 19	(770)			(770)
Dividends received	(240)	(12)		(252)
Translation differences/other changes	1,213	2	(26)	1,189
Balance at 31 December 2012	**7,635**	**162**	**3,540**	**11,337**

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 €3,540 million (2011: €3,527 million) include loans provided to subsidiaries in the amount of €2,990 million (2011: €2,981 million) and the loans provided to participations in the amount of €58 million (2011: €63 million). The increase of loans is mainly driven by loans provided to the subsidiaries Astrium Holding SAS, Astrium Services Holding SAS and Astrium Americas Inc. The item redemptions mainly reflects early repayments of loans provided to Astrium BV and Astrium Holding SAS. An amount of €1,434 million has a maturity between five and ten years and an amount of €319 million matures after ten years. On average, the interest rate of the loans is 3.5%.

3. Receivables and other assets

(In € million)	2012	2011
Receivables from subsidiaries	8,410	5,907
Other assets	244	455
Total receivables and other assets	**8,654**	**6,362**

The receivables from subsidiaries include mainly receivables in connection with the cash pooling in EADS N.V.

Other assets include deferred tax assets amounting to €0 million (2011: €20 million).

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 €5,786 million (2011: €7,103 million). For further information please see Note 22 of the Consolidated Financial Statements.

EADS limits its cash equivalents to such investments having a maturity of three months or less from acquisition date.

5. Stockholders' equity

(In € million)	Capital stock	Share premiums	Revaluation reserves	Legal reserves	Treasury shares	Retained earnings	Result of the year	Total equity
Balance at 31 December 2010	**816**	**7,645**	**(989)**	**3,532**	**(112)**	**(2,604)**	**553**	**8,841**
Capital increase	4	59						63
Net income							1,033	1,033
Cash distribution		(178)						(178)
Share based payments						15		15
Transfer to legal reserves				86		(86)		
Purchase/sale of treasury shares		(7)			(1)			(8)
Others			(218)	(74)		(624)		(916)
Appropriation of result						553	(553)	
Balance at 31 December 2011	**820**	**7,519**	**(1,207)**	**3,544**	**(113)**	**(2,746)**	**1,033**	**8,850**
Capital increase	7	137						144
Net income							1,228	1,228
Cash distribution		(369)						(369)
Share based payments						18		18
Transfer to legal reserves				593		(593)		
Purchase/sale of treasury shares					(5)			(5)
Cancellation of treasury shares		(34)			34			
Others			1,353	6		(816)		543
Appropriation of result						1,033	(1,033)	
Balance at 31 December 2012	**827**	**7,253**	**146**	**4,143**	**(84)**	**(3,104)**	**1,228**	**10,409**

For further information to the Stockholders' equity, please see Note 23 of the Consolidated Financial Statements.

As of 31 December 2012, the item 'Revaluation reserves' relates to €564 million (2011: €566 million) resulting from unrealised 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 €418 million (2011: €1,773 million negative fair values). The cash flow hedges are included in "Subsidiaries".

The legal reserves are related to EADS' share in the undistributed results from investments for €1,412 million (2011: €1,237 million), internally generated capitalised development costs of €1,365 million (2011: €947 million) and €1,366 million (2011: €1,360 million) resulting from currency translation effects of affiliated companies.

The internally generated development costs reflect capitalised development costs in the consolidated subsidiaries and are allocated to other legal reserves in accordance with Article 2:389 paragraph 6 of the Dutch Civil Code.

The retained earnings include actuarial losses arising from defined benefit plans, recognised in equity, with an amount of €3,158 million (2011: €2,388 million).

Pursuant to Dutch law, limitations exist relating to the distribution of stockholders' equity with an amount of €5,534 million (2011: €4,930 million). The limitations relate to capital stock of €827 million (2011: €820 million) and to legal reserves of €4,143 million (2011: €3,544 million). In 2012, unrealised gains related to revaluation reserves with an amount of €564 million (2011: €566 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 capitalised development costs reduce the distributable stockholders' equity.

6. Non-current financing liabilities

The non-current financing liabilities in the amount of €3,078 million (2011: €3,090 million) include two long-term loans, granted by the European Investment Bank to EADS with an amount of US$1,142 million, a US$300 million loan granted in 2012 by the Development Bank of Japan and two loans granted by EADS Finance B.V. with an amount of €1,494 million. The latter two loans originate from the issuance of two euro denominated bonds under EADS' EMTN Programme by EADS Finance B.V. Terms and conditions of both loans basically match those of the underlying EMTN bonds.

For further details, please see Note 26 of the Consolidated Financial Statements.

7. Current liabilities

(In € million)	**2012**	2011
Liabilities to subsidiaries	24,577	21,609
Liabilities to participations	891	1,392
Other liabilities	366	214
Total	**25,834**	**23,215**

The liabilities to subsidiaries comprise mainly liabilities in connection with the cash pooling in EADS N.V.

8. Net income

The net income in 2012 amounts to €1,228 million (2011: net income of €1,033 million).

9. Financial instruments

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest risks. EADS 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

EADS N.V. issues guarantees on behalf of consolidated companies with an amount of €6,358 million. The commitments of these companies to third parties mainly relate to their operating business as described in Note 33 and Note 36 to the Consolidated Financial Statements. The company is heading a fiscal unity, which also includes EADS Finance B.V., Astrium B.V. and 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 2012 and 2011 can be summarised as follows:

Non-Executive Members of the Board:

(In €)	**2012**	2011
Fixum	1,158,335	1,170,000
Fees	510,000	425,000

Executive Members of the Board:

(In €)	**2012**	2011
Base Salary	1,229,169	990,000
Annual Variable Pay	2,108,698	1,993,475

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:

	Directors' remuneration related to 2012[1]		Directors' remuneration related to 2011[1]	
	Fixum (in €)	*Attendance Fees (in €)*	*Fixum (in €)*	*Attendance Fees (in €)*
Current Non-Executive Board Members[1]				
Bodo Uebber	157,500	55,000	210,000	90,000
Dominique D'Hinnin	120,000	55,000	120,000	45,000
Arnaud Lagardère	164,167	80,000	100,000	30,000
Hermann-Josef Lamberti	130,000	50,000	130,000	35,000
Lakshmi N. Mittal	80,000	40,000	80,000	30,000
Sir John Parker	130,000	50,000	130,000	35,000
Michel Pébereau	100,000	40,000	100,000	35,000
Wilfried Porth	108,334	35,000	120,000	40,000
Josep Piqué i Camps[2]	46,667	35,000	N/A	N/A
Jean-Claude Trichet[2]	46,667	40,000	N/A	N/A
Former Non-Executive Board Members[2]				
Rolf Bartke	41,667	15,000	100,000	45,000
Juan Manuel Eguiagaray Ucelay	33,333	15,000	80,000	40,000
Total	**1,158,335**	**510,000**	**1,170,000**	**425,000**

(1) The Fixum related to 2011 was paid in 2012; the Fixum related to 2012 will be paid in 2013.
(2) Pro rata in accordance with their periods of membership with the Board of Directors.

Summary table of the remuneration of the current and former Executive Directors

The remuneration of the Executive Members of the Board of Directors was as follows:

	Directors' remuneration in respect of 2012		Directors' remuneration in respect of 2011	
	Base Salary (in €)	*Annual Variable Pay (in €)*	*Base Salary (in €)*	*Annual Variable Pay (in €)*
Executive Board Members				
Louis Gallois (1 January to 31 May 2012)	412,500	830,615	990,000	1,993,475
Tom Enders (1 June to 31 December 2012)	816,669	1,278,083	N/A	N/A
Total	**1,229,169**	**2,108,698**	**990,000**	**1,993,475**

The bonus conditions are disclosed in the Board Report, chapter 4.3.1.2.

The table below gives an overview of the interests of the current Executive Board Directors under the various **long-term incentive plans** of EADS:

Stock option plans

Number of options

Year of plan	Initially granted	As at 1 Jan 2012	Granted in 2012	Exercised during 2012	As at 31 Dec 2012	Exercise price in Euro	Expiry date
Louis Gallois							
2006	67,500	67,500	-	-	67,500	25.65	Dec. 16, 2016
Tom Enders							
2003	50,000	25,000	-	-	25,000	15.65	Oct. 9, 2013
2004	50,000	37,500	-	-	37,500	24.32	Oct. 7, 2014
2005	135,000	67,500	-	-	67,500	33.91	Dec. 8, 2015
2006	67,500	67,500	-	-	67,500	25.65	Dec. 16, 2016

Performance units plan

Number of performance units[1]:

	Granted in 2008	Vested in 2012
Louis Gallois	40,000	27,200 (Re-evaluation of Performance Units based on 136% performance achievement). Remaining vesting schedule: • 25% expected in May 2013 • 25% expected in November 2013
Tom Enders	40,000	27,200 (Re-evaluation of Performance Units based on 136% performance achievement). Remaining vesting schedule: • 25% expected in May 2013 • 25% expected in November 2013

	Granted in 2009	Vesting date
Louis Gallois	46,000	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2013 • 25% expected in November 2013 • 25% expected in May 2014 • 25% expected in November 2014
Tom Enders	46,000	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2013 • 25% expected in November 2013 • 25% expected in May 2014 • 25% expected in November 2014

	Granted in 2010	Vesting date
Louis Gallois	54,400	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2014 • 25% expected in November 2014 • 25% expected in May 2015 • 25% expected in November 2015
Tom Enders	54,400	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2014 • 25% expected in November 2014 • 25% expected in May 2015 • 25% expected in November 2015

(1) Vesting of all performance units granted to the Chief Executive Officer is subject to performance conditions.

	Granted in 2011	Vesting date
Louis Gallois	51,400	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2015 • 25% expected in November 2015 • 25% expected in May 2016 • 25% expected in November 2016
Tom Enders	51,400	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2015 • 25% expected in November 2015 • 25% expected in May 2016 • 25% expected in November 2016

	Granted in 2012	Vesting date
Tom Enders	50,300	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2016 • 25% expected in November 2016 • 25% expected in May 2017 • 25% expected in November 2017

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 11,355,143 at 31 December 2012 (2011: 17,468,709).

During the year 2012, the Executive Committee Members have exercised 80,000 options granted under the various EADS stock option plans. 279,175 options were exercised by former Executive Board Directors. Exercises of options by the EADS Executive Committee Members are disclosed on the EADS internet website in accordance with the applicable regulations.

Performance and Restricted unit plans

To the current Members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted units amounted to 15,235,262 at 31 December 2012 (2011: 13,890,028).

The expense accounted for in 2012 for performance shares and performance units granted to the Chief Executive Officer was € 1.399 million (2011: € 1.1 million for long-term incentive plans and stock options).

For further information on these various plans, please see Note 35 and 36 of the Consolidated IFRS Financial Statements.

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 EADS, 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 EADS 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.

The former Chief Executive Officer, Louis Gallois, has retired 1 June 2012, with a pension promise worth € 3,869,637 (defined benefit obligation (*i.e.* the book cash value)).

For the Chief Executive Officer, Tom Enders, the amount of the pension defined benefit obligation (*i.e.* the book cash value) amounted to € 11,800,233 as of 31 December 2012, while the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2012 represented an expense of € 1,000,769. This obligation has been accrued in the Consolidated Financial Statements. The defined benefit obligation for the Company pension of Tom Enders results from EADS Executive Committee pension policy as described above and takes into account (1) the seniority of Tom Enders in EADS and its Executive Committee and (2) the significant lower public pension promise deriving from the German social security pension system compared to public pensions resulting from the membership in the French public pension system.

Other benefits

All amounts reported above for the Executive Board Directors (current and former) are free of benefits in kind, as explained below, they are entitled to, as well as all national social and income tax impacts. The company grants to the Members of the Executive Committee appropriate insurance coverage, in particular a Directors and Officers liability insurance.

The Chief Executive Officer, Tom Enders, is entitled to a company car. The residual value of his company car was worth €57,134 (excluding VAT) as of 31 December 2012.

EADS 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 2012 was 2 (2011: 2).

13. Related party transactions

An interest free loan was granted by Lagardère and the French State to EADS in 2007. The amount of €29 million was repaid in 2011.

For further information on the related party transactions, please see Note 36 of the Consolidated Financial Statements.

14. Auditor Fees

Services of Statutory Auditors and Members of their Network rendered to the Group for the financial years 2012 and 2011:

	KPMG Accountants N.V.				Ernst & Young Accountants LLP			
	2012		2011		**2012**		2011	
	Amount in €K	*%*	*Amount in €K*	*%*	*Amount in €K*	*%*	*Amount in €K*	*%*
Audit								
Audit process, certification, examination of individual and consolidated accounts	5,780	55.0	5,675	70.0	5,836	61.3	5,851	69.2
Additional tasks[(1)]	3,725	35.5	1,678	20.7	3,158	33.2	2,338	27.6
Sub-total	**9,505**	**90.5**	**7,353**	**90.7**	**8,994**	**94.5**	**8,189**	**96.8**
Other services as relevant								
Legal, tax, employment	961	9.2	715	8.8	519	5.5	201	2.4
Information Technology	20	0.1	37	0.5			70	0.8
Other	22	0.2	6	0.1				
Sub-total	**1,003**	**9.5**	**758**	**9.3**	**519**	**5.5**	**271**	**3.2**
Total	**10,508**	**100.0**	**8,111**	**100.0**	**9,513**	**100.0**	**8,460**	**100.0**

(1) Mainly transaction related work.

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Supplementary Information

Independent Auditors' report

To: The EADS N.V. Shareholders:

Report on the Company Financial Statements

We have audited the accompanying Company Financial Statements 2012 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the company balance sheet as at 31 December 2012, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Company Financial Statements and for the preparation of the report of the Board of Directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these Company Financial Statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Company Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Company Financial Statements.

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

Opinion

In our opinion, the Company Financial Statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f 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 this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report of the Board of Directors, to the extent we can assess, is consistent with the Company Financial Statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 26 February 2013

KPMG Accountants N.V.
J.C.M. van Rooijen RA

Rotterdam, 26 February 2013

Ernst & Young Accountants LLP
C.T. Reckers RA

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 € 1,228 million as shown in the income statements for the financial year 2012 is to be added to retained earnings and that a payment of a gross amount of € 0.60 per share shall be made to the shareholders.

2. Subsequent events

For further information please see Note 40 of the Consolidated Financial Statements.

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Cover image: DirecTV 15 Satellite.

Report of the Board of Directors

(Issued as of 26 February 2013)

Dear Shareholders,

This is the Report of the Board of Directors (the "**Board Report**") on the activities of European Aeronautic Defence and Space Company EADS N.V. (the "**Company**" or "**EADS**" and together with its subsidiaries, the "**Group**") during the 2012 financial year, prepared in accordance with Dutch regulations.

For further information regarding EADS' business, finances, risk factors and corporate governance, please refer to the EADS website - **www.eads.com**.

1. General Overview

With consolidated revenues of € 56.5 billion in 2012, EADS 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, EADS 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 2012, it generated approximately 79% of its total revenues in the civil sector and 21% in the defence sector. As of 31 December 2012, EADS' active headcount was 140,405 employees.

EADS organises its businesses into the following four operating Divisions: (i) Airbus (including Airbus Commercial and Airbus Military), (ii) Eurocopter, (iii) Astrium, and (iv) Cassidian.

2. Summary 2012

2012 was a year of successful transition, continuous growth and sustained progress for EADS. Despite a difficult macro-economic environment, EADS improved its year-on-year operating performance, driven by strong commercial activities at Airbus and rising services activities at Eurocopter and Astrium.

When EADS started the year 2012 it set itself the following "EADS Group Priorities for 2012", which were shared with all employees:

1. Focus management on engagement, people skills and gender diversity; promote accordingly

2. Enhance profitability, generate cash and increase value creation

3. Execute on current programmes and improve engineering efficiency

4. Protect current and future governmental programmes in times of budget constraints

5. Identify organic and external business growth in the US and emerging countries

6. Enforce integrity and transparency in our key processes and set industry standards in both business ethics and Enterprise Risk Management

7. Foster innovation and entrepreneurship

8. Implement and deliver on services ambitions

9. Improve eco-efficiency of our products and industrial processes

10. Ensure a smooth and efficient transition process

For the full year 2012, EADS' revenues increased by 15% to € 56.5 billion. This strong performance was driven mainly by higher volume and more favourable U.S. dollar rates at Airbus Commercial as well as solid increases at Eurocopter and Astrium. Revenues at Eurocopter and Astrium were boosted by the services businesses, including Vector Aerospace and Vizada. These companies, which were acquired in 2011, contributed around € 1.5 billion to the 2012 revenues. Despite the overall defence environment, defence revenues were flat compared to 2011. Physical deliveries remained strong with a record 588 aircraft for Airbus Commercial, 29 aircraft for Airbus Military, 475 helicopters at Eurocopter and the 53rd consecutive successful Ariane 5 launch.

EADS achieved double-digit revenue and profit growth during 2012, while further increasing the order backlog. Going-forward, the focus on bottom line growth and the dedication to profitability remain pivotal. If anything, the new governance, the new shareholder structure and the new Board as of end March aims to further energize the company and its employees on their successful international growth path.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2012, EADS' issued share capital amounted to € 827,367,945 divided into 827,367,945 shares of a nominal value of € 1 each. The issued share capital of EADS as of such date represents 27.58% 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 pro rata 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 issue 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, a 75% voting majority would be required once EADS' new Articles of Association ("**New Articles of Association**") become effective as proposed to the Extraordinary General Meeting of shareholders to be held on 27 March 2013 ("**EGM**"), for any shareholders' resolution to issue shares or to grant rights to subscribe for shares for an aggregate issue price in excess of € 500,000,000 per issuance, but only if there exist no pre-emption rights in respect thereof. The same voting majority would apply if the shareholders' meeting wished to authorise the Board of Directors to resolve on such share issuance or granting of rights. For further information, please refer to the Report of the Board of Directors in respect of the EGM (the "**EGM Board Report**").

Pursuant to the existing shareholders' resolution adopted at the annual general meeting ("**AGM**") held on 31 May 2012, 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 provided that such powers shall be limited to 0.15% of EADS' authorised share capital. Such powers have been granted for a period expiring at the AGM to be held on 29 May 2013. The shareholders' meeting will be requested to renew those powers in such AGM, provided that such renewed authorisation will not involve an issuance of shares, or granting of rights to subscribe for shares, which would require a 75% voting majority if resolved upon by the shareholders' meeting under the New Articles of Association. At the AGM held on 31 May 2012, the Board of Directors was authorised, for a period of 18 months from the date of such AGM, to repurchase shares of EADS, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, EADS would not hold more than 10% of EADS' issued share capital. The shareholders' meeting will be requested to renew those powers in the AGM to be held on 29 May 2013 (without prejudice to the additional repurchase authorisation referred to below).

Additionally, in connection with the contemplated changes to EADS' shareholding structure and governance (the "**New Governance Structure**") under the agreement (the "**Multiparty Agreement**") reached on 5 December 2012 by the Company, EADS' core shareholders and Kreditanstalt für Wiederaufbau ("**KfW**"), a public law institution serving domestic and international policy objectives of the Federal Government of the Federal Republic of Germany, an additional share repurchase authorisation has been proposed for adoption by the EGM. Under the proposed resolution (which itself is conditional upon adoption of all other resolutions proposed to the EGM), the Board of Directors will be authorised, for a period of 18 months from the date of such EGM, to repurchase up to 15% of EADS's issued share capital as at the date of the acquisition, by any means, including derivative products, on any stock exchange, in a private purchase, by way of a public purchase offer or otherwise, at a price not less than the nominal value and at most € 50 per share. This authorisation will be in addition, and without prejudice, to the authorisation granted by the AGM held on 31 May 2012 and the authorisation requested from the AGM to be held on 29 May 2013. For further information related to the Multiparty Agreement and this additional share repurchase authorisation, please refer to the EGM Board Report.

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 said 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 New Articles of Association will require a 75% voting majority).

Securities granting access to the Company's capital

Except for stock options granted for the subscription of EADS 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 EADS.

