EADS NV
Consolidated Income Statements (IFRS)
for the years ended 31 December 2013, 2012 and 2011

(In € million)	Note	2013	2012	2011
Revenues	5, 6	**59,256**	**56,480**	**49,128**
Cost of sales *)	7	(50,895)	(48,582)	(42,351)
Gross margin *)		**8,361**	**7,898**	**6,777**
Selling expenses		(1,217)	(1,192)	(981)
Administrative expenses *)		(1,696)	(1,677)	(1,433)
Research and development expenses	8	(3,160)	(3,142)	(3,152)
Other income	9	236	184	359
Other expenses	10	(263)	(229)	(221)
Share of profit from associates accounted for under the equity method	11	295	241	164
Other income from investments	11	51	6	28
Profit before finance costs and income taxes *)	5	**2,607**	**2,089**	**1,541**
Interest income		168	237	377
Interest expense		(497)	(522)	(364)
Other financial result		(301)	(168)	(233)
Total finance costs	12	(630)	(453)	(220)
Income taxes *)	13	(502)	(438)	(337)
Profit for the period *)		**1,475**	**1,198**	**984**
<u>Attributable to:</u>				
Equity owners of the parent **(Net income) *)**		1,465	1,197	980
Non-controlling interests		10	1	4
Earnings per share		**€**	**€**	**€**
Basic *)	38	1.85	1.46	1.21
Diluted *)	38	1.84	1.46	1.20

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

*) Previous years' figures adjusted due to revised IAS 19.

EADS NV
Consolidated Statements of Comprehensive Income (IFRS)
for the years ended 31 December 2013, 2012 and 2011

(In € million)	2013	2012	2011
Profit for the period	**1,475**	**1,198**	**984**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit liability (asset) *)	(72)	(987)	(677)
Remeasurement of the defined benefit liability (asset) from investments using the equity method	4	(85)	1
Related tax on items that will not be reclassified to profit or loss *)	20	335	148
Items that will be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations	(146)	(47)	(25)
Effective portion of changes in fair value of cash flow hedges	1,841	1,047	(365)
Net change in fair value of cash flow hedges transferred to profit or loss	450	917	(171)
Net change in fair value of available-for-sale financial assets	11	189	(20)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(30)	0	0
Changes in other comprehensive income from investments accounted for using the equity method	(7)	(126)	128
Related tax on income and expense recognized directly in equity	(711)	(625)	165
Other comprehensive income, net of tax	**1,360**	**618**	**(816)**
Total comprehensive income of the period	**2,835**	**1,816**	**168**
Attributable to:			
Equity owners of the parent *)	2,833	1,817	162
Non-controlling interests	2	(1)	6

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).
*) Previous years' figures adjusted due to revised IAS 19.

EADS NV
Consolidated Statements of Financial Position (IFRS)
at 31 December 2013 and 2012

(In € million)

Assets	Note	2013	2012
Non-current assets			
Intangible assets	14	13,653	13,429 *)
Property, plant and equipment	15	15,856	15,196
Investment property	16	69	72
Investments in associates accounted for under the equity method	17	2,902	2,662
Other investments and other long-term financial assets	17	1,864	2,115
Non-current other financial assets	20	2,076	1,386
Non-current other assets	21	1,653	1,415
Deferred tax assets	13	3,840	4,532 *)
Non-current securities	22	4,300	5,987
		46,213	**46,794 *)**
Current assets			
Inventories	18	25,060	23,216
Trade receivables	19	7,239	6,788 *)
Current portion of other long-term financial assets	17	181	287
Current other financial assets	20	1,557	1,448
Current other assets	21	2,074	2,046
Current tax assets		632	458
Current securities	22	2,590	2,328
Cash and cash equivalents	31	7,765	8,756
		47,098	**45,327 *)**
Total assets		**93,311**	**92,121 *)**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		783	827
Share premium		5,049	7,253
Retained earnings		2,300	894
Accumulated other comprehensive income		2,929	1,513
Treasury shares		(50)	(84)
		11,011	10,403 *)
Non-controlling interests		43	17 *)
Total equity	23	**11,054**	**10,420 *)**
Non-current liabilities			
Non-current provisions	25	10,046	9,850 *)
Long-term financing liabilities	26	3,956	3,506
Non-current other financial liabilities	27	7,158	7,458
Non-current other liabilities	28	10,790	10,524
Deferred tax liabilities	13	1,487	1,502 *)
Non-current deferred income	30	239	212
		33,676	**33,052 *)**
Current liabilities			
Current provisions	25	5,323	6,039 *)
Short-term financing liabilities	26	1,645	1,273
Trade liabilities	29	10,372	9,921 *)
Current other financial liabilities	27	1,467	1,715
Current other liabilities	28	28,159	28,183
Current tax liabilities		616	458
Current deferred income	30	999	1,060 *)
		48,581	**48,649 *)**
Total liabilities		**82,257**	**81,701 *)**
Total equity and liabilities		**93,311**	**92,121 *)**

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

*) Previous year's figures adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions (see note 2.a).