The table below shows the total potential dilution that would occur if all the stock options issued as at 31 December 2012 were exercised:

	Number of shares	**Percentage of diluted capital**	**Number of voting rights**	**Percentage of diluted voting rights***
Total number of EADS shares issued as of 31 December 2012	827,367,945	98.6%	822,141,410	98.6 %
Total number of EADS shares which may be issued following exercise of stock options	11,355,143	1.4%	11,356,143	1.4 %
Total potential EADS share capital	838,724,088	100%	833,497,553	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 2012

In 2012, EADS employees exercised 5,261,784 stock options granted to them through the stock option plans launched by the Company. As a result, 5,261,784 new shares were issued in the course of 2012. The Company also issued 2,177,103 new shares in 2012 in connection with the employee share ownership plan.

553,233 treasury shares were cancelled in 2012 following approval by the AGM held on 31 May 2012.

Repurchases of shares in 2012

During 2012, EADS repurchased in aggregate 2,119,467 shares directly or pursuant to contracts entered into with a bank to purchase EADS shares on EADS' behalf through derivative products in order to compensate the dilution effect resulting from the issuance of shares following the exercise of stock options under the Company's various stock option plans.

Shareholding structure at the end of 2012

EADS combined the activities of Aerospatiale Matra ("**Aerospatiale Matra**" or "**ASM**"), Daimler Aerospace AG ("**Dasa**") (with the exception of certain assets and liabilities) and Construcciones Aeronauticas SA ("**CASA**") pursuant to a series of transactions completed in July 2000.

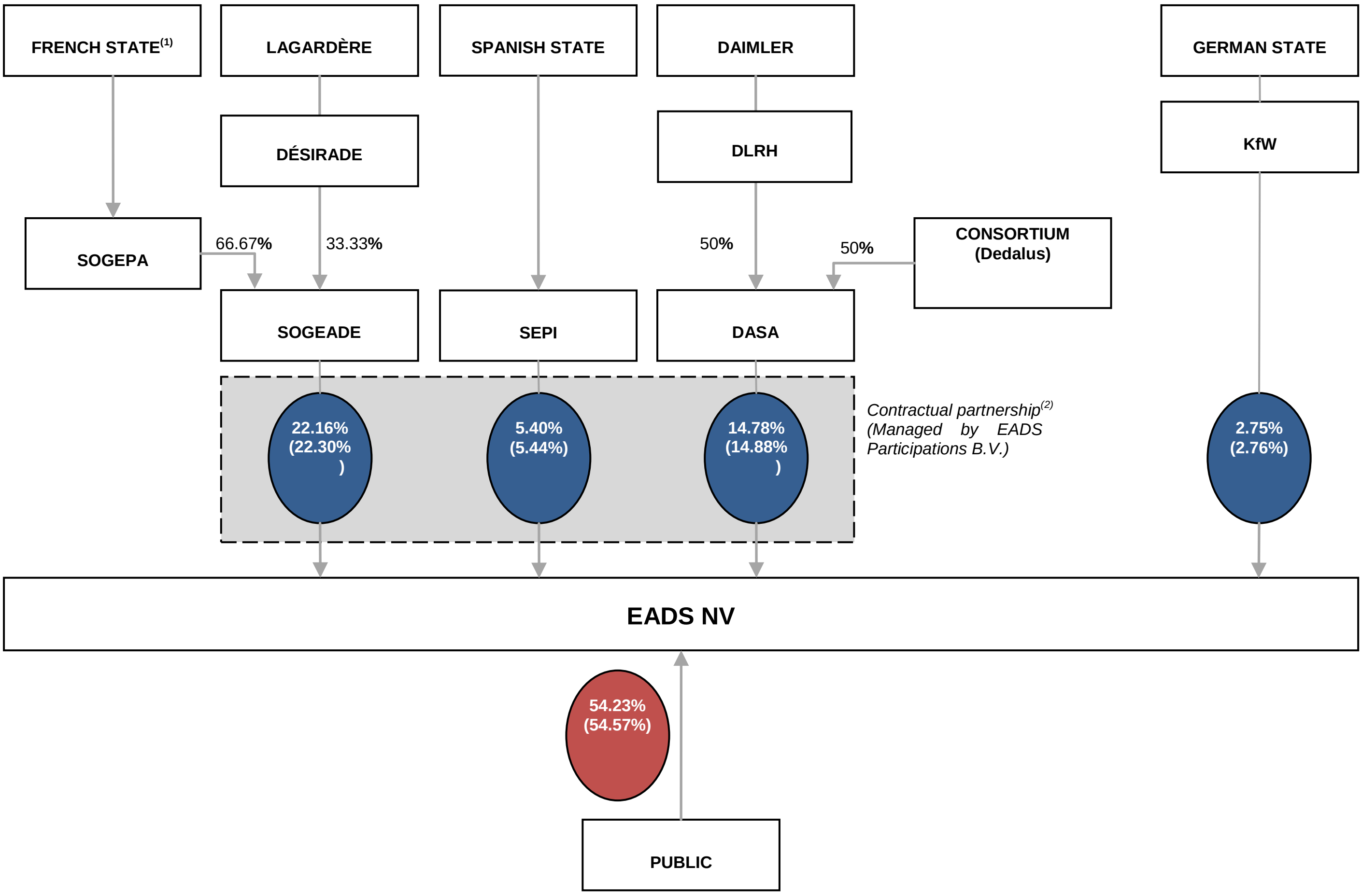
In this Report of the Board of Directors, the term "Completion" relates to the July 2000 completion of the contributions made by Aerospatiale Matra, Dasa and Sociedad Estatal de Participaciones Industriales ("**SEPI**") (a Spanish stateholding company) to EADS to combine such activities into EADS.

The term "Indirect EADS Shares" relates to the EADS shares held by Dasa, SEPI and Société de Gestion de l'Aéronautique, de la Défense et de l'Espace ("**Sogeade**"), as well as, for Lagardère SCA ("**Lagardère**") and Société de Gestion de Participations Aéronautiques ("**Sogepa**"), or the companies of their group, the number of EADS shares held indirectly via Sogeade, reflecting by transparency, their respective interest in Sogeade. The Indirect EADS Shares have been pledged to EADS Participations B.V., which has been granted the exclusive power to exercise the voting rights attached to the pledged shares (including the right to attend and speak at shareholders' meetings) as described below.

Unless the context requires otherwise, the shareholdings of Dasa in EADS are referred to in this document as shareholdings of Daimler AG ("**Daimler**"), and the rights and obligations of Dasa pursuant to the agreements described herein are referred to as rights and obligations of Daimler.

As at 31 December 2012, 14.78% of EADS' share capital was held by Dasa, whose share capital, as at 31 December 2012, was held 50% by Daimler Luft- und Raumfahrt Holding AG ("**DLRH**"), a wholly owned subsidiary of Daimler and 50% by a consortium of private and public-sector investors ("**Dedalus**"), with Daimler controlling the voting rights of all of the EADS shares held by Dasa. Sogeade, a French partnership limited by shares (société en commandite par actions) whose share capital, as at 31 December 2012, was held 66.67% by Sogepa (a French state holding company) and 33.33% by Désirade (a French société par actions simplifiée wholly owned by Lagardère), held 22.16% of EADS' share capital. Thus, 36.94% of the share capital of EADS was held by Dasa and Sogeade who jointly controlled EADS through a Dutch law contractual partnership managed by EADS Participations B.V. (the "**Contractual Partnership**"). SEPI, which is a party to the Contractual Partnership, held 5.40% of EADS' share capital. KfW held a voting interest of 2.76% in EADS and an economic interest of [8.56%] in EADS – 2.76% directly and 5.80% via Dedalus. The public (including EADS employees) and the Company held, respectively, 54.23% and 0.63% of EADS' share capital. The République Française (the "**French State**") directly held 0.06% of the share capital, such shareholding being subject to certain specific provisions.

The diagram below shows the ownership structure of EADS as at 31 December 2012 (% of capital and of voting rights (in parentheses) before exercise of outstanding stock options granted for the subscription of EADS shares). See "Notes to the Consolidated Financial Statements ("IFRS") – Note [35]: Share-Based Payment".



(1) The French State also directly holds 0.06% of the share capital (such shares being placed with the Caisse des Dépôts et Consignations) and exercises the voting rights attached to these EADS shares in the same way that EADS Participations B.V. exercises the voting rights pooled in the Contractual Partnership.

(2) EADS Participations B.V. exercises the voting rights attached to these EADS shares pledged by Sogeade, Dasa and SEPI who retain title to their respective shares.

(3) As at 31 December 2012, EADS holds, directly or indirectly through another company in which EADS holds directly or indirectly more than 50% of the share capital, 5,226,535 of its own shares, equal to 0.63% of issued share capital. The treasury shares owned by EADS do not carry voting rights.

Changes in shareholding structure during 2012 and early 2013

On 6 December 2012 pursuant to a transaction contemplated by the Multiparty Agreement, Daimler sold 61.1 million EADS shares (approximately 7.44% of the outstanding EADS shares) through an accelerated book building transaction (the "**ABB**"). This reduced Daimler's economic interest in EADS to approximately 7.44% and its voting interest to14.88%. KfW acquired 2.76% of the outstanding EADS shares as part of the ABB.

In a second transaction, KfW acquired (through a wholly owned subsidiary) 65% of the shares in Dedalus on 2 January 2013, which brought its stake in Dedalus to 78%. The remaining 22% of Dedalus is held by certain German public entities. Dedalus holds an economic interest of 7.44% in EADS. As a result of these two transactions, KfW currently holds a voting interest of 2.76% in EADS and an economic interest of 8.56% in EADS – 2.76% directly and 5.80% via Dedalus. The other German public entities participating in Dedalus hold a 1.64% economic interest in EADS via Dedalus. The joint economic interest of KfW and such German public entities in EADS is thus currently 10.2%.

Subject to the satisfaction of certain conditions precedent (the "**Conditions Precedent**") as set forth in the Multiparty Agreement—including approval by the EGM of the proposed shareholder resolutions submitted at such EGM—a series of related transactions (collectively referred to as the "**Consummation**") is expected to occur shortly after the EGM. Until the Consummation has occurred (thus including during the EGM), Daimler will continue to control, subject to the terms of the current Participation Agreement (see "3.2. Relationship with Principal Shareholders"), the voting rights of the EADS shares in which Dedalus and its investors hold an indirect economic interest.

KfW has joined the Participation Agreement (see "3.2. Relationship with Principal Shareholders") through a deed of adherence (the "**Deed of Adherence**"), under which KfW has agreed to exercise the voting rights attached to the EADS shares acquired by KfW in the ABB in the same manner as the voting rights attached to the Indirect EADS Shares are exercised.

For further information related to the anticipated future changes in EADS' shareholding structure following the Consummation, please refer to the EGM Board Report.

For the number of shares and voting rights held by members of the Board of Directors and Executive Committee as of 31 December 2012, see "Notes to the Company Financial Statements – Note [11]: Remuneration".

Transactions to limit holdings by parties to new shareholders' agreement prior to Consummation

Sogepa and SEPI have agreed that as soon as possible after the approval by the EGM of the proposed shareholder resolutions either to sell or "warehouse" (i.e. temporary transfer to a Dutch foundation for the purpose of administration) such number of EADS shares, if any, prior to the Consummation required to prevent the concert of Sogepa, KfW and SEPI (together with any and all persons acting (or deemed to be acting) in concert with them under the Dutch rules on public bids as further described below) from reaching or exceeding the 30% of the voting rights in the shareholders' meeting of EADS at any time. In the case of a warehousing, the relevant EADS shares will be transferred to an independent Dutch foundation in a manner that will not create the risk of a mandatory public bid being triggered by the concert of Sogepa, KfW and SEPI for EADS shares under Dutch law.

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 (and the New 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 EADS 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 it 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, EADS 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 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 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, under the New Articles of Association, 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 EADS' headquarters, from the day the meeting is convened until after the end of the meeting.

In connection with the New Governance Structure, the New Articles of Association have been proposed for adoption by the EGM. The proposal to amend the Articles of Association is further made in connection with the Bill on Management and Supervision (*Wet bestuur en toezicht*) and includes certain technical changes, including changes concerning the one-tier structure of the EADS' Board of Directors and the conflict of interest rules.

For further information related to the New Articles of Association, please refer to the EGM Board Report and the Explanatory Table published in relation thereto.

3.2 Relationship with Principal Shareholders

The principal agreements governing the relationships between the founders of EADS and entered into at Completion are (i) an agreement between Daimler, Dasa , Lagardère, Sogepa, Sogeade and SEPI (the "**Participation Agreement**"), and (ii) a Dutch law Contractual Partnership agreement between Sogeade, Dasa , SEPI and EADS Participations B.V. (the "**Contractual Partnership Agreement**"), which repeats certain terms of the Participation Agreement and a certain number of other agreements (notably, a shareholder agreement (the "**Sogeade Shareholders'** Agreement") entered into on Completion between Sogepa and Lagardère and an agreement between the French State, Daimler and DRH.

These agreements contain, among other things, provisions relating to the following matters:

- The composition of the Boards of Directors of EADS, EADS Participations B.V. and Sogeade Gérance (gérant commandité of Sogeade);
- Restrictions on the transfer of EADS shares and Sogeade shares;
- Pre-emptive and tag-along rights of Daimler, Sogeade, Sogepa and Lagardère;
- Defences against hostile third parties;
- Consequences of a change of control of Daimler, Sogeade, Lagardère, Sogepa or SEPI;
- A put option granted by Sogeade to Daimler over its EADS shares in certain circumstances;
- Specific rights of the French State in relation to certain strategic decisions, regarding among other issues, EADS' ballistic missiles activity; and
- Certain limitations on the extent of the French State's ownership of EADS.

On 5 December 2012, the Board of Directors, EADS' core shareholders and KfW entered into the Multiparty Agreement, which contemplates various changes to EADS' shareholding structure and governance. Subject to the satisfaction of the Conditions Precedent as set forth in the Multiparty Agreement - including approval by the EGM of the proposed shareholder resolutions submitted at such EGM - and as part of the Consummation, the Participation Agreement among EADS' core shareholders and currently including KfW (together, the "**Current Consortium Members**"), the Contractual Partnership Agreement and the related arrangements would terminate and be replaced in part by a more limited shareholders' agreement (the "**New Shareholders' Agreement**") among only Sogepa, KfW and SEPI (who have agreed to hold, collectively, less than 30% of the voting interests in EADS). The New Shareholders' Agreement will 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 EADS. Finally, the Multiparty

Agreement provides for the entry into state security agreements with each of the French State and German State and certain further undertakings of EADS with respect to select matters that affect the interests of the Current Consortium Members.

For further information related to the Multiparty Agreement and the anticipated future relationship with EADS' principal shareholders following the Consummation, please refer to the EGM Board Report.

Further details on the existing agreements among the principal shareholders of EADS which will remain in place until the Consummation are set out below.

Organisation of EADS Participations B.V.

The Board of Directors of EADS Participations B.V. has an equal number of Directors nominated by Daimler and by Sogeade, respectively (taking into account proposals made by Lagardère in respect of the Sogeade-nominated Directors). Daimler and Sogeade each nominate two Directors, unless otherwise agreed, and the Daimler-Directors and the Sogeade-Directors jointly have the right to nominate and to remove the Chairman and the Chief Executive Officer ("**CEO**"). In addition, SEPI has the right to nominate a Director, as long as the shareholding of SEPI in EADS is 5% or more. The Chairman shall either have French or German nationality and the Chief Executive Officer shall have the other nationality.

This structure gives Daimler and Sogeade equal nominating rights in respect of the majority of the Directors of the decision-making body of EADS Participations B.V. All decisions of EADS Participations B.V.'s Board of Directors shall require the vote in favour of at least four Directors. [Following the Consummation and implementation of the anticipated future relationship with EADS' principal shareholders described above EADS Participations B.V. will no longer be involved in the governance of EADS [and be liquidated], please see the EGM Board Report for further information.]

Transfer of EADS shares

Daimler, Sogeade, SEPI, Lagardère and Sogepa each have the right to sell its EADS shares on the market, subject to the following conditions:

- If a party wishes to sell any EADS shares, it shall first sell its shares other than its Indirect EADS Shares before exercising its right to sell its Indirect EADS Shares in accordance with the provisions set out below;
- On the sale of Indirect EADS Shares, Daimler (in the case of a sale by Sogeade), Sogeade (in the case of a sale by Daimler) or Sogeade and Daimler (in the case of a sale by SEPI) may either exercise a pre-emption right or sell its Indirect EADS Shares on the market in the same proportions as the respective Indirect EADS Shares of the relevant parties bear to each other;
- Any transfer of Indirect EADS Shares by either Sogepa or Lagardère is subject to a pre-emption right in favour of Lagardère or Sogepa, as the case may be. In the event that such pre-emption right is not exercised, the Indirect EADS Shares may be sold (i) to an identified third party subject to Lagardère's or Sogepa's consent (as the case may be) and also to Daimler's consent and (ii) if such consent is not obtained, the Indirect EADS Shares may be sold on the market, subject to Daimler's pre-emption right referred to above;
- Lagardère and Sogepa shall each have a proportional right to tag-along on a sale of its Indirect EADS Shares; and
- The pre-emption and tag-along rights of Lagardère and Sogepa referred to above do not apply to a transfer of EADS shares directly held by one of them.

Any sale on the market of EADS shares in accordance with the Participation Agreement shall be conducted in an orderly manner so as to ensure the least possible disruption to the market of EADS shares. To this effect, the parties shall consult with each other before any such sale.

The transfer restrictions described above will be modified by the Multiparty Agreement. For further information related to the Multiparty Agreement and these modifications, please refer to the EGM Board Report.

Control of EADS

In the event that a third party to which Daimler or Sogeade objects (a "**Hostile Third Party**") has a direct or indirect interest in EADS shares equal to 12.5% or more of the number of such EADS shares the voting rights of which are pooled through the Contractual Partnership (a "**Qualifying Interest**"), then, unless a Hostile Offer (as defined below) has been made by the

Hostile Third Party or until such time as Daimler and Sogeade agree that the Hostile Third Party should no longer be considered a Hostile Third Party or the Hostile Third Party no longer holds a Qualifying Interest, the parties to the Participation Agreement shall exercise all means of control and influence in relation to EADS to avoid such Hostile Third Party increasing its rights or powers in relation to EADS.

The parties to the Participation Agreement may accept an offer (whether by way of tender offer or otherwise) by a Hostile Third Party which is not acceptable to either Daimler or Sogeade (a "**Hostile Offer**"), subject to provisions requiring, inter alia, the party wishing to accept, to first offer its EADS shares to Daimler and/or Sogeade, in which case Daimler and/or Sogeade may exercise their pre-emption rights in respect some or all of the EADS shares held by the party wishing to accept the Hostile Offer.

Any sale of EADS shares, other than the Indirect EADS Shares, by Daimler, Sogeade or Lagardère, at a time when a Hostile Third Party is a shareholder and purchaser of EADS shares on the market, is subject to the pre-emption right of Sogeade, Daimler and Sogepa respectively. In the case of a sale by Lagardère, if Sogepa does not exercise its right of pre-emption, Daimler has in turn a pre-emption right.

Pledge over EADS' shares granted to EADS Participations B.V.

In order to secure their undertakings under the Contractual Partnership Agreement and the Participation Agreement, Sogeade, Dasa and SEPI granted a pledge over their respective Indirect EADS Shares to EADS Participations B.V. for the benefit of EADS Participations B.V. and the other parties to the Contractual Partnership Agreement. [As part of the Consummation and implementation of the anticipated future relationship with EADS' principal shareholders described above the pledge will be released, please see the EGM Board Report for further information.]

Related party transactions

See "Notes to the Consolidated Financial Statements ("IFRS") — Note 36: Related Party Transactions".

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

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

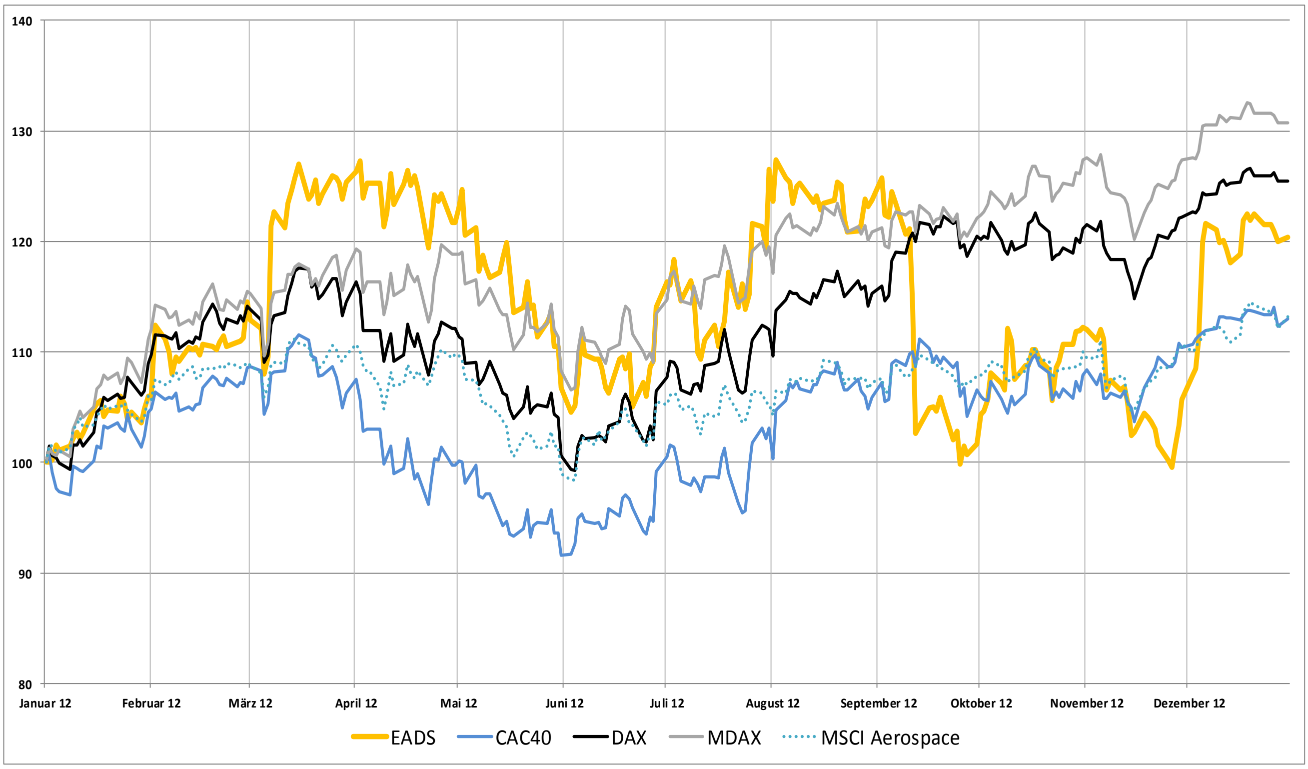
Under ESOP and LTIP, the Board of Directors shall have the discretionary authority to offer shares and grant performance and/or restricted units to employees who, in the sole judgment of the Board of Directors, are eligible thereto and to subject such grant, as the case may be, to performance conditions;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

Elements of ESOP and LTIP (Details)

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

- Item "4.3.1.2. Detailed Remuneration Policy".
- Item "4.3.4 Employee Share Ownership Plan".

3.4 Share price evolution 2012



Following a 38% progression the previous year, the EADS share price rose 22.15% in 2012. In the same year, the CAC 40 improved by 15.23%, the DAX by 29.06% and the MDAX by 33.9%. The MSCI Aerospace index rose 12.2%.

Up to April 2012, EADS followed an upward trend supported by the company full year release in March. The financial markets reacted positively to the improved financial performance, which beat expectations despite on-going programme challenges. On 3 April the EADS share peaked at €31.17.

Over the following months, EADS and the markets as a whole declined due to concerns about the worldwide macro-economic environment. Some analysts and investors questioned the production rates of the main manufacturers.

From early June, the EADS share price followed a positive market trend, recovering to its highest level of the year, at €31.20 on 3 August. Positive sentiment around EADS was boosted by the announcement of plans to build an Airbus final assembly line in the US.

On 12 September, the announcement of talks on a possible merger of EADS and BAE Systems triggered a sharp fall in share price. Investors were unsettled by the news, some arguing that the 60/40 ratio envisaged in the proposed new entity represented a low valuation for EADS shareholders.

Following the termination of merger discussions on 10 October, the EADS share rebounded somewhat. However, the markets remained cautious about the Company, and looked forward to further news on future strategy scheduled for 2013.

Early in December EADS top management confirmed its focus on delivering profitable growth. This message combined with the news on 5 December of plans to change the Group’s governance gave EADS shares fresh impetus. The prospect of an end to the controlling shareholder pact, a significant increase in free float and a planned share buyback was warmly welcomed by the market. On 31 December 2012, the EADS share closed at €29.50.

3.5 Dividend pay-out

Based on Earnings per Share (EPS) of € 1.50, the EADS Board of Directors proposes payment on 5 June 2013 of a dividend of € 0.60 per share to the Annual General Meeting of shareholders (FY 2011: € 0.45 per share). The record date should be 4 June 2013.

It is converging towards a pay-out ratio in line with sector and industry peers. From a Board perspective, as the company is maturing, this dividend pay-out shall be the orientation for the future.

3.6 Shareholder communication policy

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

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

Besides the quarterly reporting, EADS 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, EADS organizes 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

The discussion below reflects EADS' existing governance arrangements at the time of publication of this Board Report, unless specifically indicated otherwise. Subject to the satisfaction of the Conditions Precedent as set forth in the Multiparty Agreement - including approval by the EGM of the proposed shareholder resolutions submitted at such EGM - and as part of the Consummation various changes to EADS' governance are expected to occur. For further information related to the Multiparty Agreement and the anticipated future changes in EADS' governance following the Consummation, please refer to the EGM Board Report.

4.1.1 COMPOSITION, POWERS AND RULES

Pursuant to the Articles of Association, the Board of Directors is responsible for the management of the Company.

The Board of Directors consists of a maximum of eleven members appointed and removed by the shareholders' meeting. The Board of Directors adopted rules governing its internal affairs (the "**Rules**") at a Board of Directors meeting held on 7 July 2000. The Rules were amended at a Board of Directors meeting held on 5 December 2003 to take into account recommendations for changes to corporate governance. The Rules were further amended at a Board of Directors meeting held on 22 October 2007, to take into account the corporate governance modifications approved during the Extraordinary General Meeting of Shareholders held the same day.

The Rules specify the composition, the role and the key responsibilities of the Board of Directors, and also determine the manner of appointment and the responsibilities of the Chairman and the Chief Executive Officer. Furthermore, the Rules also stipulate the creation of three committees (the Audit Committee, the Remuneration and Nomination Committee, and the Strategic Committee) and specify their composition, role and operating rules.

The parties to the Participation Agreement (as amended on 22 October 2007 and as referred to in paragraph 3.4 hereof) have agreed that the voting rights attached to the Indirect EADS Shares shall be exercised by EADS Participations B.V. to ensure that the Board of Directors of EADS comprises the Directors of EADS Participations B.V. and four additional independent Directors.

According to the Rules, an independent Director is defined as "a Director who is not an officer, director, employee, agent or otherwise has any significant commercial or professional connection with the Dasa Group, the Lagardère Group, the Sogepa Group, the SEPI Group, the French State, the German State, the Spanish State or the EADS Group".

Pursuant to the Participation Agreement, the Board of Directors comprises eleven members as follows:

- One Non-Executive Chairman, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- The Chief Executive Officer of EADS, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- Two Directors nominated by Daimler;
- Two Directors nominated by Sogeade;
- One Director nominated by SEPI, so long as the Indirect EADS Shares held by SEPI represent 5% or more of the total number of EADS shares; and
- Four independent Directors jointly proposed by the Chairman and the Chief Executive Officer of EADS and individually approved by the Board of Directors.

Pursuant to the Articles of Association, each member of the Board of Directors holds office for a term expiring at the AGM to be held in 2017. Members of the Board of Directors will retire at each fifth AGM thereafter.

The shareholders' meeting may at all times suspend or dismiss any member of the Board of Directors. There is no limitation on the number of terms that a Director may serve.

The Board of Directors appoints a Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The Chairman ensures the smooth functioning of the Board of Directors in particular with respect to its relations with the Chief Executive Officer with whom he teams up for top level strategic discussions with outside partners, which are conducted under his supervision.

The Chairman shall have either French or German nationality, provided that the Chief Executive Officer is of the other nationality.

The Chairman can submit his resignation as Chairman to the Board of Directors or can be dismissed as Chairman by the Board of Directors, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The appointment further terminates if the Chairman is dismissed or resigns as Director. Immediately following the dismissal or resignation of the Chairman, and if the Daimler-Directors and the Sogeade-Directors do not immediately jointly designate a new Chairman, the Board of Directors appoints by simple majority a Director (with the same citizenship as the former Chairman) as interim Chairman for a period which expires at the earlier of either (i) twenty clear days after the Daimler-Directors and the Sogeade-Directors jointly designate a new Chairman (during which period, a Board of Directors meeting is called in order to appoint the new Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors), or (ii) two months from that interim Chairman's appointment.

Upon request by any member of the Board of Directors made three years after the beginning of the Chairman's term and alleging that significant adverse deviation(s) from objectives and/or failure(s) to implement the strategy defined by the Board of Directors occurred, the Board of Directors shall meet, to decide whether deviations and/or failures actually occurred during this period and if so, to decide whether to renew its confidence to the Chairman (the "Vote of Confidence"). The Board of Directors resolves upon such Vote of Confidence by simple majority. The Chairman is removed if he does not obtain such Vote of Confidence, a new Chairman being then appointed in accordance with the above.

Upon the joint proposal by the Daimler-Directors and the Sogeade-Directors, the Board of Directors has appointed a Chief Executive Officer to be responsible for the day-to-day management of the Company. The way the Chief Executive Officer can resign or be dismissed and the way the Chief Executive Officer would, if any, be replaced are identical to those applying to the Chairman. The Vote of Confidence procedure stated above is also applicable to the Chief Executive Officer under the same conditions as for the Chairman.

Powers of the members of the Board of Directors

The Company is represented by the Board of Directors or by the Chief Executive Officer. The Chief Executive Officer 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.

The key responsibilities of the Board of Directors include amongst others:

- Approving any change in the nature and scope of the business of the Group;

- Approving any proposal to be submitted to the general meeting of shareholders in order to amend the Articles of Association ("Qualified Majority", as defined below);
- Approving the overall strategy and the strategic plan of the Group;
- Approving the operational business plan and the yearly budget of the Group;
- Setting the major performance targets of the Group;
- Monitoring on a quarterly basis, the operating performance of the Group;
- Designating or removing the Chairman and the Chief Executive Officer and deciding upon the designation or removal of the Chief Executive Officer of Airbus; it being understood that (i) the Chairman and the Chief Executive Officer of Airbus shall be of the same citizenship, either French or German, and the Chief Executive Officer and the Airbus COO of the other citizenship, and (ii) the Chief Executive Officer and the Airbus Chief Executive Officer may not be the same person ("Qualified Majority");
- Appointing the members of the Executive Committee (see below), as a whole team, not on an individual basis;
- Establishing and approving amendments to the Rules and to the rules for the Executive Committee ("Qualified Majority");
- Deciding upon the appointments of the Airbus Shareholder Committee, the EADS Corporate Secretary and the chairmen of the Supervisory Board (or similar organ) of other important Group companies and business units;
- Approving material changes to the organisational structure of the Group;
- Approving investments, projects or product decisions or divestments of the Group with a value exceeding € 350,000,000 (it being understood that this item shall require the "Qualified Majority" only for investments, projects or product decisions or divestments of the EADS Group with a value exceeding € 500,000,000);
- Approving strategic alliances and co-operation agreements of the Group ("Qualified Majority");
- Approving of principles and guidelines governing the conduct of the Group in matters involving non-contractual liabilities (like environmental matters, quality assurance, financial announcement, integrity) as well as the corporate identity of the Group;
- Approving matters of shareholder policy, major actions or major announcements to the capital markets;
- Approving any material decision regarding the ballistic missiles business of the Group ("Qualified Majority");
- Approving other measures and business of fundamental significance for the Group or which involve an abnormal level of risk; and
- Approving any proposal by the Chairman and the Chief Executive Officer as to the appointment of the independent Directors, for submission to the AGM.

Voting and rules

Each Director has one vote, provided that, if there are more Sogeade-nominated Directors than Daimler-nominated Directors present or represented at the meeting, the Daimler-nominated Director who is present at the meeting can exercise the same number of votes as the Sogeade-nominated Directors who are present or represented at the meeting, and vice versa. All decisions of the Board of Directors are taken by a simple majority of votes (six Directors, present or represented, voting in favour of the decision), except for the votes relating to certain matters which can only be validly resolved upon a majority of votes including the unanimous vote of the two Sogeade-nominated Directors and the two Daimler-nominated Directors (the "**Qualified Majority**"). The quorum for the transaction of business at meetings of the Board of Directors requires the presence of at least one of the Sogeade-nominated Directors and one of the Daimler-nominated Directors. A Director can authorise another Director to represent him or her at a Board of Directors meeting and to vote on his or her behalf. Such authorisation must be in writing.

In the event of a deadlock in the Board of Directors, other than a deadlock giving Daimler the right to exercise the put option granted to it by Sogeade, the matter shall be referred to Arnaud Lagardère (or such person as shall be nominated by Lagardère) as representative of Sogeade and to the Chief Executive Officer of Daimler. In the event that the matter in question, including a deadlock giving Daimler the right to exercise the put option (but in this case with the agreement of

Sogepa and Daimler) is a matter within the competence of the general meeting of EADS, a resolution on the issue shall be put to the general meeting, with the voting rights of Sogeade, Daimler and SEPI being negated.

Pursuant to the Rules, the Board of Directors may form committees from its members. In addition to the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee, the Board of Directors may form other committees to which it may transfer certain minor or ancillary decision-making functions although such assignment does not negate the joint responsibility of all Directors. The quorum for the transaction of business at any meeting of a committee requires the presence of at least one of the Sogeade-nominated Directors and one of the Daimler-nominated Directors. All decisions of a committee require the simple majority of the members.

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 a Directors' charter (the "**Directors' Charter**") detailing the rights and duties of the members of the Board of Directors, an Audit Committee charter (the "**Audit Committee Charter**"), a Remuneration and Nomination Committee charter (the "**Remuneration and Nomination Charter**") and a Strategic Committee charter (the "**Strategic Committee Charter**"), with each such charter setting forth the respective committees' roles.

Composition of the Board of Directors in 2012

Name	Age	Term started (as member of the Board of Directors)	Term expires	Principal function	Status
Arnaud Lagardère	51	2003, re-elected in 2005, 2007 and 2012	2017	Chairman of the Board of Directors of EADS NV	Non-Executive
Thomas Enders	54	2005, re-elected in 2012	2017	Chief Executive Officer of EADS NV	Executive
Dominique D'Hinnin	53	2007, re-elected in 2012	2017	Co-Managing Partner of Lagardère SCA	Nominated by Sogeade
Hermann-Josef Lamberti	57	2007, re-elected in 2012	2017	Former Member of the Management Board of Deutsche Bank AG	Independent
Lakshmi N. Mittal	62	2007, re-elected in 2012	2017	Chairman and Chief Executive Officer of ArcelorMittal SA	Independent
Sir John Parker	70	2007, re-elected in 2012	2017	Chairman of Anglo American PLC	Independent
Michel Pébereau	71	2007, re-elected in 2012	2017	Honorary President of BNP Paribas SA	Independent
Josep Piqué i Camps	58	2012	2017	Chairman of Pangea XXI, Consultora Internacional	Nominated by SEPI
Wilfried Porth	54	2009, re-elected in 2012	2017	Member of the Management Board of Daimler AG	Nominated by Daimler
Jean-Claude Trichet	70	2012	2017	President of SOGEPA, Honorary Governor of Banque de France	Nominated by Sogeade
Bodo Uebber	53	2007, re-elected in 2012	2017	Member of the Management Board of Daimler AG	Nominated by Daimler

Note: Status as of 1 March 2013. The professional address of all members of the Board of Directors for any matter relating to EADS 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.eads.com**.

Within EADS, 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 having 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 2012

Board of Directors meetings

The Board of Directors met 11 times during 2012 and was regularly informed of developments through business reports from the Chief Executive Officer, including strategic and operational plans. The average attendance rate at such meetings remained stable at 86%.

Throughout 2012, the Board of Directors monitored the progress of significant programmes, such as A350 XWB, A400M, A380, NH90, and Saudi Border Security. It was kept regularly informed about the A350 XWB programme development progress as well as the A380 wing rib feet challenges.

The Board of Directors also addressed EADS' strategy (including the competitive environment) and undertook post-merger integration reviews on recent acquisitions such as Vector Aerospace and Vizada. Furthermore, the Board approved the Single Aisle Final Assembly Line investment in Mobile, Alabama, which is bringing the production of the industry-leading A320 Family to the world's largest market for single-aisle jetliners.

In line with the ambitious objectives of Vision 2020, the Board supported the management in its evaluation and negotiation of a merger between EADS and BAE Systems. The initiative was based on sound industrial logic and represented an opportunity to create a combination of two complementary companies greater than the sum of the parts. The effort was discontinued when it appeared that the interest of the parties' home country governments could not be reconciled adequately, and that the length of the process would be disruptive to the Company.

Finally, following a review of lessons learned from the abandoned merger project, the board supported management to negotiate the renouncement by the principal shareholders of their control rights and the establishment of the new governance agreed in the Multiparty Agreement. During the merger evaluation and the governance discussions, the board protected the integrity of its work by setting up appropriate working groups, subcommittees and information sharing procedures to avoid risks of conflict of interest, and to shelter certain directors from the risk of insider knowledge. Throughout this period, the independent directors played a major role.

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 programs, as well as efficiency and innovation initiatives. It reviewed Enterprise Risk Management ("**ERM**") results, export control regulations, investor relations and financial communication policy, and legal risks. The Board also discussed further actions resulting from the third EADS engagement survey.

Finally, the Board of Directors focused on governance issues and succession planning, ensuring a smooth Board and management transition. The recommendations for the respective appointments were prepared diligently by the Board of Directors, applying the succession process under the governance of EADS, which was updated in October 2007. The process identified the best possible candidates for the composition of the Board of Directors as well as the top Executive management positions.

Board assessment 2012

The Board of Directors carries out an assessment of its performance annually and a more thorough assessment is conducted every three years by independent consultants**.** Due to the transition of Board and management in mid-year, and in view of the significant changes in Governance, and Board composition, following the EGM in March 2013, the Board decided to forego a Board assessment in 2012. The next Board assessment will be conducted in 2013.

4.1.3 BOARD COMMITTEES

Summary of memberships in 2012

Directors	Audit Committee	Remuneration & Nomination Committee	Strategic Committee
Arnaud Lagardère (Chairman)			Chairman
Thomas Enders(CEO)			X
Dominique D'Hinnin	X	X	
Hermann-Josef Lamberti	Chairman	X	
Lakshmi N. Mittal			
Sir John Parker	X	Chairman	
Michel Pébereau			X
Josep Piqué i Camps			
Wilfried Porth		X	
Jean-Claude Trichet			X
Bodo Uebber	X		X
Number of meetings in 2012	5	6	1
Average attendance rate in 2012	85%	96%	100%
Note: Status as of 1 March 2013			

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 auditors and the determination of their 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 have been set out in the Audit Committee Charter.

The Chairman of the Board of Directors and the Chief Executive Officer are permanent guests of the Committee. The Chief Financial Officer and the Head of 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 2012 it fully performed all of its duties, and met five times, with an 85% average attendance rate.

The Remuneration and Nomination Committee

Pursuant to the Rules, the Remuneration and Nomination Committee makes recommendations to the Board of Directors regarding the appointment of members of the Executive Committee (upon proposal by the Chief Executive Officer and approval by the Chairman); the EADS 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 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 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 EADS executive management team.

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

The Remuneration and Nomination Committee is required to meet at least twice a year. It met six times during 2012, with a 96% average attendance rate.