EADS NV

Consolidated Statements of Cash Flows (IFRS)

for the years ended 31 December 2013, 2012 and 2011

(In € million)	Note	2013	2012	2011
Profit for the period attributable to equity owners of the parent (Net income) *)		**1,465**	**1,197**	**980**
Profit for the period attributable to non-controlling interests		10	1	4
Adjustments to reconcile profit for the period to cash provided by operating activities:				
Interest income		(168)	(237)	(377)
Interest expense		497	522	364
Interest received		119	198	417
Interest paid		(323)	(351)	(307)
Income tax expense		502	438	337
Income taxes paid		(243)	(219)	(100)
Depreciation and amortization		1,968	2,053	1,884
Valuation adjustments *)		16	318	(408)
Results on disposals of non-current assets		(58)	(21)	(29)
Results of companies accounted for by the equity method		(295)	(241)	(164)
Change in current and non-current provisions *)		605	258	302
Change in other operating assets and liabilities:		**(2,164)**	**(76)**	**1,386**
- Inventories		(3,151)	(1,526)	(1,640)
- Trade receivables		(58)	(260)	447
- Trade liabilities		584	754	806
- Advance payments received		513	1,243	1,965
- Other assets and liabilities		267	(141)	(327)
- Customer financing assets		(214)	30	246
- Customer financing liabilities		(105)	(176)	(111)
Cash provided by operating activities		**1,931**	**3,840**	**4,289**
Investments:				
- Purchases of intangible assets, Property, plant and equipment		(2,949)	(3,270)	(2,197)
- Proceeds from disposals of intangible assets, Property, plant and equipment		60	73	79
- Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	31	(16)	(201)	(1,535)
- Proceeds from disposals of subsidiaries (net of cash)	31	0	0	18
- Payments for investments in associates, other investments and other long-term financial assets		(292)	(328)	(312)
- Proceeds from disposals of associates, other investments and other long-term financial assets		157	232	77
- Dividends paid by companies valued at equity		52	46	50
Payments for investments in securities		(1,401)	(3,237)	(11,091)
Proceeds from disposals of securities		2,673	6,659	10,713
Change in cash from changes in consolidation		(26)	0	0
Cash (used for) investing activities		**(1,742)**	**(26)**	**(4,198)**
Increase in financing liabilities		1,679	380	813
Repayment of financing liabilities		(534)	(505)	(399)
Cash distribution to EADS N.V. shareholders		(467)	(369)	(178)
Dividends paid to non-controlling interests		(2)	(10)	(5)
Changes in capital and non-controlling interests		171	144	(65)
Change in treasury shares		(1,915)	(5)	(1)
Cash (used for) provided by financing activities		**(1,068)**	**(365)**	**165**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents		(112)	23	(2)
Net increase (decrease) in cash and cash equivalents		**(991)**	**3,472**	**254**
Cash and cash equivalents at beginning of period		**8,756**	**5,284**	**5,030**
Cash and cash equivalents at end of period		**7,765**	**8,756**	**5,284**

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

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

*) Previous years' figures adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions.

EADS NV

Consolidated Statements of Changes in Equity (IFRS)
for the years ended 31 December 2013, 2012 and 2011

(In € million)	Note	Equity attributable to equity holders of the parent								Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings **)	Accumulated other comprehensive income			Treasury shares	Total		
					Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments				
Balance at 31 December 2010		**816**	**7,645**	**46**	**384**	**(1,373)**	**1,435**	**(112)**	**8,841**	**95**	**8,936**
Prior year adjustments *)				**(6)**					**(6)**		**(6)**
Balance at 31 December 2010, adjusted		**816**	**7,645**	**40**	**384**	**(1,373)**	**1,435**	**(112)**	**8,835**	**95**	**8,930**
Profit for the period *)				980					980	4	984
Other comprehensive income *)				(527)	182	(399)	(74)		(818)	2	(816)
Total comprehensive income of the period		0	0	453	182	(399)	(74)	0	162	6	168
Capital increase	23	4	59						63		63
Capital decrease	23								0		0
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)				(45)		(1)			(46)	(79)	(125)
Change in non-controlling interests									0	(2)	(2)
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**	**463**	**566**	**(1,773)**	**1,361**	**(113)**	**8,843**	**15**	**8,858**
Profit for the period *)				1,197					1,197	1	1,198
Other comprehensive income *)				(738)	(3)	1,356	6		621	(2)	619
Total comprehensive income of the period		0	0	459	(3)	1,356	6	0	1,818	(1)	1,817
Capital increase	23	7	137						144		144
Capital decrease	23								0		0
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**	**894**	**563**	**(417)**	**1,367**	**(84)**	**10,403**	**25**	**10,428**
Prior year adjustments *)									**0**	**(8)**	**(8)**
Balance at 31 December 2012, adjusted		**827**	**7,253**	**894**	**563**	**(417)**	**1,367**	**(84)**	**10,403**	**17**	**10,420**
Profit for the period				1,465					1,465	10	1,475
Other comprehensive income				(48)	31	1,541	(156)		1,368	(8)	1,360
Total comprehensive income of the period		0	0	1,417	31	1,541	(156)	0	2,833	2	2,835
Capital increase	23	9	233						242	2	244
Capital decrease	23		(74)						(74)		(74)
Share-based Payment (IFRS 2)	35			107					107		107
Cash distribution to EADS N.V. Shareholders / dividends paid to non-controlling interests			(467)						(467)	(2)	(469)
Equity transaction (IAS 27)				(118)					(118)	24	(94)
Change in non-controlling interests									0		0
Change in treasury shares	23								0		0
Cancellation of treasury shares	23	(53)	(1,896)					34	(1,915)		(1,915)
Balance at 31 December 2013		**783**	**5,049**	**2,300**	**594**	**1,124**	**1,211**	**(50)**	**11,011**	**43**	**11,054**