In addition to making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviewed top talents and succession planning, discussed measures to improve engagement and to promote diversity, reviewed the remuneration of the Executive Committee members for 2012, the long-term incentive plan, and the variable pay for 2011. Based on the outcome of the Free Share plan, it also proposed the terms of the 2013 ESOP plan.

The Strategic Committee

The Strategic Committee is not a decision making body but a resource available to the Board of Directors for the preparation of decisions on strategic matters. Pursuant to the Rules, the Strategic Committee makes recommendations to the Board of Directors regarding strategic developments, corporate strategies, major merger and acquisition projects, major investments or divestments, projects or product decisions, as well as major research and development projects. The rules and responsibilities of the Strategic Committee have been set out in the Strategic Committee Charter.

In addition to monitoring major strategic and divisional initiatives, acquisition targets and divestment candidates, and progress on the top priorities of the Group for the year, it made recommendations to the Board of Directors linked to the competitive landscape and home countries industrial policy, company perception in key markets, the continuous constraints on defence budgets, and conducted a review of several country strategies.

The Strategic Committee is required to meet at least twice a year. The Chief Executive Officer is a member and the Chief of the EADS Marketing and Sales Organization is a permanent guest, in order to present management proposals and to answer questions. During the merger initiative with BAE, the Board of Directors absorbed the functions of the Strategic Committee, thus the Committee only met once during the first half-year of 2012. The new EADS Governance, proposed to the EGM for approval, does not foresee the perpetuation of the Strategic Committee.

4.1.4 CONFLICT OF INTEREST AND INSIDER TRADING RULES

Conflicts of interest

EADS has a conflict of interest policy which sets out that any potential or actual conflicts of interest between EADS 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.eads.com**). The New Articles of Association to be resolved on at the EGM will include an amendment of the conflicts of interest arrangements as a result of the Bill on Management and Supervision (*Wet bestuur en toezicht*) that was enacted on 1 January 2013, which will confirm, among others, that a conflicted member of the Board of Directors should abstain from participating in the decision-making process concerning the matters concerned.

Insider Trading Rules

The Board of Directors has also adopted specific Insider Trading Rules ("**ITR**"), which restrict its members from trading in EADS shares in certain circumstances. Pursuant to the ITR, (i) all employees and directors are prohibited from conducting transactions in EADS shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in EADS 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 May 2012 is available on the Company's website **www.eads.com**.

4.2 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch corporate governance code as amended at the end of 2008 (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 EADS, 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 2012, EADS states the following:

1. EADS is a controlled Company and, therefore, a number of the members of the Board of Directors, Audit Committee, Remuneration and Nomination Committee and Strategic Committee are designated and can be removed by its controlling shareholders.

Accordingly:

- Four members of the Board of Directors out of eleven are independent (whereas provision III.2.1 of the Dutch Code recommends that there be no more than one non-independent member of the Board of Directors).
- Members of the Board of Directors retire simultaneously on a five-yearly basis (whereas 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 term of the office of members of the Board of Directors is five years without limitation on renewal (whereas provisions II.1.1 and III.3.5 of the Dutch Code recommend that there be no more than three four-year terms for Non-Executive members of the Board of Directors and that there be four-year terms (without limitation on renewal) for Executive members of the Board of Directors).
- 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 (whereas provision III.4.1(f) of the Dutch Code recommends that there is a vice-Chairman).
- EADS' Audit Committee does not meet without the Chief Executive Officer being present (whereas provision III.5.9 of the Dutch Code recommends this).
- EADS' Audit Committee includes two members of the Board of Directors designated by the controlling shareholders (whereas provision III.5.1 of the Dutch Code recommends that there be no more than one non-independent Audit Committee member).
- EADS' Remuneration and Nomination Committee includes two members of the Board of Directors designated by the controlling shareholders (whereas provision III.5.1 of the Dutch Code recommends that there be no more than one non-independent Committee member).
- EADS' Remuneration and Nomination Committee is not the relevant body responsible for the selection procedure and nomination proposals for members of the Board of Directors (whereas provision III.5.14 (a) of the Dutch Code recommends that such Committee shall focus on drawing up selection criteria and the appointment procedures for members of the Board of Directors; and provision III.5.14 (d) recommends that such Committee shall focus on making proposals for appointments and reappointments).
- Pursuant to the Bill on Management and Supervision (*Wet bestuur en toezicht*) 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 Board of Directors does not yet comply with these composition guidelines. In connection with the changes of the composition of the Board of Directors, as reflected in the EGM Board Report, the company has incorporated a woman in its Board of Directors. EADS will continue to promote gender diversity within its Board of Directors in the future by striving to increase the proportion of female Directors.

Certain of the governance arrangements described above will substantially change under the New Governance Structure. Please refer to the EGM Board Report for further information.

2. As for remuneration of member of the Board of Directors

EADS applies different rules for the remuneration of Executive (the Chief Executive Officer) and Non-Executive members of the Board of Directors, as explained in - 4.3.1. EADS' Remuneration Policy and 4.3.2. Remuneration of the members of the Board.

In case of dismissal from the Company of the Chief Executive Officer, a termination indemnity equal to one and a half times the annual total target salary would be paid subject to the following conditions (whereas 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 Board of Directors has concluded that the Chief Executive Officer can no longer fulfil his position as a result of change of EADS' strategy or policies or as a result of a change in control of EADS. 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.

3. EADS is listed on the Frankfurt, Paris and Spanish stock exchanges and endeavours to strictly comply with the relevant regulations and takes into account the general principles on these markets protecting all its stakeholders.

Therefore, in line with these regulations and general principles in the jurisdictions in which the Company is listed;

- EADS does not require members of the Board of Directors to hold their securities in the Company as a long-term investment (whereas provision III.7.2 of the Dutch Code recommends such a treatment);
- EADS does not follow various recommendations for dealings with analysts, including allowing shareholders to follow meetings with analysts in real time and publishing presentations to analysts on the website as set out in provision IV.3.1 of the Dutch Code.

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 2012", 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 and development in 2012", 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".

For further information related to the Multiparty Agreement and the anticipated future changes in EADS' governance following the Consummation, please refer to the EGM Board Report.

4.3 Remuneration Report

4.3.1 EADS' REMUNERATION POLICY

4.3.1.1 General principles

Strategy

EADS' remuneration strategy is to provide remuneration that:

- Attracts, retains and motivates qualified executives;
- Is aligned with shareholders' interest;
- Is performance-related to a significant extent;
- Is fair and transparent;
- Is competitive against the comparable market; and
- Can be applied consistently throughout the Group.

Benchmark

The remuneration policy is benchmarked regularly against the practice of other global companies, using peer group data and general industry data of consulting firms. The benchmark data is a weighted average of French, German and UK information, in the home countries of EADS. In countries outside EADS' home region (such as the US), EADS benchmarks against national peer group data of the industry. The total target remuneration for executives is targeted at the median level compared to the benchmark data.

Assessment of the appropriateness of Board of Directors and Executive Committee remuneration

In March 2010, an assessment performed by an independent expert confirmed that EADS' Board of Directors and Executive Committee remuneration, terms and conditions were in line with the relevant European benchmarks and that EADS was compliant with the specific requirements and regulations set forth in the relevant corporate governance frameworks. This assessment was confirmed in October 2011. In order to ensure future compliance another comparable assessment will be performed, if the regulatory rules change. It is envisaged to review the remuneration structure of the EADS Executive Committee members during the course of the business year 2013.

Regular review

The Remuneration and Nomination Committee is charged with reviewing and making recommendations to the Board on remuneration policy and issues, with the Board of Directors making the final decision. Pursuant to its charter,

the Remuneration and Nomination Committee must ensure that the rules for determining the variable portion of executives' remuneration are consistent with EADS' annual performance and the long-term strategy, and that this variable portion is linked to previously-determined, measurable targets which must be achieved both in the short term and the long term.

Each year, the Remuneration and Nomination Committee reviews the achievements of the performance conditions of the variable remuneration and how they may affect the remuneration of executives. Following analysis of different scenarios, the Board then determines the level at which performance conditions have been met. The Board based on the recommendation by the Remuneration and Nomination Committee can adjust the payout of the annual variable remuneration and the LTIP grants upwards or downwards if the predetermined performance criteria would produce an unfair result in extraordinary circumstances.

In making its final decision on the remuneration policy, the Board seeks to promote EADS' interests in the medium and long term while discouraging executives from acting in their own interests or taking risks that are not in keeping with the adopted strategy.

Performance management

The remuneration structure has changed since 2011 to reflect the importance of performance management in EADS. Consequently, EADS focusses on the suitable implementation of the respective performance management rules.

(i) Setting of collective financial targets

The process for setting collective financial targets is reinforced to be a more proactive and interactive core process between the Board of Directors and the Executive Committee. It aims at achieving both the long-term strategic goals set forth under Vision 2020 and the short-term objectives based on the annual Operative Planning.

The process takes place in two consecutive steps: Around mid-year, the Board, in discussion with management, sets the 'ambitious target' for the collective financial Key Performance Indicators ("**KPI**"), taking into account market benchmarks of peers and other relevant industries. This target ambition represents the 150% achievement level of the variable remuneration and the LTIP. At year-end, the target setting for the year(s) to come is finalized together with the Operative Planning.

The collective financial targets are themselves subject to different metrics. Annual variable remuneration is determined based on achievement of collective targets for the Earnings Before Interest and Taxes **(**"**EBIT**") and Free Cash Flow on Group and Divisional level. LTIP awards are based on achievement of the 3-years absolute average Earnings per Share ("**EPS**" = Net Income divided by number of ordinary shares) of the Group.

EPS as KPI for LTIP is well recognized throughout the market and used by numerous peer companies. The three years average EPS is intended to focus more on the long-term performance particularly from an investor's perspective, thereby strengthening the relationship between remuneration and sustainable EADS wide operational performance.

For the definition of the collective financial targets 2013, it has been decided to introduce the Return on Capital Employed ("**RoCE**") in addition to the EBIT* and the Free Cash Flow on Group and Divisional level as metric for the performance measurement for the annual variable remuneration. RoCE is defined as EBIT* divided by average Capital Employed. Main Capital Employed drivers are Net Working Capital (mainly inventory plus receivables minus payables and advance payments) and Fixed Assets.

(ii) Setting of individual targets

The individual targets used for the determination of the annual variable remuneration are focused on cross-organisational collaboration and on compliance. Consequently, the expected management behaviours are defined by the EADS Leadership Competencies, which are based on company values and on lessons learned from the "EADS Engagement Survey".

The weight of the behavioural targets increases to up to 40% of the individual portion of the annual variable remuneration. Additionally, the weight of the classical operational targets are based on classical SMART (specific – measurable – achievable – realistic – clear timeline) objectives set at an individual, team or functional (up to Divisional) level. These operational targets amount to a minimum of 60% of the overall individual targets.

(iii) Performance spread

The performance spread (achievement level) of the annual variable remuneration is 0 - 200%. This is designed to enable the company to better recognize outstanding achievements of the businesses and of the individuals than in the past. The relative performance of Executives throughout the EADS organization is accompanied by a distribution policy in order to ensure a fair evaluation and to prevent unreasonable payments.

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

4.3.1.2 Detailed remuneration policy

Non-Executive members of the Board of Directors

Each Non-Executive member of the Board of Directors receives an annual fixed fee of € 80,000, as well as a fee for participation in Board meetings of € 5,000 per meeting attended. The Chairman of the Board receives an annual fixed fee of € 180,000 for carrying out this role, as well as a fee for participation in Board meetings of € 10,000 per meeting attended.

The Chairmen of each of the Board Committees receive an additional annual fixed fee of € 30,000. The members of each of the Board Committees receive an additional annual fixed fee of € 20,000 for each Committee membership. Committee chairmanship and committee membership annual fees are cumulative if the concerned Non-Executive members of the Board belong to two different Committees.

Non-Executive members of the Board of Directors are not entitled to variable remuneration or grants under EADS' LTIPs.

Chief Executive Officer

The Chief Executive Officer, the sole Executive member of the Board of Directors, does not receive fees for participation in Board meetings or any dedicated compensation as member of the Board. Rather, the remuneration policy for the Chief Executive Officer for 2012 (as well as the other members of the Executive Committee) is designed to balance short term operational performance with the mid- and long term objectives of the company and consists of the following main elements:

Remuneration Element	Main drivers	Performance measures	% of total target remuneration/ % of vesting
Base salary	Rewards market value of job/position	Not applicable	Former EADS CEO Louis Gallois: 45% of total target remuneration EADS CEO Thomas Enders: 50% of total target remuneration (**)
			Other members of the Executive Committee: 50% of total target remuneration
Annual variable remuneration	Rewards annual performance based on achievement of company performance measures and individual/team objectives, including financial and non-financial targets and behaviours	Collective part (50% of target variable remuneration): EBIT (50%), Free Cash Flow (50%)	Former EADS CEO Louis Gallois: 55% of total target remuneration (range from 0% to 200%) EADS CEO Thomas Enders: 50% of total target remuneration (range from 0% to 200%) (**)
		Individual part (50% of target variable remuneration): achievement of annual individual objectives	Other members of the Executive Committee: 50% of total target remuneration (range from 0% to 200%)
Long term incentive plan	Rewards long term company performance and engagement on financial targets	The number of performance units which will vest is based on 3 year absolute average earnings per share at EADS level	Vested performance units will range from 50% to 150% of initial grant*

* In case of absolute negative results during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

** For Louis Gallois, former CEO of EADS, until May 31, 2012. For Thomas Enders, CEO of EADS, since June 1, 2012.

The individual performance targets of the Chief Executive Officer for 2012 were the "EADS Group Priorities for 2012". (See Chapter 2, "Summary 2012" of this document.) The Board of Directors determined that the performance of both CEOs towards these priorities has been excellent, impacting the Individual Part of the Annual Variable Remuneration (see description above). In that respect, the Board emphasised the determining influence of both CEOs on EADS' business achievements, the changes in the EADS governance structure, and their commitment towards the evolution of EADS' culture. Furthermore, the Board recognized also their commitment to risk management and compliance. The collective part of the Annual Variable Remuneration of the Chief Executive Officer for 2012 was determined on the basis of EADS Group stretched financial targets. These stretched targets (Reported EBIT* of € 2.5 bn and Free Cash Flow before customer financing and M&A of € 0.6 bn) were giving right to a 150% payout of the collective part of Annual Variable Remuneration.

With regards to the EBIT* criteria, the variable payout has been set from 0 to 200%: The spread of the EBIT* target (in percent of revenues) has been decided as being +/- 1,5% from the 100% target.

For the cash criteria (FCF), the same logic applies but with a +/-2.5% (percent of revenues) variation measurement against 100% target.

These targets have been established in the financial target setting process (see section 4.3.1.1. of this document) and have also been overachieved.

Furthermore, the Chief Executive Officer (as well as the other members of the Executive Committee) is entitled to pension and other benefits as described below.

Annual variable remuneration

Each year, variable remuneration in cash can be earned based on the achievement of specific and challenging targets, and is calculated on the basis of two equal components:

- Collective Financial Targets (representing 50% of the annual variable remuneration) to reward company performance at Group level or Division level (if applicable). EBIT* and Free Cash Flow are the financial indicators chosen to measure company performance in 2012 (EBIT* weighted at 50%, Free Cash Flow weighted at 50%); and
- Individual Targets (representing 50% of the annual variable remuneration) to reward individual performance measured against the achievement of individual/team objectives, which also comprise non-financial indicators that are relevant to the Company's long-term value creation and behavioural objectives.

Based on the level of performance, the collective as well as the individual achievement can vary from 0% to 200% of the target variable remuneration. An achievement of 100% for both individual and collective financial targets would indicate meeting personal and company performance targets.

As indicated in section 4.3.1.1, (i), for the setting of collective financial targets 2013, it has been decided to introduce the RoCE metric in addition to the EBIT* and Free Cash Flow on Group and Divisional level. The respective weight of the three components will be as follows: 45% EBIT*, 45% Free Cash Flow, 10% RoCE. In 2014, the weight of the RoCE criteria may further increase.

The EADS LTIP consists of performance units and restricted units, and is a general tool for talent retention and promotion of long-term value creation.

Performance units are rights to receive a payment in cash based on the value of the EADS share on the respective vesting dates. They are granted to Group executives based on their hierarchical level. Vesting of these units is conditional upon mid-term business performance. The average vesting period is 4 years and 3 months.

Restricted units are also rights to receive a payment in cash based on the value of the EADS share on the respective vesting dates. They are granted to selected individuals to reward personal performance and potential. Vesting of these units is subject to continued employment of the relevant individual in the Group.

Should the performance criteria be met and/or provided that the executive is still employed by the Company or any of its Group companies, the vesting of the Performance and Restricted units entitles the executives / selected individuals to four payments in cash between 3.5 and 5 years (average 4 years and 3 months); each payment representing 25% of the vested units. The Board of Directors decided in December 2012, that the vesting for EADS Executive Committee members will be to 50% to 75% of its value distributed in cash, and to 25% to 50% in an “unfunded share promise”. This “unfunded share promise” will give EADS Executive Committee members the right to receive the corresponding number of EADS shares at the 4^{th} vesting date of the EADS Performance and Restricted units plan vesting schedule.

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. Until and including LTIP 2009, the performance criteria has been the cumulative EADS Group EBIT* of 2 consecutive years measured against the targets set in the respective Operative Planning. Since LTIP 2010, the performance criteria changed to “3 years absolute average Earnings per share” of the EADS Group based on a specific target setting by the EADS Board of Directors.

In case of absolute negative results (cumulative EBIT* of EADS 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).

In addition, and in order to strengthen the alignment of EADS top management with long-term growth objectives, the Board has requested that EADS Executive Committee members acquire and hold in the future – without specific delay – EADS shares in a value equal to their individual contractual “Total Target Remuneration”.

In December 2012, the Board approved the granting of 2,121,800 Performance units on target and 623,080 Restricted units to 1,797 EADS executives and selected non-executives.

The proposed 2013 LTIP would be a Performance and Restricted Unit Plan, with the same general principles as described above. The plan would offer the granting of about 4,000,000 (or more) Performance and Restricted units on target. This number of allocations will be strongly dependent on the number of beneficiaries and on the evolution of the share price used as calculation basis at grant date (face value methodology). The value of each unit would be based on an average price of the EADS share at the respective dates of vesting. The grant value of the Performance units granted to the Chief Executive Officer will not represent more than 50% of his total target remuneration.

The size of the annual EADS LTIP grant will be adjusted to reflect the face value policy decided by the Board of Directors for the different EADS executive categories at target level.

4.3.2 REMUNERATION OF THE MEMBERS OF THE BOARD

The amounts of the various components constituting the remuneration granted to the Chief Executive Officer and to Non-Executive Directors during 2012, together with additional information such as the number of performance units and details of the pension benefits entitlements of the Chief Executive Officer, are set out in “Notes to the Company Financial Statements - Note 11: Remuneration”.

They are summarised below as well:

Total remuneration and related compensation costs:

The total remuneration and related compensation costs of the members of the Board of Directors and former Directors related to 2012 and 2011 can be summarised as follows:

Non-Executive members of the Board of Directors (in €)	**2012**	**2011**
Fixed Fees*	1,158,335	1,170,000
Fees for participation in meetings	510,000	425,000

* *The Fixed Fees related to 2011 were paid in 2012; the Fixed Fees related to 2012 will be paid in 2013.*

Executive members of the Board of Directors (in €)	**2012**	**2011**
Base Salary Louis Gallois (January 1st to May 31st 2012)	412,500	990,000
Variable Pay (related to reporting period January 1st to May 31st 2012**)** including the part paid by EADS NV) Louis Gallois	830,615	1,993,475
Base Salary Thomas Enders (June 1st to December 31, 2012)	816,669	N/A
Variable Pay (related to reporting period June 1st to December 31st, 2012) including the part paid by EADS NV) Thomas Enders	1,278,083	N/A

The cash remuneration of the Non-Executive members of the Board of Directors related to 2012 was as follows:

2012	Fixed Fees* in €	Fees for participation in meetings in €	Total in €
Directors			
Bodo Uebber	157,500	55,000	212,500
Rolf Bartke	41,667	15,000	56,667
Dominique D'Hinnin	120,000	55,000	175,000
Juan Manuel Eguiagaray Ucelay	33,333	15,000	48,333
Arnaud Lagardère	164,167	80,000	244,167
Hermann-Josef Lamberti	130,000	50,000	180,000
Lakshmi N. Mittal	80,000	40,000	120,000
Sir John Parker	130,000	50,000	180,000
Michel Pébereau	100,000	40,000	140,000
Josep Piqué i Camps	46,667	35,000	81,667
Wilfried Porth	108,334	35,000	143,334
Jean-Claude Trichet	46,667	40,000	86,667
TOTAL	**1,158,335**	**510,000**	**1,668,335**

* The fixum will be paid in 2013

The cash remuneration of the Executive member of the Board of Directors related to 2012 was as follows:

2012	Base Salary in €	Variable Pay in € related to 2012
Directors		
Louis Gallois (January 1st to May 31st 2012)	412,500	830,615
Thomas Enders (June 1st to December 31, 2012)	816,669	1,278,083

Long term incentives

The table below gives an overview of the performance units granted to the Chief Executive Officer in 2012 pursuant to the LTIP:

	Unit plan: number of performance units*	
	Granted in 2012	Vesting dates
Thomas Enders	50,300	Vesting schedule is made up of 4 payments over 2 years: (i) 25% expected in May 2016; (ii) 25% expected in November 2016; (iii) 25% expected in May 2017; (iv) 25% expected in November 2017.

* Vesting of all Performance units granted to the Chief Executive Officer is subject to performance conditions.

No Long Term Incentive was granted to the former EADS CEO, Louis Gallois.

Pension benefits

The twelve 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 EADS, 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 EADS 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.

The former Chief Executive Officer, Louis Gallois, has retired June 1, 2012, with a pension promise worth € 3,869,637 (defined benefit obligation (i.e. the book cash value).

For the Chief Executive Officer, Thomas Enders, the amount of the pension defined benefit obligation (i.e. the book cash value) amounted to € 11,800,233 as of 31 December 2012, while the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2012 represented an expense of € 1,000,769. This obligation has been accrued in the consolidated financial statements. Such higher defined benefit obligation for the company pension of Thomas Enders results from EADS Executive Committee pension policy as described above and takes into account (1) the seniority of Thomas Enders in EADS and its Executive Committee and (2) the significant lower public pension promise deriving from the German social security pension system, compared to public pensions resulting from the membership in the French public pension system. These above mentioned public pension promises are off-set positions, which reduce the ultimate pensions paid by the company.

Non-Executive members of the Board do not receive pension benefits.

Termination indemnity

As part of his mandate contract, the Chief Executive Officer is entitled to a termination indemnity when the departure results from a decision by the Company in case of change in control or change in the Company's strategy. Payment of the termination indemnity is also subject to performance conditions as fixed and assessed by the Board of Directors. The termination indemnity, if applicable, would amount to a maximum of 18 months of annual total target remuneration.

The former Chief Executive Officer, Louis Gallois, reached the age of 65 in 2009 and retired in 2012, without any payment of a termination indemnity. Non-Executive members of the Board of Directors do not have a termination indemnity.

Non-competition clause

A non-competition clause is included in the terms of the Chief Executive Officer's mandate, applicable for one-year starting at the end of the mandate contract, and renewable for another year at the Company's initiative. The clause envisages a compensation equal to 50% of the last target annual salary, defined as the base salary plus the last paid annual variable remuneration.

The application of the clause is subject to a Board of Directors decision.

The former Chief Executive Officer, Louis Gallois, has acknowledged EADS' expectations with regards to his non-competition clause when retiring. However, both EADS and Louis Gallois agreed not to formally enforce this non-competition clause hence no related payment has been made.

Other benefits

The Chief Executive Officer, Thomas Enders, is entitled to a company car. The residual value of his company car was worth € 57,134 (excluding VAT) as of 31 December 2012.

4.3.3 REMUNERATION OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

The members of the Executive Committee, including the Chief Executive Officer, are entitled to receive for the year 2012 total remuneration (pro-rata for the period of membership in the Executive Committee, including base salaries, variable pay for 2012 and payments from EADS Long Term Incentive Plans) of € 26,712,896. The increase in total remuneration, compared to 2011, is largely due to the enlargement of the Executive Committee and to the payout on past Long Term Incentive Plans.

The remuneration for the former EADS Chief Executive Officer Louis Gallois was divided into 45% fixed part (base salary) and a 55% variable part (annual variable remuneration) on target and for the other members of the Executive Committee into a 50% fixed part (base salary) and a 50% variable part (annual variable remuneration) on target. Thomas Enders, EADS Chief Executive Officer, has a 50% fixed part (base salary) and a 50% variable part (annual variable remuneration) on target.

The total remuneration paid by EADS and all its Group companies to Louis Gallois, former Chief Executive Officer, during the year 2012, was € 1,243,115 (this sum includes the payments of his January to May 31st 2012 base salary of € 412,500 and the variable pay for 2012 of € 830,615. The total remuneration paid by EADS and all its Group companies to Thomas Enders, Chief Executive Officer, from June 1, 2012 to December 31, 2012, was € 2,696,264 (for that period, this sum includes the payments of his base salary of € 816,669, the variable pay for 2012 of € 1,278,083 and payments from EADS Long Term Incentive Plans of € 601,512).

The members of the Executive Committee including the Chief Executive Officer receive the majority of their remuneration from their relevant national Group entity (under the terms of their employment or mandate contract) and the remaining part from EADS N.V. ("**NV compensation**", under the terms of the N.V. letter of agreement).

Besides Louis Gallois, former CEO of EADS, three Executive Committee members have left the EADS Executive Committee in 2012: Hans-Peter Ring, former CFO of EADS, Jussi Itavuori, former EADS Head of Human Resources and Stefan Zoller, former Head of the Cassidian Division. The total cumulated amount of severance payments made in the frame of EADS Group departures was € 3,132,162.

4.3.4 EMPLOYEE SHARE OWNERSHIP PLAN

EADS supports employee share ownership. Since its creation, EADS has regularly offered qualifying employees the opportunity to purchase EADS shares on favourable terms through employee share ownership plans ("**ESOP**").

In June 2012, EADS has invited employees of the Group to subscribe for EADS shares matched with free shares based on a defined ratio. This ratio varied depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 50% for 10 shares acquired and a minimum of 21% discount for 400 shares acquired. The maximum number of shares an employee could acquire was fixed by the Board of Directors at 400 leading to 507 shares received by the employee. The discount percentage calculation refers to the share price reduction considering the number of shares acquired versus the initial investment.

In France, employees could subscribe their shares through a mutual fund ("**FCPE**") forming part of the Group Savings plan.

Non-Executive members of the Board were not eligible for free shares.

Future ESOP

The Company intends to implement an ESOP in 2013, subject to approval by the Board of Directors. The 2013 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 free shares. The total offering would be up to approximately 3.2 million shares of the Company, i.e. up to 0.39% of its issued share capital, open to all qualifying employees (including the Chief Executive Officer). Under the umbrella of ESOP 2013, a dedicated UK tax saving plan (Share Incentive Plan – SIP) has been deployed in December 2012 subject to the decision of the Board of Directors in May 2013.

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

4.3.5 MISCELLANEOUS

Policy for loans and guarantees granted

EADS' 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 characterized 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 Programme

The Board appointed the EADS Group Chief Compliance Officer ("**CCO**") to design and implement the EADS Ethics and Compliance Programme, which supports the Group's commitment to adhering to the highest ethical and compliance standards in order to sustain the Group's global competitiveness. The CCO heads the Group-wide compliance organisation which operations are overseen by the Audit Committee.

The EADS Ethics and Compliance Programme seeks to ensure that Group business practices conform to applicable laws and regulations as well as to ethical business principles endorsed by the Group. It also seeks to promote a culture of integrity and transparency. A key programme element consists of the Group Ethics Code, “Integrity & Transparency” (available on the Company’s website **www.eads.com**), which provides the daily behaviour of all EADS employees.

A compliance organisation and a resource network have been implemented throughout the Group, in a structure that balances proximity to day-to-day business activities with the necessary independence. Accordingly, compliance officers throughout the Group report both to management as well as to the compliance organisation. This is reflected at the very top of the hierarchy, with the EADS Group CCO reporting both to the Chief Executive Officer and the Audit Committee.

Compliance Officers appointed in each of EADS’ four Divisions as well as various Business Units are in charge of supporting employees to conduct business ethically and in accordance with the EADS Ethics and Compliance Programme. Chief Compliance Officers at the Divisions and Business Units must ensure that they have sufficient local resources to carry out their roles effectively, and report both to the EADS Group CCO and to the head of the relevant Division or Business Unit.

At Group level, permanent Compliance Officers are appointed where the main compliance risks exist, and are empowered to issue compliance directives applicable throughout the Group. The Group International Compliance Officer is in charge of developing and implementing EADS’ Business Ethics Policy and associated processes and guidelines to prevent corruption. The Group Export Compliance Officer seeks to ensure that the activities of the Group comply with all relevant export control rules and with the internal “sensitive countries” policy, while the Group Procurement Compliance Officer supervises compliance in the supply chain. The Group Data Protection Compliance Officer is in charge of more effectively addressing the compliance risks associated to the protection of data privacy in the Group.

In order to achieve the objectives set by the Chief Executive Officer and discussed with the Audit Committee, the EADS Group CCO has established compliance “roadmap” based on international standards. The roadmap provides an overview of compliance activities such as:

- A periodic assessment and reporting of the main compliance risks as part of the EADS ERM system;
- The monitoring of ethics and compliance policies;
- The empowerment of the Compliance organization and transparent reporting to the Audit Committee and discussions with the Executive Committee;
- The communication and training activities across the Group; and
- The investigation of compliance allegations and the functioning of the alert system, “OpenLine”, through which employees may raise ethical and compliance concerns in strict confidentiality and without fear of retaliation.

Due to regulatory requirements, alerts posted on the OpenLine may only be treated if they deal with accounting, financial, corruption and anti-competitive practices issues. The use of the OpenLine is limited to employees of all companies controlled by the Group and located in France, Germany, Spain and the UK. In 2012, relevant regulatory clearance was obtained for the reporting of issues related to conflict of interest, harassment, disclosure of confidential information and product safety as well as to expand the system to new countries. Implementation is subject to internal clearance. Taking into account EADS' overall compliance strategy, EADS monitors the OpenLine system, organizes its deployment in additional countries and assesses the possibility of further broadening its scope to issues of a general and operational nature.

Programme progress reports are quarterly presented to the Board of Directors’ Audit Committee. Additionally, the EADS Group CCO established a bi-annual Compliance Report to the Audit Committee on compliance allegations. The report contains details on potentially significant compliance violations affecting the Group of which the CCO is currently aware, including the compliance allegations. See “Notes to the Consolidated Financial Statements (IFRS) — Note [32]: Litigation and claims”. Living up transparency across the Group, this report is shared with the Top Management.

In the future, EADS will continue to lead efforts to establish consistent global standards for compliance in the aerospace and defence industry, in particular business ethics including the zero tolerance to corruption commitment. Today, the European Common Industry Standards and the International Forum on Business Ethical Conduct are both among the most innovative sector-wide business ethics initiatives. As such industry standards become more consistent globally with a more level playing field for all. EADS will seek to turn its commitment to ethics and integrity into a sustainable competitive advantage.

4.5 Enterprise Risk Management System

Risk and opportunity management is of paramount importance to EADS, given the complex and volatile business environment in which EADS operates. A comprehensive set of risk and opportunity management procedures and activities across EADS makes up the EADS Enterprise Risk Management ("**ERM**") system.

The objective of the ERM system is to create and preserve value for EADS' stakeholders. It is designed and operated to effectively identify potential events that may affect EADS, manage risk to be within the defined risk tolerance, identify and manage opportunities, and provide reasonable assurance regarding the achievement of targets. To achieve this, EADS seeks to have one integrated, consistent, comprehensive, efficient and transparent ERM system, using the same understanding, practice and language. It seeks to embed the risk management philosophy into EADS culture, in order to make risk and opportunity management a regular and everyday process for employees.

The Board of Directors and EADS top management regard ERM as a key management process to steer the Company and enable management to effectively deal with risks and opportunities. The advanced ERM capabilities and organisation that EADS is seeking to progressively implement can provide a competitive advantage to the extent they successfully achieve the following:

- Strategy: the selection of high level strategic objectives, supporting the EADS vision and consistent with risk appetite;
- Operations: the effectiveness and efficiency of operations and resource allocation; the delivery of products on time and in accordance with cost and quality objectives; the capability to achieve performance and financial targets; the implementation of risk-enabled decisions and managerial processes;
- Reporting: reliability of reporting, in particular financial reporting; and
- Compliance: compliance with applicable laws and regulations.

ERM process

The objectives, principles and process for the ERM system as endorsed by the Board of Directors are set forth in the EADS ERM Policy and communicated throughout the Group. The EADS 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 EADS 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 ("IC") and risk management ("RM"), 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 substantiate the assessment of 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 EADS in the short-, middle- and long-term. It also applies to all of EADS' 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 EADS ERM Policy generally apply.

For a discussion of the main risks to which the Group is exposed, see "Risk Factors".

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 EADS' 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 EADS Chief Executive Officer, backed by the 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 EADS Chief Financial Officer who supervises the EADS Chief Risk Officer and the ERM system design and process implementation;
- the EADS Chief Risk Officer 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. This risk management organisation is networked with the risk owners on the different organisational levels and pushes for a proactive risk management culture; and
- the executive management of the Divisions, Business Units and Headquarters' departments 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 EADS ERM system needs to be effective. EADS has established recurring ERM self-assessment mechanisms, to be applied across EADS. This seeks to allow EADS to reasonably assure the effectiveness of its ERM system. The ERM effectiveness assurance comprises:

- ERM process: needs to be present and functioning throughout EADS without any material weaknesses and needs to fulfil the EADS ERM Policy requirements;
- risk appetite: needs to be in accordance with the EADS risk environment;
- ERM IC system: needs to have an effective IC system for the ERM process in place.

For the coverage of all of its activities, EADS has defined 20 high level business processes. In order to achieve ERM effectiveness, the ERM process as an overlaying process must be an integral part of these business processes. ERM effectiveness is assured if the achievement of the ERM process objectives is secured by adequate ERM controls which are operating effectively throughout the organisation and are within the respective risk appetite level.

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 top management discussions** This control is an important step of the ERM compliance process. All results of the risk management, self-assessment and confirmation procedures are presented by the Divisions or Business Units to top management and discussed and challenged at EADS 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 EADS 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.
Compliance	**Alert System** Provide evidence for deficiencies of the ERM system.

Developments in 2012 and outlook

Today, companies are operating in a more volatile risk environment than ever before. Mature risk management capabilities are therefore more critical, more strategic and overall more valuable. EADS seeks to deploy its ERM system effectively across the Group in order to mitigate risk and drive competitive advantage, and invests accordingly. The design of its ERM system has evolved towards a more homogeneous and performance-oriented management tool that is integrated into the business, with the following major achievements in 2012:

- regular monitoring took place by Board of Directors/Audit Committee: Board of Directors - 4times per year monitoring of the top Risks/Opportunities; AC - each January monitoring of the ERM System.
- strengthening of ERM foundations, with a progressive appreciation of ERM processes and development of a true risk culture;
- further roll-out of a dedicated Group-wide ERM IT tool;
- strong ERM contribution to improvement initiatives launched across the Group; and
- successful finalisation of year-end ERM compliance process, i.e. ERM confirmation letters were received from all relevant risk owners in Divisions, Business Units and Business Functions, and all ERM top management discussions took place

Generally, EADS seeks to continuously evaluate and improve the operating effectiveness of the ERM system. The Company will continue to use the recommendations from the internal audit department, which regularly reviews risk management of selected departments and business processes, to further strengthen its ERM system.

Board declaration - limitations

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 2012 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 EADS' ERM system and procedures are or will be, despite all care and effort, entirely effective.

4.6 Risk Factors

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

4.6.1 Financial market risks

Sovereign debt concerns

As a global company, EADS' operations and performance depend significantly on market and economic conditions in Europe, the US 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, North Africa and other regions). Any such disruption or downturn could affect EADS' activities for short or extended periods and have a negative effect on EADS' future results of operation and financial condition.

European financial markets have 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. These disruptions have contributed to tightened credit markets, increased volatility in the exchange rate of the euro against other major currencies and considerable uncertainty regarding the near-term economic prospects of countries in the EU as well as the quality of loans to sovereign debtors and banks in the EU. More generally, the EU sovereign debt crisis has had an indirect impact on financial markets worldwide and, increasingly, on economic conditions in Europe and the rest of the world.

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 and equity markets. This could have a number of effects on EADS' business, including:

- requests by customers to postpone or cancel orders for aircraft due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or weak levels of passenger demand for air travel and cargo activity more generally;
- an increase in the amount of sales financing that EADS must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interests EADS 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 EADS' 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 EADS for its businesses or restrict its ability to implement desired foreign currency hedges; and

- default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations including the cash assets of EADS.

EADS' 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 EADS' financial instruments differing significantly from the fair values currently assigned to them.

Foreign currency

A significant portion of EADS' 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 EADS 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. EADS' 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 longer-term, which could have a negative effect on its results of operation and financial condition. In addition, the portion of EADS' US dollar-denominated revenues that is not hedged in accordance with EADS' hedging strategy will be exposed to changes in exchange rates, which may be significant.

Sales financing

In support of sales, EADS may agree to participate in the financing of selected customers or guarantee part of the market value of certain aircraft during limited periods after their delivery to customers. As a result, EADS has a significant portfolio of leases and other financing arrangements with airlines and other customers. No assurances may be given that the measures taken by EADS 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, EADS 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 EADS 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 EADS' future results of operation and financial condition.

Equity investment portfolio

EADS holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. EADS is exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies.

Pension commitments

EADS participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. Although EADS 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 EADS to record additional provisions in respect of such plans.

For further information relating to financial market risks and the ways in which EADS 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, EADS is subject to tax legislation in a number of countries. EADS 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 EADS' 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 EADS or its affiliates could become subject to tax claims. Moreover, the tax laws and regulations that apply to EADS' 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 EADS. Any additional tax exposure could have a negative effect on EADS' future results of operation and financial condition.

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) deregulation and (vii) environmental constraints imposed upon aircraft operations. EADS expects that the market for commercial aircraft will continue to be cyclical, and that downturns in broad economic trends may have a negative effect on its future results of operation and financial condition.

Terrorism, pandemics and other catastrophic events

As past terrorist attacks (such as in New York and Madrid) 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, EADS may suffer from a decline in demand for all or certain types of its aircraft or other products, and EADS' customers may postpone delivery or cancel orders.

In addition to affecting demand for its products, the occurrence of catastrophic events could disrupt EADS' 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 EADS' data, information systems or networks could have a significant adverse effect on EADS' future results of operations and financial condition as well as on the reputation of EADS and its products and services.

Dependence on key suppliers and subcontractors

EADS is dependent on numerous key suppliers and subcontractors to provide it with the raw materials, parts and assemblies that it needs to manufacture its products. Certain of these suppliers may experience financial or other difficulties in the future, in particular those with a significant foreign currency mismatch between revenues denominated in US dollars and a substantial portion of costs incurred in euro. Depending on the severity of these difficulties, some suppliers could be forced to reduce their output, shut down their operations or file for bankruptcy protection, which could disrupt the supply of materials and parts to EADS. It may be difficult for EADS to find a replacement for certain suppliers or subcontractors without significant delay, thereby impacting its ability to meet its customer obligations in a satisfactory and timely manner. These events could in turn have a negative impact on EADS' future results of operation and financial condition. To the extent that EADS decides in the future to provide financial or other assistance to certain suppliers in financial difficulty in order to ensure an uninterrupted supply of materials and parts, it could be exposed to credit risk on the part of such suppliers.

Finally, if the macro-economic environment leads to higher than historic average inflation, the labour and procurement costs of EADS may increase significantly in the future. This may lead to higher component and production costs which could in turn negatively impact EADS' future profitability and cash flows, to the extent EADS is unable to pass these costs on to its customers or require its suppliers to absorb such costs. EADS' suppliers or subcontractors may also make claims or assertions against it for higher prices or other contractual compensation, in particular in the event of significant changes to development or production schedules, which could negatively affect EADS' future profitability.

Industrial ramp-up

As a result of the large number of new orders for aircraft recorded in recent years, EADS intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft (including helicopters). As it nears full capacity, EADS' 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 EADS 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, in particular at Airbus, 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.

Technologically advanced products and services

EADS 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 EADS' products must function under demanding operating conditions. Even though EADS believes it employs sophisticated design, manufacturing and testing practices, there can be no assurance that EADS' products or services will be successfully developed, manufactured or operated or that they will perform as intended.

Certain of EADS' 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 EADS fail to meet delivery schedules or other measures of contract performance – in particular with respect to new development programmes such as the A350 XWB or the A400M. (See "Programme-Specific Risks" below)

In addition to the risk of contract cancellations, EADS 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 EADS' products and services could have a significant adverse effect on EADS' future results of operations and financial condition as well as on the reputation of EADS 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 sought recently to reduce their level of public spending. This is especially true with respect to defence and security budgets, where certain countries have either proposed or already implemented substantial reductions. Any termination or reduction of future funding or cancellations or delays impacting existing contracts may have a negative effect on EADS' future results of operations 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 EADS to enter into or perform such contracts.

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

Availability of government and other sources of financing

In prior years, EADS 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, EADS' credit ratings, as well as the possibility that lenders or investors could develop a negative perception of EADS' 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. EADS may therefore not be able to successfully obtain additional outside financing on favourable terms, or at all, which may limit EADS' 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 EADS operates are highly competitive. There can be no assurance that EADS 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 EADS' 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, EADS and its Divisions have launched several restructuring, transformation and cost saving programmes over the past several years. These include Group-wide programmes such as "Future EADS", as well as Division-specific programmes such as "AGILE" at Astrium, and "Simplify" at Cassidian.

Anticipated cost savings under these programmes are based on estimates, however, and actual savings under these programmes may vary significantly. In particular, EADS' 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. EADS' 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, EADS 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 EADS 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, EADS may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration of acquired businesses. While EADS 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 ("PPPs") or private finance initiatives ("PFIs"). There can be no assurances of the extent to which EADS 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. EADS 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, EADS also faces the following programme-specific risks (while this list does not purport to be comprehensive, it highlights the current risks believed to be material by management):

- **A350 XWB programme**. In connection with the A350 XWB programme, EADS faces the following main challenges: ensuring the maturity of technology linked to the use of composite materials; meeting the technical performance targets for the aircraft and respecting the development schedule; ensuring the production ramp-up and the ramp-up of key skilled personnel, e.g. for composite stress and design; securing the achievement of recurring cost targets; ensuring the performance of the risk sharing partners, including those selected for sites divested by Airbus and those involved in the extended enterprise framework; maintaining customer satisfaction with a new customisation policy which is a key enabler for the production ramp-up; managing customer contracts in coherence with the industrial delivery plan; and ensuring a successful A350-1000 industrial phase.
- **A380 programme**. In connection with the A380 programme, EADS faces the following main challenges: management of stress in the supply chain as a result of the steep ramp-up in production in coming years; 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 heads of version to be completed each year; managing maturity in service; and mastering the root causes of, and launching the required action to fix, the hairline cracks discovered in the wing rib feet of certain A380 aircraft, and limiting associated costs to repair costs only. Additionally, commercial activity is focused on booking additional sales, in order to secure a minimum of 30 deliveries in 2015.
- **A400M programme**. In connection with the A400M programme, EADS faces the following main challenges: finalising the last development tests and associated documentation to enable both civil and military certification and

qualification requirements (initial operating clearance (IOC)); finishing development of a full set of in-service support goods and services that deliver mission success to programme customers; preparing entry into service of the first aircraft together with the necessary set of support elements; pursuing further aircraft development (engine, cargo systems, military systems); managing the anticipated difficulties on the production ramp-up concurrently with the delivery of progressively enhanced aircraft capabilities (standard operational clearance (SOC1 to 3)); and meeting the contractual time schedule for the next programme milestones.

- **A320neo programme**. In connection with the A320neo programme, EADS 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.
- **NH90 and Tiger programmes**. In connection with the NH90 and Tiger programmes, EADS faces the following main challenges: continuing to proceed with the industrial ramp-up on the NH90 programme including retrofits; mastering the contract renegotiations with governments and addressing requests to reduce contractually binding orders; and assuring support readiness in connection with multiple fleets entering into service.
- **EC225 programme**. In connection with the EC225 programme, EADS faces the following main challenges: working on the root causes of the main gear box shaft failure that occurred during two incidents in 2012, in close coordination with oil and gas operators and customers, while respecting the confidentiality of the official accident investigation; dealing with interim corrective measures to put the fleet back into flight operation; potential subsequent redesign in the main gear box: retrofits and claims.
- **Lead systems integration**. In connection with lead systems integration projects (in particular Saudi border surveillance contract and National Security Shield Qatar), EADS faces the following main challenges: meeting the schedule and cost objectives with a high number of sites with complex local infrastructure to deliver and the integration of COTS products (radars, cameras, sensors) with their interfaces into the system; assuring an efficient project and staffing ramp-up; and managing the rollout including subcontractors as well as training and organisational adaptation of the customer.

4.6.3 Legal risks

Dependence on joint ventures and minority holdings

EADS generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings. While EADS 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 EADS, and thus may have interests that differ from those of EADS.

Product liability and warranty claims

EADS designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. EADS 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 EADS 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 cover will be adequate.

Intellectual property

EADS 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 EADS' direct or indirect intellectual property rights could be challenged, invalidated or circumvented. In addition, although EADS 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 EADS ultimately wins or loses, could be time-consuming and costly, injure EADS' reputation or require it to enter into licensing arrangements. EADS 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 EADS, causing further damages.

Export controls and other laws and regulations

The export market is a significant market for EADS. There can be no assurance (i) that the export controls to which EADS is subject will not become more restrictive, (ii) that new generations of EADS 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 EADS' ability to perform under previously signed contracts. EADS 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 EADS 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 EADS from government contracts for some period of time or suspension of EADS' export privileges.

In addition, EADS 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 EADS, which could have a negative effect on its business, results of operation and financial condition.

Legal and regulatory proceedings

EADS 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". EADS 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 EADS 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 EADS' business, results of operation and financial condition. An unfavourable ruling could also negatively impact EADS' stock price and reputation.

4.6.4 Industrial and environmental risks

Given the scope of its activities and the industries in which it operates, EADS is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. EADS 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 EADS 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, EADS 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 EADS and its products and services.

5. Financial performances and Other Corporate Activities

EADS' 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 €	**2012**	**2011**
Revenues	56,480	49,128
Cost of sales	(48,545)	(42,285)
Gross margin	**7,935**	**6,843**
Selling expenses	(1,192)	(981)
Administrative expenses	(1,672)	(1,427)
Research and development expenses	(3,142)	(3,152)
Other income	184	359
Other expenses	(229)	(221)
Share of profit from associates under the equity method	241	164
Other income from investments	6	28
Profit before finance costs and income taxes	**2,131**	**1,613**
Total finance costs	(453)	(220)
Income taxes	(449)	(356)
Profit for the period	**1,229**	**1,037**
Attributable to:		
Equity owners of the parent **(Net income)**	1,228	1,033
Non-controlling interests	1	4

5.1.2 Revenues

For the full year 2012, EADS' revenues increased by 15% to € 56.5 billion (FY 2011: € 49.1 billion). This strong performance was driven mainly by higher volume and more favourable U.S. dollar rates at Airbus Commercial as well as solid increases at Eurocopter and Astrium. Revenues at Eurocopter and Astrium were boosted by the services businesses, including Vector Aerospace and Vizada. The companies acquired in 2011 contributed around € 1.5 billion to the 2012 revenues. Despite the overall defence environment, defence revenues were flat compared to 2011.

5.1.3 EBIT pre goodwill impairment and exceptionals

EADS 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 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 €)	2012	2011
Profit before finance costs and income taxes	**2,131**	**1,613**
Disposal and impairment of goodwill	17	42
Exceptional depreciation and disposal	38	41
EBIT pre goodwill impairment and exceptionals	**2,186**	**1,696**

EADS' reported EBIT* increased to € 2,186 million (FY 2011: € 1,696 million) with one-off charges totalling € 820 million booked during the year.

Of these total one-off charges, € 522 million were booked at Airbus during 2012, including the anticipated € 251 million on the A380 related to the wing rib feet repair. The A350 XWB charge of € 124 million to reflect the latest programme update is unchanged since H1 2012. Good progress is being made on the A350 XWB programme but it remains challenging and there is no room left in the schedule. Also included are the € 76 million charges related to the Hawker Beechcraft Programme closure booked in the third quarter and a € 71 million charge for the foreign exchange impact on pre-delivery payments mismatch and balance sheet revaluation. At Eurocopter, the on-going renegotiation of certain contracts for governmental customers resulted in a € 100 million charge in the fourth quarter. At Cassidian, a total of € 198 million of charges were booked in the final quarter to reflect restructuring costs in line with the business transformation (€ 98 million) and a charge related to portfolio de-risking (€ 100 million), in particular for the secure systems and solutions business.

EBIT* before one-off (adjusted EBIT*) – 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 – increased sharply to € 3.0 billion (FY 2011: € 1.8 billion) for EADS and to around € 1.8 billion for Airbus (FY 2011: around € 0.5 billion). The Group performance was driven by the strong underlying performance at Airbus Commercial while Eurocopter and Astrium also delivered absolute increases to the EBIT* before one-off.

Net Income increased by 19% to € 1,228 million (FY 2011: € 1,033 million), or earnings per share of € 1.50 (earnings per share FY 2011: € 1.27). The Net Income* before one-off increased to € 1,838 million (FY 2011: € 1,132 million). These increases reflect the improvement in the underlying operating performance. Net Income before one-off is the Net Income stripped of the EBIT* one-offs. It excludes other financial result (except the unwinding of discount on provisions) and all tax effects on the mentioned items. Net Income* before one-off is the Net Income before one-off pre-goodwill and exceptionals net of tax.

The finance result amounted to € -453 million (FY 2011: € -220 million). The 2012 interest result of € -285 million (FY 2011: € 13 million) deteriorated partly due to lower interest income as a function of the high quality of investments. In addition, the 2011 interest result included a positive one-time release of € 120 million due to the termination of the A340 programme. The other financial result amounts to € -168 million (FY 2011: € -233 million), reflecting an improved impact from the foreign exchange revaluation compared to 2011. This line also includes the unwinding of discounted provisions.

Table 3 – EBIT* and Revenues by Division

by Division	EBIT*			Revenues		
(Amounts in millions of Euro)	FY 2012	FY 2011	Change	FY 2012	FY 2011	Change
Airbus Division (1)	1,230	584	+111%	38,592	33,103	+17%
Airbus Commercial	1,125	543	+107%	36,943	31,159	+19%
Airbus Military	93	49	+90%	2,131	2,504	-15%
Eurocopter	311	259	+20%	6,264	5,415	+16%
Astrium	312	267	+17%	5,817	4,964	+17%
Cassidian	142	331	-57%	5,740	5,803	-1%
Headquarters / Consolidation	142	196	-	-1,457	-1,409	-
Other Businesses	49	59	-17%	1,524	1,252	+22%
Total	2,186	1,696	+29%	56,480	49,128	+15%

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals

1) The reportable segments Airbus Commercial and Airbus Military form the Airbus Division. Eliminations are treated at the Division level.

5.1.4 Consolidated Statements of Financial Position ("IFRS")

Table 4 – Consolidated Statements of Financial Position (IFRS)

in millions of €	December 31 2012	December 31 2011	Change
Intangible Assets *)	13,422	12,786	636
Property, Plant and Equipment*)	15,268	14,220	1,048
Investments in associates under the equity method	2,662	2,677	-15
Other investments and other long-term financial assets*)	2,115	2,352	-237
Other non-current assets	2,801	1,884	917
Deferred tax assets*)	4,518	4,318	200
Non-current securities	5,987	7,229	-1,242
Non-current assets	**46,773**	**45,466**	**1,307**
Inventories	23,216	22,563	653
Trade receivables*)	6,790	6,394	396
Other current assets	4,239	4,503	-264
Current securities	2,328	4,272	-1,944
Cash and cash equivalents	8,756	5,284	3,472
Current assets	**45,329**	**43,016**	**2,313**
Total assets	**92,102**	**88,482**	**3,620**
Equity attributable to equity owners of the parent	10,409	8,850	1,559
Non-controlling interests*)	25	15	10
Total equity	**10,434**	**8,865**	**1,569**
Non-current provisions*)	9,816	9,144	672
Long-term financing liabilities	3,506	3,628	-122
Deferred tax liabilities*)	1,504	1,043	461
Other non-current liabilities*)	18,194	18,300	-106
Non-current liabilities	**33,020**	**32,115**	**905**
Current provisions*)	6,045	5,856	189
Short-term financing liabilities	1,273	1,476	-203
Trade liabilities*)	9,917	9,630	287
Current tax liabilities	458	308	150
Other current liabilities	30,955	30,232	723
Current liabilities	**48,648**	**47,502**	**1,146**
Total equity and liabilities	**92,102**	**88,482**	**3,620**

*) Comparative information is adjusted retrospectively in accordance with IFRS 3.45. Main changes comprise: Intangible assets by € +41 million, property, plant and equipment by € -13 million, other investments and long-term financial assets by € -26 million, non-controlling interests by € -5 million and non-current provisions by € +19 million.

Non-current assets

Intangible assets of € 13,422 million (prior year-end, adjusted: € 12,786 million) include € 11,003 million (prior year-end, adjusted: € 10,812 million) of goodwill. This mainly relates to Airbus Commercial (€ 6,670 million), Cassidian (€ 2,711 million), Astrium (€ 1,236 million) and Eurocopter (€ 323 million). The annual impairment tests, which were performed in the fourth quarter, led to an impairment charge of € 17 million in Other Businesses. Capitalization for development costs of the A350 XWB programme started in the second quarter 2012. Since 1 April 2012, a total amount of € 366 million was capitalized.

Eliminating foreign exchange-rate effects of € +44 million, property, plant and equipment increase by € +1,004 million to € 15,268 million (prior year-end, adjusted: € 14,220 million), including leased assets of € 576 million (prior year-end: € 574 million). The increase is mainly driven by the A350 programme. Property, plant and equipment also comprise "Investment property" amounting to € 72 million (prior year-end: € 74 million).

Investments in associates under the equity method of € 2,662 million (prior year-end: € 2,677 million) mainly include the equity investment in Dassault Aviation. The equity investment in Dassault Aviation includes an IFRS catch-up adjustment for income and other comprehensive income relating to prior period. The 30 June 2012 equity components have been used to estimate the 2012 year-end consolidated equity position of Dassault Aviation.

Other investments and other long-term financial assets of € 2,115 million (prior year-end, adjusted: € 2,352 million) are related to Airbus for an amount of € 1,273 million (prior year-end: € 1,659 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 increase by € +917 million to € 2,801 million (prior year-end: € 1,884 million) is mainly caused by the positive variation of the non-current portion of fair values of derivative financial instruments (€ +711 million).

Deferred tax assets increase by € +200 million to € 4,518 million (prior year-end, adjusted: € 4,318 million).

The fair values of derivative financial instruments are included in other non-current assets (€ 1,197 million, prior year-end: € 486 million), in other current assets (€ 321 million, prior year-end: € 404 million), in other non-current liabilities (€ 1,159 million, prior year-end: € 2,140 million) and in other current liabilities (€ 852 million, prior year-end: € 995 million) which corresponds to a total net fair value of € -493 million (prior year-end: € -2,245 million). The volume of hedged US dollar-contracts increases from USD 75.1 billion as at 31 December 2011 to USD 83.6 billion as at 31 December 2012. The US dollar spot rate is USD/ € 1.32 at 31 December 2012 vs. 1.29 at 31 December 2011. The average US dollar hedge rate for the hedge portfolio of the Group improves from USD/ € 1.37 as at 31 December 2011 to USD/ € 1.35 as at 31 December 2012.

Current assets

Inventories of € 23,216 million (prior year-end: € 22,563 million) increase by € +653 million. This is mainly driven by higher unfinished goods and services at Airbus (€ +724 million) and Eurocopter (€ +195 million) programmes, partly offset by Cassidian (€ -131 million) and Astrium (€ -75 million).

Trade receivables increase by € +396 million to € 6,790 million (prior year-end, adjusted: € 6,394 million), mainly caused by Airbus (€ +214 million), Eurocopter (€ +145 million) and Astrium (€ +60 million).

Other current assets include "Current portion of other long-term financial assets", "Current other financial assets", "Current other assets" and "Current tax assets". The decrease of € -264 million to € 4,239 million (prior year-end: € 4,503 million) comprises among others a decrease of VAT receivables (€ -129 million) and of receivables from related parties (€ -114 million).

Cash and cash equivalents increase from € 5,284 million to € 8,756 million.

Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 10,409 million (prior year-end: € 8,850 million). The increase is mainly due to a net income of € +1,228 million and other comprehensive income of € +589 million, partly compensated by a cash distribution to shareholders of € -369 million.

Non-controlling interests increase to € 25 million (prior year-end, adjusted: € 15 million).

Non-current liabilities

Non-current provisions of € 9,816 million (prior year-end, adjusted: € 9,144 million) include the non-current portion of pension provisions with an increase of € +493 million to € 6,121 million (prior year-end: € 5,628 million), which is partly offset by additional funding to plan assets. Compared to year-end 2011, the discount rates applied to the calculation of pension provisions decrease from 4.5 % to 3.7 % (Germany), from 4.75 % to 3.5 % (France) and from 4.8 % to 4.5 % (UK), leading to an increase of the pension provision with a corresponding effect in deferred tax assets and actuarial losses in equity.

Moreover, other provisions are included in non-current provisions, which increase by € +179 million to € 3,695 million (prior year-end, adjusted: € 3,516 million). This mainly reflects the increase of the onerous contract provision for the A350 XWB, where a charge of € 124 million has been recorded in the first half-year 2012.

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decrease by € -122 million to € 3,506 million (prior year-end: € 3,628 million).

Other non-current liabilities, comprising “Non-current other financial liabilities”, “Non-current other liabilities” and “Non-current deferred income”, decrease in total by € -106 million to € 18,194 million (prior year-end, adjusted: € 18,300 million), mainly due to a decrease of fair values for financial instruments (€ -981 million), mostly offset by higher advance payments received (€ +625 million) and an increase in refundable government advances (€ +228 million).

Current liabilities

Current provisions increase by € +189 million to € 6,045 million (prior year-end, adjusted: € 5,856 million) and comprise the current portions of pensions (€ 312 million) and of other provisions (€ 5,733 million).

Trade liabilities increase by € +287 million to € 9,917 million (prior year-end: € 9,630 million), mainly at Airbus (€ +599 million) and at Eurocopter (€ +336 million), partly offset by Astrium (€ -410 million) and Cassidian (€ -259 million).

Other current liabilities include “Current other financial liabilities”, “Current other liabilities” and “Current deferred income”. They increase by € +723 million to € 30,955 million (prior year-end: € 30,232 million). Other current liabilities mainly comprise current customer advance payments of € 25,333 million (prior year-end: € 25,006 million), increasing by € +327 million.

5.1.5 Net Cash

EADS’ Net Cash position increased to a solid € 12.3 billion (year-end 2011: € 11.7 billion) after a cash contribution of € 856 million to pension assets and the dividend payment of about € 370 million.

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 acquisitions of € 1,449 million exceeded expectations. The traditional end of year seasonal payment pattern has been very strong. It resulted in a strong positive swing in fourth quarter working capital thanks to the high delivery performance and stream of advances and receipts from commercial and government customers. Gross cash flow from operations reflects the strong underlying performance during the year.

The level of capital expenditure was € 3.3 billion, reflecting the ramp up in development and series programmes as the company builds capacity for future volume driven top and bottom line growth. It also includes the capitalised R&D under IAS38. Despite the record level of commercial aircraft deliveries, EADS’ customer financing gross exposure was broadly stable compared to the 2011 level.

5.1.6 Order Intake and Order Book

EADS' order intake amounted to € 102.5 billion (FY 2011: € 131.0 billion) and reflected continuing commercial momentum across the EADS portfolio. Airbus Military, Eurocopter, Astrium and Cassidian all recorded year-on-year increases in order intake while Airbus Commercial exceeded its order target, booking 914 gross orders for 2012. At the end of December 2012, the Group's order book had increased by 5% to € 566.5 billion (year-end 2011: € 541.0 billion). The defence order book decreased to € 49.6 billion (year-end 2011: € 52.8 billion).

Table 5 – Order Intake and Order Book by Division

by Division (Amounts in millions of Euro)	Order Intake(2)			Order Book(2)		
	FY 2012	FY 2011	Change	31st Dec 2012	31st Dec 2011	Change
Airbus Division (1)	88,142	117,874	-25%	523,410	495,513	+6%
Airbus Commercial	86,478	117,301	-26%	503,218	475,477	+6%
Airbus Military	1,901	935	+103%	21,139	21,315	-1%
Eurocopter	5,392	4,679	+15%	12,942	13,814	-6%
Astrium	3,761	3,514	+7%	12,734	14,666	-13%
Cassidian	5,040	4,168	+21%	15,611	15,469	+1%
Headquarters / Consolidation	-1,413	-1,233	-	-1,112	-1,467	-
Other Businesses	1,549	2,025	-24%	2,908	2,983	-3%
Total	102,471	131,027	-22%	566,493	540,978	+5%

1) The reportable segments Airbus Commercial and Airbus Military form the Airbus Division. Eliminations are treated at the Division level.

2) Contributions from commercial aircraft activities to EADS Order Intake and Order Book are based on list prices.

5.1.7 EADS Division details

Airbus' consolidated revenues increased by 17% to € 38,592 million (FY 2011: € 33,103 million), reflecting strong commercial aircraft deliveries. The Airbus consolidated EBIT* more than doubled to € 1,230 million (FY 2011: € 584 million).

Airbus Commercial revenues amounted to € 36,943 million (FY 2011: € 31,159 million), driven by record commercial deliveries of 588 (FY 2011: 534), including 30 A380s. A total of 585 deliveries were booked with revenue recognition with the remaining three placed on operating lease. Revenues also benefitted from favourable U.S. dollar rates.

Airbus Commercial's reported EBIT* amounted to € 1,125 million (FY 2011: € 543 million). The Airbus Commercial EBIT* before one-off of € 1,647 million (FY 2011: € 485 million) benefited from an improved operational performance including favourable volume and pricing, net of escalation. It also reflected the hedge rate improvement. The Division's self-financed R&D expenses fell slightly to € 2,442 million. Despite stable deliveries, revenues at Airbus Military decreased by 15% to € 2,131 million (FY 2011: € 2,504 million) driven by lower A400M and tanker revenues. Airbus Military's EBIT* improved significantly to € 93 million (FY 2011: € 49 million) due to a favourable delivery mix with margin improvements from technically maturing programmes.

During 2012, Airbus Commercial registered 914 gross orders (FY 2011: 1,608 gross orders). Net orders totalled 833 (FY 2011: 1,419). These net orders comprised 739 A320 Family aircraft (ceo and neo), 85 A330/A350XWBs and nine A380s.

The A350 XWB development remains on track, based on the revised schedule, with the final assembly line fully operational. The structural assembly of the first flyable plane, 'MSN1', was completed and 'electrical power on' accomplished. Another milestone was achieved in February 2013 with the award of the European Aviation Safety Agency's Engine Type Certification for the Trent XWB turbofan.

Regarding the A380, the wing rib issue has been resolved with repairs on-going on deployed aircraft and design modifications embodied into the new production standard. The avenue for breakeven in 2015 is set at 30 deliveries.

In response to the continuing strong demand for Airbus' series programmes, Airbus achieved the steady production ramp-up of the A320 and A330 Families to 42 and 9.5 per month respectively. At the end of the year, AirAsia became the first operator of a fuel-saving 'Sharklet'-equipped A320.

Airbus Military achieved 32 aircraft orders (FY 2011: 5 orders) and delivered 29 aircraft (FY 2011: 29 deliveries), comprising 20 light and medium military transporters, five A330 MRTTs and four P-3 conversions. With 300 hours of Function and Reliability testing completed, civil and military certification for the A400M is expected in Q1 2013 with the first delivery due in Q2 2013 and four deliveries expected this year. Full military capabilities will be achieved over time and challenges remain until then. Airbus Military was selected by India as the preferred bidder to supply A330 MRTT aircraft.

At the end of 2012, Airbus' consolidated order book was valued at € 523.4 billion (year-end 2011: € 495.5 billion). The Airbus Commercial backlog amounted to € 503.2 billion (year-end 2011: € 475.5 billion), which comprises 4,682 units representing an industry record (year-end 2011: 4,437 aircraft). At the end of the year, Airbus Military's order book stood at € 21.1 billion (year-end 2011: € 21.3 billion).

Revenues at **Eurocopter** increased 16%to a record € 6,264 million (FY 2011: € 5,415 million), driven mainly by higher repair and overhaul support activities and the full year inclusion of the Vector Aerospace business consolidation. Higher NH90 and Super Puma revenues also contributed to the overall increase. Total deliveries declined to 475 helicopters (FY 2011: 503 helicopters), in particular for the EC135 and Ecureuil models.

The Division's EBIT* increased by 20% to € 311 million (FY 2011: € 259 million). The 2012 EBIT* includes the € 100 million charge booked in the fourth quarter to reflect the latest status of the on-going renegotiations for certain governmental programmes. EBIT* before one-off increased around 10% year-on-year, reflecting the revenue mix and the increase in R&D expenses as expected.

Eurocopter's order intake for 2012 rose 15% to € 5,392 million (FY 2011: € 4,679 million) with the number of net bookings rising for the third consecutive year to 469 (FY 2011: 457). Orders of the Ecureuil/Fennec/EC130 and EC135/ EC145 families were particularly strong.

Eurocopter continues to work in close collaboration with the investigating authorities on further identifying and explaining the root cause of the Super Puma incidents. The root cause of the recent Ecureuil incidents has been identified and a programme is in place to implement a retrofit approved by EASA.

At the end of 2012, Eurocopter's order book was worth € 12.9 billion (year-end 2011: € 13.8 billion) comprising 1,070 helicopters (year-end 2011: 1,076 helicopters).

Astrium revenues in 2012 increased to € 5,817 million (FY 2011: € 4,964 million) driven mainly by growth in services including the Vizada integration and strong programme execution. EBIT* increased by 17%to € 312 million (FY 2011: € 267 million). Astrium is seeing efficiency and productivity gains coming through the operational performance as a result of the AGILE transformation programme. However, higher investment in R&D and globalisation efforts as well as some Vizada integration costs weighed on the operating margin in 2012.

The Division achieved an order intake of € 3.8 billion in 2012 (FY 2011: € 3.5 billion), despite continued tough competition in the marketplace.

Seven Ariane 5 launches were conducted during 2012, taking the number of successful consecutive launches to 53. Nine Astrium-built satellites were delivered during the year. Fourth quarter satellite launches included U.K. military satellite Skynet 5D and earth observation satellite Pléiades 1B, further expanding the fleet operated by Astrium Services.

In November, the European Space Agency's Ministerial Council broadly confirmed European space budgets related to key programmes of Astrium. This resulted in initial contracts worth € 108 million received in January 2013 to secure the development of Ariane 6 and Ariane 5 ME.

At the end of 2012, Astrium's order book amounted to € 12.7 billion (year-end 2011: € 14.7 billion).

Cassidian revenues in 2012 were broadly stable as expected at € 5,740 million (FY 2011: € 5,803 million). EBIT* in 2012 fell to € 142 million (FY 2011: € 331 million) reflecting the € 198 million of one-off charges booked in the fourth quarter. On an underlying basis, the EBIT* before one-off was lower as expected due to investments in globalisation and transformation despite lower R&D expenses.

Cassidian's order intake rose significantly to € 5.0 billion in 2012 (FY 2011: € 4.2 billion) despite the challenging market environment. This was driven mainly by the Eurofighter and missile export business. In December, Oman signed a contract for the purchase of 12 Eurofighter Typhoon aircraft which is yet to be included in the order book.

At the end of December 2012, the order book of Cassidian had risen slightly to € 15.6 billion (year-end 2011: € 15.5 billion).

Headquarters and Other Businesses (not belonging to any Division)

Revenues of Other Businesses increased 22% to € 1,524 million (FY 2011: € 1,252 million), driven by volume increases at EADS North America and higher ATR deliveries. The EBIT* of Other Businesses decreased to € 49 million (FY 2011: € 59 million) with the EBIT* before one off stable with the 2011 level due to a less favourable revenue mix.

After an exceptional 2011, ATR in 2012 secured 61 firm orders (FY 2011: 119 orders) with its order backlog reaching 221 aircraft at the end of the year, equivalent to nearly three years of production. ATR achieved a record annual delivery level of 64 aircraft, reflecting a year-on-year increase of 19% (FY 2011: 54 aircraft).

In late 2012, the U.S. Army awarded EADS North America a $ 181.8 million contract option to deliver 34 additional UH-72A Lakota light utility helicopters, raising the total number of orders to 312. The total number of Lakota deliveries to the U.S. Armed Forces reached 250 in December 2012.

At the end of December 2012, the order book of Other Businesses had decreased slightly to € 2.9 billion (year-end 2011: € 3.0 billion).

5.2 EADS N.V. Company financial statements

Table 6 – Balance sheet EADS N.V.

	December, 31	
(in millions of €)	**2012**	**2011**
Goodwill	4,354	4,354
Financial fixed assets	11,337	9,802
Non-current securities	5,786	7,103
Fixed assets	**21,477**	**21,259**
Receivables and other assets	8,654	6,362
Current securities	7,641	4,140
Cash and cash equivalents	1,549	3,394
Non-fixed assets	**17,844**	**13,896**
Total assets	**39,321**	**35,155**
Stockholders' equity [1)]	**10,409**	**8,850**
Financing liabilities	3,078	3,090
Non-current liabilities	**3,078**	**3,090**
Other current liabilities	25,834	23,215
Current liabilities	**25,834**	**23,215**
Total liabilities and stockholders' equity	**39,321**	**35,155**

1) The balance sheet is prepared before appropriation of the net result.

Table 7 – Income Statement EADS N.V.

(in millions of €)	**2012**	**2011**
Income from investments	1,168	1,010
Other results	60	23
Net result	**1,228**	**1,033**

5.3 Information on statutory accountants

	Date of First Appointment	Expiration of Current Term of Office*
KPMG Accountants N.V. Rijnzathe 14 – 3454 PV De Meern — The Netherlands Represented by J.C.M. van Rooijen	10 May 2000	29 May 2013
Ernst & Young Accountants LLP Boompjes 258, 3011 XZ Rotterdam — The Netherlands Represented by C.T. Reckers	24 July 2002	29 May 2013

(*) A resolution will be submitted to the General Meeting of Shareholders called for 29 May 2013, in order to appoint Ernst &Young Accountants LLP and KPMG Accountants N.V. as the Company's auditors for the 2013 financial year.

KPMG Accountants N.V., Ernst & Young Accountants LLP and their respective representatives are registered with the NBA (Nederlandse Beroepsorganisatie van Accountants; formerly Royal NIVRA).

5.4 Human Resources

5.4.1 WORKFORCE INFORMATION

In 2012, 11,080 employees worldwide entered employment with EADS (8,238 in 2011), while 4,042 employees left the Group (3,666 in 2011). At year-end the EADS workforce had increased to 140,405 (year-end 2011: 133,115). The increase in active workforce was mainly driven by the ramp-up in EADS business activities, which is expected to continue. EADS plans to recruit another 5,000 people in 2013.

In terms of nationalities, 38.5% of EADS employees are from France, 32.9% from Germany, 9.3% from the UK and 8.2% are from Spain. US nationals account for 1.7% of employees. The remaining 9.4% are employees coming from a total of 130 other countries.

Given the growth dynamic and mounting competition for highly qualified staff, capacity to attract talent is a key asset for the company. In 2012, several independent surveys recognised EADS and its Divisions as employers of choice. According to research conducted by international HR services company Randstad, amongst experienced professionals EADS and its Divisions were ranked in the top three companies in France, Germany and Spain. In 2012, French engineering students ranked EADS Europe's number one employer according to both the Trendence and Universum graduate surveys.

5.4.2 ORGANISATION OF HUMAN RESOURCES MANAGEMENT

The overall mission of Group HR function is to ensure that EADS 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 internationalization of the Group and contributes to a common EADS spirit. The HR strategy aims at making EADS a global employer of choice and an innovative and engaging place to work for our employees. HR supports managers in their leadership and people management duties and advises employees.

Since June 2012, EADS and Airbus HR have been integrated under the same leadership role: Chief Human Resources Officer EADS & Airbus. The EADS Corporate HR governing team (HRDC) is composed of divisional and group HR directors. A double operational reporting line from the Divisions to the Group Head of HR fosters full coherence and alignment in the Group HR operational governance.

The HR function has implemented global shared services for HR administration, payroll, recruitment and learning administration using a common global HR information system.

These efforts over the last years and the establishment of shared service and governance structures are contributing to the establishment of an integrated HR function. A common HR Delivery Model is in place which entails a harmonized HR Business Partner role definition to ensure a consistent representation of HR in the different businesses. HR Business Partners provide business proximity and ensure people development and HR solutions tailored to business challenges.

Corporate HR ensures the definition and implementation of group-wide HR strategies, policies, processes and projects which are in the overall interest of EADS and thus (i) defines common HR policies together with Divisions and (ii) owns particular topics through sovereign functions (e.g. Talent and Executive Development, Compensation and Benefits as well as Social Policy and Industrial Relations). The Corporate HR team operates as strategic leader and centre of competence in reserved HR matters, in close cooperation with the Divisions and Business Units which have the operational HR responsibility. For the sovereign as well as selected key HR topics, formal networks are established which ensure regular meetings of the HR managers and specialists from different domains on both group and national levels.

In 2011, working with Group / Divisional Strategy and CTO departments, HR took important steps in mapping existing competences and defining those competences EADS will need to develop in the future.

The ESOP 2012 campaign has been a great success. 27 507 employees (20,1%) invested in the Company, which is more than ever in the history of EADS and demonstrates employees trust in the Company.

2011 saw also the launch of the new group wide initiative “my life at EADS”, which aims to create a better working environment and enhance the wellbeing of employees through the fostering of an inclusive working culture, health and safety, stress prevention, childcare solutions and flexible working arrangements. Fifteen best practices have already been awarded in November and will now be promoted across the Group.

With regard to gender diversity, the main focus remained on talent management and on building an internal pool of talented women, supported by a specific development program for talented women on level 5 (Manager) named “GROW”.

In 2012, 21.4% of new recruits to the company were women (21% in 2011) and women made up 17.3% of the active workforce (17% in 2011). By 2020, EADS aims to increase the share of women recruited to 25% and the share of women within the senior manager and executive community to 20%.

Since 2009, EADS runs a group wide engagement initiative for all employees based on a survey every 18-24 months, which highlights the strong drivers for engagement as well as areas for improvement.

Since then, a complete action plan has been rolled out focussing on employee recognition, reinforcement of leadership, communication inside and across teams, proximity of managers as well as HR to support EADS Employees.

Many specific actions have been put in place to foster an engaging workplace. Amongst others:

- All units invested strongly in two annual discussions between managers and subordinates: annual interview and mid-year review;
- Engagement forums for best practices sharing were established in June 2011 to enable the whole organisation to learn from those valuable experiences. The documentation was distributed to all managers;
- Leadership training programs “BEST/INSPIRE” were further deployed at all management levels. More than 6,000 managers have been trained since 2009
- A focus was set on action plans and follow-up at team level, in all Divisions (team boosters), with the local support of HR.

The third engagement survey results have been made available in June 2012 and have shown a significant improvement at EADS level with all divisions showing an increase of its actively engaged teams and an overall very good step forward. Further engagement actions and best practice exchanges (i. e. Customized workshops / Team Accelerators, spontaneous recognition schemes, etc.) have been put in place.

The fourth wave of EADS Engagement survey will take place during the last semester 2013.

As part of its drive to foster a stimulating and rewarding working environment, EADS actively supports employee training ambitions and career moves within the Group. In 2012 more than 7500 employees took up the opportunity to move to a new EADS department, site or country. Mobility of employees within or across divisions is going to be one of the main priorities for the overall benefit of both EADS employees and the group itself. Developing new competences, bringing new ideas and extending professional networks is crucial for the company.

Subsequent to this EADS is deploying significant efforts in the analysis and development of all competences across the group. Skills analysis, gap-bringing development actions are in place such as a robust and adapted training plan. In 2012, EADS has delivered to its employees over 2,850,000 hours of training.

5.5 Environmental matters

EADS' prominence in aerospace makes it a central player of the sustainable mobility issue and more broadly, of the evolution towards a "green economy". Following the creation of the EADS Environmental network, the group's first environmental policy was published in 2008; it was translated into a corporate environmental roadmap, issued a year later, which dictates regulatory compliance and continuous improvement in environmental management, and defines specific goals for eco-efficient operations, products and services. To heighten the sense of importance, and incorporate "eco-efficiency" systematically in the corporate culture, EADS has worded its 9th group wide top priority in 2012 as follows "improve eco-efficiency of our products and industrial processes". The eco-efficiency concept professes the reconciliation of environmental protection with business economy (maximizing economic value creation while minimizing environmental impact) and stresses environmental compliance and management as much as business opportunities.

5.5.1 MANAGING ENVIRONMENTAL IMPACT OF ACTIVITIES AND PRODUCTS THROUGHOUT THE LIFE CYCLE

Environmental Management System ("EMS")

ISO 14001 is an internationally recognized standard of EMS efficiency for businesses and organisations. EADS encourages not only the environmental certification of its operations, but also the development of a full life cycle orientation for its products and services, as this remains the most cost-efficient and practical way to effectively reduce the environmental impact. Robust certified EMS standards have been progressively implemented across EADS manufacturing sites and over 90% of EADS employees operate under an ISO 14001. The site and product life cycle orientation of EMS purports to create economic value by reducing environmental costs and exposure at each stage of the product life, from design to operations up to end of life. In 2012, Astrium France successfully completed the ISO 14001 re-certification process. Numerous Eurocopter sites were also ISO 14001 certified in 2012, in particular Eurocopter UK, Helibras Brazil and American Eurocopter (third party audit planned for second quarter 2013). In 2013, Cassidian is expected to obtain its first ISO 14001 certification for its Finnish sites, Airbus will go through the global re-certification process and Eurocopter pursues the certification process for Eurocopter South Africa, Australian Aerospace and Motorflug.

At the Research and Development stage

EADS' main focus is to enable the whole aviation sector to meet stringent 2020 and 2050 targets for reducing noise and emissions. Five of the seven research and technology groups within the Group's corporate research network address topics related to eco-efficiency. 90% of Airbus' annual research and development investment is for environmental benefits. Airbus is committed to Flightpath 2050 targets to allow 75% of CO2 emission reduction per passenger per kilometre, 90% of nitrogen oxide (NOX) emissions reduction and 65% of noise reduction by 2050.

At the extended enterprise level

EADS strives to keep the environmental impact of its entire supply chain under control, and it helps its suppliers to improve, notably for compliance with regulatory requirements regarding various substances content in products. To mitigate non-trivial business risks, a large mobilization is underway to support the EADS supply chain on complex substances related regulations such as REACh.

EADS strives to develop joint initiatives within industry in order to improve the overall environmental performance of the aerospace and defence industry in the most effective, consistent and cost-efficient manner possible. EADS supported the creation of the IAEG (International Aerospace Environmental Group) in order to harmonize industry responses to existing and emerging environmental regulations, align aerospace environmental standards and work on a common approach and expectations for the supply chain.

EADS leads or participates in various European and international environmental working groups such as ICAO, ATAG, ICCAIA, ASD, CAEP, WEF and in environmental working groups of national industry organisations such as GIFAS in France, TEDAE in Spain, BDLI in Germany and ADS in the UK.

At the manufacturing level

Investment processes are being reviewed in order to include environment criteria to better integrate environment into business and move towards an eco-efficient enterprise

Initiatives have been launched at Division and site level to reduce the environmental footprint of the Company by 2020 e.g.:

- Airbus BLUE-5 initiative which provides a roadmap for reducing the environmental footprint of Airbus by 2020 on the 5 aspects of EADS Vision 2020 - energy consumption, CO2 emissions, waste production, water consumption & discharges and Volatile Organic Compound (VOC) emissions.
- Airbus built new facilities that are state of the art in terms of sustainable buildings, designed to improve the energy efficiency of industrial activities based on lean manufacturing principles, while also reducing the environmental impact. For example, the A350XWB North Factory in Broughton, UK, was assessed "excellent" in the BREEAM methods, thanks to biomass boilers as a primary source of heating, photovoltaic solar tracking arrays, a new drainage system to collect rainwater and many other building management system improvements.
- Eurocopter built new buildings in Donauwörth using low energy consumption technologies and geothermal energy, and created a car park covered by 16,000 m2 of solar panels. Eurocopter also strengthened partnerships to move towards green logistics (with SDV and DHL mainly) to develop carbon off-settings and direct carbon reductions.
- Cassidian and Astrium launched some renovation campaigns (roofing, insulation, etc.), changed some compressed air systems, implemented presence sensors for lighting control and encouraged local initiatives to reach ambitious 2020 objectives.
- In addition to numerous facility management improvements, EADS has sought to integrate eco-efficiency firmly within its industrial strategy. Workshops have been conducted to identify Group best practices and to benchmark other enterprises and sectors. Best in class eco-efficient industrial practices and processes will be listed to become standards and applicable references for the Group.

To monitor progress, and to comply with reporting obligations, EADS-wide environmental reporting is now well implemented, organized around clear guidelines, a data collection tool and a structured network. The reporting process and the consolidated data are externally audited since 2010. 14 environmental indicators have been verified in 2012 [compared to 4 in 2010], covering themes such as energy consumption, CO2 emissions, waste production and water consumption. Results of last year's audit have shown the relevancy, maturity and reliability of the EADS environmental reporting.

Aircraft operations:

Over the last 40-50 years, the aviation sector has reduced noise by 75% and CO2 by 70%. Yet, environmental performance is mandated to improve further and is a major focus of attention.

While its fuel saving technology is a compelling argument for airlines, the A380's noise and fuel efficiency (< 3 litres fuel consumption / passenger / 100km vs. 5 litres average for the worldwide fleet) remains unsurpassed for its category.

In line with the ambitious ACARE targets, some Top Level Aircraft Requirements were set for the environmental performance of the A320neo Family. For instance, based on realistic airline operations assumptions, the fuel burn target (of: -15% aircraft level fuel burn relative to today's A320) translates into a saving of around 3600 tonnes of CO2 per year.

The installation of "Sharklets" wing-tip devices, which have been specially designed for the Airbus A320 Family, will reduce fuel burn by up to 3.5%, corresponding to a CO2 reduction of around 1000 tonnes per aircraft per year. This reduction is equivalent to the CO2 produced by around 200 cars annually.

Built-in fuel efficiency is beyond any doubt the greatest contributor to the environmental friendliness of the A350 XWB. The A350 XWB has been designed to be eco-efficient from gate to gate, which means lower levels of noise and emissions and greater fuel efficiency at every stage of the journey. Environmentally-friendly materials have been favoured throughout the design of the A350 XWB. Some typical examples are hydraulic fluid, and batteries. Each part of the aircraft has been optimised for increased eco-efficiency.

Eurocopter's X3 hybrid helicopter demonstrator has delivered on the promise of pushing the frontiers in rotary-wing aviation by surpassing its original speed target of 220 kts demonstrating the compound aircraft's performance, capabilities and maturity. The new aircraft and propeller speeds can be varied by wide degree, making it possible to significantly reduce noise levels during low altitude flyovers. The X3 also can perform optimized flight trajectories during landing and take-off in order to reduce the sound footprint perceived on the ground. The X3 consumes less fuel per kilometre during high-speed cruise flights than the current generation of conventional helicopters.

Beyond aircraft development, EADS is assuming a leading role in developing integrated solutions for enhanced environmental performance including modernization of Air Traffic Management ("**ATM**") and development of alternative fuels.

EADS is pioneering the development of sustainable biofuels, made from biomass feedstock that through their total lifecycle produce lower CO2 emissions than conventional fossil fuels. EADS has been working with a broad range of partners - universities, farmers, airlines and refineries as well as standard-setting organisations - to develop "drop-in" biofuels that can be used in current aircraft without modification. Airbus currently has six value chain projects in place in Romania, Spain, Qatar, Brazil, Australia and China, and is pursuing projects in South Africa and Canada. It also supports airlines with their commercial operations using biofuels and is co-leading a key project with the EU to prepare a feasibility study and roadmap to ensure two million tonnes of biofuel availability for aviation in the EU by 2020.

Through Airbus' involvement in flights and its technical support, 50/50 blend alternative fuels are now certified for commercial flights (Fischer-Tropsch and HEFA processes). Over 1,500 commercial flights have now been flown with alternative fuels worldwide. Airbus' alternative fuels strategy is based around being the catalyst in the search for sustainable solutions for the production of affordable alternative fuels in sufficient commercial quantities to face the environmental challenges for aviation.

EADS is also dedicated to the development and support of modern ATM, with the overall objective being to allow sustainable growth of air transport. EADS is interacting with and helping to develop ATM programmes such as "Single European Sky ATM Research" (SESAR) in Europe, as well as NextGen in the US. The Group subsidiary "Airbus ProSky" is dedicated to the development and support of modern ATM systems.

The use of innovative technologies, biofuels and optimised air traffic and flight procedures for modern aircraft can all lead to a significant drop in CO2 emissions. This was demonstrated in June 2012 when Airbus and Air Canada performed a flight using an Airbus A319 that reduced CO2 emissions by over 40% compared to a similar regular flight.

End of life and recycling of aircraft

This process deserves consideration: about 14,000 commercial transport aircraft will be removed from service over the next 20 years, as they are replaced by more fuel and CO2 efficient aircraft. Airbus has developed sustainable dismantling and recycling techniques that comply with environmental, health and safety requirements, and it is increasingly incorporating this knowledge upstream into aircraft design.

5.5.2 EADS: A WAREHOUSE OF TECHNOLOGY, CONTRIBUTING TO THE ENVIRONMENTAL OFFER

EADS evolving technology portfolio, arising from Aerospace and Defence research, has applications inside and outside its core business, contributing to environmental innovation across other sectors.

Illustrating this approach, Astrium is positioning its observation, navigation, telecom satellites and services as enablers of three component solutions to earth's environmental challenges: Monitoring (to provide policy makers with solid data for decisions), Mitigation (of the negative impact of human activities), and Adaptation (to environmental degradation). Astrium is the prime contractor for four of the six ESA Earth Explorer missions – Cryosat-2, Swarm, Aeolus and EarthCARE. In 2012, ESA awarded Astrium a contract to define the CarbonSat satellite. CarbonSat will measure the global concentration and distribution of the two most important greenhouse gases – carbon dioxide (CO2) and methane (CH4) – with unprecedented accuracy, providing climate scientists with essential data for climate analysis and for refining climate simulation computer models.

5.6 Research and Technology, Quality and Systems Engineering

During 2012, the EADS Corporate Technical Office ("**CTO**") organization supported the company's research and technology activities, working directly with the business units, while also enhancing the capabilities of the EADS Innovation Works research and development arm. Additionally, the CTO reinforced its responsibility for overseeing EADS' quality initiatives, while directing the company-wide implementation of systems engineering, the interdisciplinary approach to mastering large and complex systems in meeting a set of business and technical requirements.

A 2012 restructuring of the CTO simplified and streamlined its relationships with the EADS divisions, while also encouraging a more open decision-making process on projects, leading to clearer choices earlier in the programs. This restructuring builds on the CTO's achievements since its creation five years ago.

The CTO's 2012 developments included a step-up in Russian cooperative activity, assisted by the relationship established with Russia's new Skolkovo high-technology hub. One of the joint projects pursued under this relationship is focused on continuous detonation wave engines for future propulsion systems, bringing the CTO together with Russian researchers from the Lavrentiev Institute.

The CTO Innovation Nursery, which helps finance and evolve promising new concepts and ideas within EADS, supported a growing number of selected projects, including an evolution of the SLD-Scout laser surveillance and detection system for threats from snipers. Developed jointly by EADS Innovation Works and the CILAS subsidiary of Astrium and Areva, SLD-Scout uses a binocular-type unit weighing less than two kilos to detect and locate a full range of optical scopes employed by snipers, as well as optronic-based sights.

EADS' research regarding the dangers resulting from aircraft icing moved into a new phase in 2012 with the introduction of EADS Innovation Works' new Icing and Contamination Research Facility (iCORE) wind tunnel at its Ottobrunn, Germany laboratory facilities. This compact cryogenic wind tunnel is being used to help identify coatings, tailored surfaces and other means of countering the accumulation of ice encountered during flight in the atmosphere and in clouds.

A new laser-based inspection technology, called 'LUCIE' (Laser Ultrasonics Composite Inspection Equipment) is now being validated following its development by EADS Innovation Works along with Airbus research and technology teams, the French Ecole des Mines, the iPhoton company and Spain's Tecnatom. LUCIE offers a completely new means to inspect composite structures such as aircraft fuselages, replacing current ultrasound techniques that require direct contact or the use of a coupling agent.

The DATADVANCE joint venture of EADS Innovation Works and Russian investors gained new momentum for its MACROS software tool, which helps to reduce design time and cost of complex engineering products. Created by Russia's International Research Institute of Advanced Systems and the Institute for Information Transmission Problems, with validation performed by EADS Innovation Works – MACROS' capabilities were demonstrated in a final assembly line application at Airbus. Additionally, DATADVANCE established a partnership agreement with TELUM, a Russian leader in military and professional radio communication systems development.

With the CTO's involvement, a unique campus created at an industrial site through the joining of universities, research institutions and industry is being established at EADS' Ottobrunn facility. The Bavarian International Campus Aerospace & Security (BICAS) involves EADS and six other founding partners with backing from Germany's state of Bavaria, and is initially focused on three "pillars" that involve research projects, scientific equipment and teaching and study programs.

In the area of virtual reality, EADS Innovation Works is applying this technology with passenger "subjects" to help to determine what measures could be applied in making future airliner passenger cabins more eco-efficient by defining tools and measurement methods to determine passenger acceptance for such factors as less storage space on short- and medium-haul flights if the ticket price is discounted accordingly.

Also under the CTO responsibility is the company-wide project to harmonize EADS' information technology infrastructure across all divisions and operations, called Lean EGIMS (EADS Global Information Management Services). In 2012, Lean EGIMS surpassed its cost-savings target through the implementation of unified infrastructure for computers, networks and telephones, along with common support services.

6. Financial Targets for 2013

As the basis for its 2013 guidance, EADS expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes no major disruption due to the current sovereign debt crisis.

In 2013, gross commercial aircraft orders should be above the number of deliveries, in the range of 700 aircraft. Airbus deliveries should continue to grow to between 600 and 610 commercial aircraft. Due to lower A380 deliveries and assuming an exchange rate of € 1 = $ 1.35, EADS revenues should see moderate growth in 2013. By stretching the 2012 underlying margin improvement, in 2013 EADS targets an EBIT* before one-off of € 3.5 billion and an EPS* before one-off of around € 2.50, prior to the proposed share buyback.

Excluding the known wing rib feet A380 impact in 2013 of around € 85 million based on 25 deliveries, going forward, from today's point-of-view, the "one-offs" should be limited to potential charges on the A350 XWB programme and foreign exchange effects linked to PDP mismatch and balance sheet revaluation. The A350 XWB programme remains challenging. Any schedule change could lead to an increasingly higher impact on provisions.

EADS aims to be Free Cash Flow breakeven after customer financing and before acquisitions in 2013.

7. EADS Strategic Challenges

Defined in 2007, the Group's Vision 2020 strategy highlighted the need for a balanced portfolio, a more globalized footprint, a stronger presence in the US, a significant service business and greater focus on platform/systems in the value chain. In addition, a set of inalienable actions was defined – the most important of which was maintaining a market share of between 40% and 60% in commercial aircraft.

7.1 Vision 2020 – Achievements

The Group broke down Vision 2020 into several objectives, against which quantitative/qualitative tracking was conducted. Significant progress has been made on certain targets, but full achievement of all targets has yet to materialize.

- **Balanced Revenues**: Achieve a 50/50 balance in commercial aircraft manufacturing and other businesses, to protect against market cyclicality and meet investment requirements. This target has been challenging because of the steep increase in Airbus production over the past several years, going from roughly 450 deliveries in 2007 to 588 last year. At the end of 2012, the Group still generated approximately 35% of its revenues outside of commercial aircraft manufacturing.

- **Profitability**: Achieve best-in-class operational and financial efficiency to reach 10% EBIT in the first half of the decade 2010-2020. Although the Group faced significant program challenges in the past (e.g. A380 and A400M), many of these programs have now stabilized and thanks to comprehensive cost savings and efficiency improvement programs. EADS is on its path to 10% in 2015 subject to a 1.30 €/$ rate and before A350.

- **Services**: Achieve a 25% services share by 2020, hence 20bn€, focusing on high-value services. After significant organic growth complemented by several recent acquisitions (e.g., Vizada in SATCOM services, Vector Aerospace in helicopter services, SatAir in commercial aircraft material management), the Group recognized almost € 7.5 bn in services revenues at the end of 2012. This is an increase of more than 75% from 2008, when services revenues stood at € 4.2 bn.

- **Globalization**: Reach 40% of EADS sourcing outside of Europe; 20% employees outside of Europe; and achieve $ 10bn non-Airbus revenues in the US and gain a prime position with the US Government. The sourcing target remains challenging, with 28.5% of sourcing already done outside Europe and few major new program sourcing decisions on the horizon within Airbus Commercial. On the other hand, employees outside Europe have been growing due to a mix of external and organic growth initiatives in the US, Brazil, India, and China. The Group's employees outside Europe increased from 4.5% of our total workforce in 2008 to around 7% in 2012. US revenues have grown considerably due to niche M&A and the sale of over 350 EC-145 helicopters to the US Army. In 2008 the Group generated just over $ 1.0 bn in the US from non-Airbus commercial activities, by 2012 this number stood at almost $ 2.7 bn. Growth in the US defence/government business is largely dependent on winning either a major program like the Armed Aerial Scout helicopter or conducting M&A.

- **Eco-Efficiency**: Environmental issues are to become a transversal driver towards sustainable development. Internally, the Group has made progress in its manufacturing business by pursuing environmentally friendly processes that also cut costs and increase our efficiency. In addition, we now track CO2 emissions, water consumption, and waste generation across the Group. More importantly, the Group's introduction of newer, more fuel efficient planes like the A320 NEO and the A350 is also capitalizing on customers desire to operate in more energy efficient manner.

7.2 The Path Forward for the Group's Strategy

Due to challenges and changes within the Group and external market and competitor trends, EADS management is currently reviewing its strategy.

Key internal changes within the company include the reorganization of some of the company's defence/government businesses, a new management team being appointed in 2012, and the expectation of a new Board of Directors in 2013. Externally, the Group has seen increased competition from emerging competitors, particularly in the very fast growing commercial aircraft market, coupled with stagnating/declining government budgets, while commercial markets grew faster than expected in 2007. Other continuing trends which needs to be addressed in the future strategy are the supplier consolidation, new customers with new services demands as well as an increasing ambition from emerging countries to participate in the aerospace and defence industry. Finally, the failure to merge with BAE, which would have met nearly all Vision 2020 objectives, has also compelled the management to revisit the actionability of the strategy.

The Corporate Development team conducted a full review of Vision 2020 during the autumn of 2012 in order to fully understand where the company stood vis-à-vis each objective. Following this review, several workshops were held in quarter 4 to explore potential strategies, including out-of-the-box ideas, based on internal changes, changes in the external environment and major future trends with relevance for the Aerospace and Defence sector. First findings outcomes of these exercises were vetted in the EADS Group Executive Committee and presented to the Board end of 2012. Currently, this work is continuing on the company's new strategic direction using comprehensive materials generated from previous workshops, feedback from the new Board as well as developing new ideas on how the Group can grow profitably and sustainably. This review will culminate with the new strategy being presented to the Board of Directors for validation mid-2013.

7.3 Divisions outlook

Airbus

In 2013, Airbus is targeting a further increase in deliveries to at least 600 commercial aircraft. Monthly production rates are set to continue at 42 for the A320, while progressing to 10 per month for the A330. To implement the wing rib feet solution, A380 production will be slowed slightly in 2013, to around 25 aircraft.

Within the challenging A350 XWB programme, management will be dedicating its utmost attention to achieving a successful first flight around mid-2013 and preparing the way for a smooth production ramp-up, with a first delivery targeted for the second half of 2014. Airbus expects to win around 700 gross commercial aircraft orders.

Airbus Military targets a successful first delivery of the A400M to the French Air Force in the second quarter of 2013. A total of four A400M deliveries – three to France and one to Turkey - are planned for 2013.
In total Airbus Military expects to deliver at least 28 aircraft and to win around 30 new orders.

Airbus underlying profitability (EBIT* before one-off) is expected to improve significantly, thanks to higher delivery volume, better pricing and improvement of A380 production performance. Going forward, the reported EBIT* will be dependent on the Group's ability to execute on the A400M, A380 and A350 XWB programmes, in line with the commitments made to its customers.

Eurocopter
In 2013, Eurocopter expects to deliver profitable growth, supported by increased deliveries and services activities. Goals include sustaining the delivery pace for Super Puma and Ecureuil families, as well as NH90 and Tiger helicopters, while also preparing the EC175's ramp-up.

Key discussions will continue with certain European governments on NH90 and Tiger helicopter contractual commitments. In close collaboration with investigating authorities, Eurocopter will continue analysis of EC225 incidents reported in 2012, in order to identify the root cause and implement corrective measures.

From now until 2015, Eurocopter expects to benefit from organic and inorganic growth, with profitability increases driven by operational improvement, improved programme management management and, from 2014 onwards, favourable mix effects.

Astrium
Based on existing orders, the number of Ariane 5 launches and satellite deliveries in 2013 should be broadly in line with 2012. On defence markets, Astrium will maintain its strong position in Europe, as a key partner for governmental and NATO programmes. Astrium will target profitable export growth in 2013 and the medium term, above all in its civil and defence services and equipment activities.

Measures introduced with the Agile transformation plan, in particular lean manufacturing methods and standardised processes are expected to support underlying performance in 2013 and beyond. In an increasingly competitive market environment, Astrium will continue to focus investment on innovation in all its aspects and in extending global presence.

Cassidian
In 2013, revenues at Cassidian are expected to be broadly stable compared to 2012, driven mainly by core Eurofighter and MBDA programmes. In the medium term, Cassidian aims to achieve a significant improvement in profitability through cost reductions, leaner processes and improved programme execution. While Eurofighter deliveries are secured until 2017, Cassidian will continue to explore export opportunities worldwide.

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 EADS' activities, finances, corporate governance, and in particular risk factors, the reader should refer to the EADS website **www.eads.com.**

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

- The financial statements for the year ended 31 December 2012 give a true and fair view of the assets, liabilities, financial position and profits or losses of EADS 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 2012 financial year of EADS and undertakings included in the consolidation taken as a whole, and the principal risks facing EADS have been described herein.

The Board of Directors

Arnaud Lagardère, Chairman

Thomas Enders, Chief Executive Officer

Dominique D'Hinnin, Director

Hermann-Josef Lamberti, Director

Lakshmi N. Mittal, Director

Sir John Parker, Director

Michel Pébereau, Director

Josep Piqué i Camps, Director

Wilfried Porth, Director

Jean-Claude Trichet, Director

Bodo Uebber, Director

Leiden, 26 February 2013