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).
*) Previous years' figures adjusted due to revised IAS 19 and and due to PPA adjustments of prior year's acquisitions .
**) Due to revised IAS 19 retained earnings are now disclosed in aggregate including remeasurements of the net defined benefit liability and other retained earnings that could have offsetting effects.

Table of Content

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). On 2 January 2014, the Group has been rebranded to Airbus Group as part of a wider reorganization including integration of the Group's space and defence activities with associated restructuring measures. The Group's core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. 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 the Group's Board of Directors on 25 February 2014. They are prepared and reported in euro ("€"), and all values are rounded to the nearest million appropriately.

2. Summary of Significant Accounting Policies

Basis of preparation — The Group's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code. The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain items such as:

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

(ii) financial assets designated at fair value through profit or loss ("Fair Value Option", see Note 34 "Information about financial instruments") and available-for-sale financial assets, which are measured at fair value;

(iii) contingent consideration classified as a financial liability, such as certain earn-out liabilities, which are measured at fair value;

(iv) put options on non-controlling interests classified as financial liabilities, which are measured at the present value of the redemption amount;

(v) 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;

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

(vii) 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 further 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 the Group for preparing its 2013 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) New or amended Standard

The application of the following amendments to IFRS is mandatory for the Group for the fiscal year starting 1 January 2013. If not otherwise stated, the following amendments did not have a material impact on the Group's 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 of deferred tax relating to an asset by introducing the presumption that recovery of the carrying amount of that 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 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 becomes mandatory. The Group already applied this method of accounting for actuarial gains and losses. Furthermore, the revised standard introduces a net interest approach, under which for defined benefit obligation and plan assets the same interest rate is applied, and it requires past service costs to be fully recognized 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 the Group, the standard becomes applicable for annual periods beginning on 1 January 2013. It 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"), impacts the Group's Consolidated Financial Statements as there are 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 henceforth requires the Group to recognise the additional compensation payable under certain German early retirement programmes ('Altersteilzeitprogramme') rateably over the active service period of such programmes (as opposed to recognising the additional compensation at its present value at programme inception).

Applying the amended standard retrospectively in 2013, the Group's consolidated opening net equity (retained earnings) as of 1 January 2011 has been adjusted by €-6 million. Comparative consolidated statement of income for 2012 (and 2011) has been restated leading to an impact in Cost of sales for 2012 of €-37 million (for 2011 of €-66 million) and in Administrative expenses of €-5 million (for 2011 of €-6 million). Profit for the period was affected for 2012 by €-31 million (for 2011 by €-53 million). The impact on earnings per share for 2012 amounts to €-0.04 on basic and diluted earnings per share (for 2011 €-0.06 on basic and -0.07 € on diluted earnings per share). If the Group had not applied IAS 19R beginning 1 January 2013, its profit before finance costs and income taxes would have increased by around €+75 million, while basic and diluted earnings per share would have had a positive impact of approximately €+0.08 in 2013.

Regarding past service costs, the initial application of the revised standard in 2013 has no significant effect on the Group's Consolidated Net income. The retrospective adjustments in the opening balance sheet as of 1 January 2011 results 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 has no significant effect on the Group's Consolidated Net income. The retrospective adjustments in the opening balance sheet as of 1 January 2011 results in a decrease of provisions of €34 million and an increase of retained earnings of €23 million.

Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income", which were issued in June 2011, require separate presentation of items of other comprehensive income that are reclassified subsequently to profit or loss (recyclable) and those that are not reclassified to profit or loss (non-recyclable). The amended standard became effective for financial periods beginning on or after 1 July 2012. The amendments were endorsed in June 2012.

In May 2011, the IASB issued **IFRS 13** “Fair Value Measurement” (endorsed in December 2012). IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements..

IFRS 13 seeks to reduce complexity and improve consistency in the application of fair value measurement principles. 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 establishes a three level fair value hierarchy regarding the inputs used for fair value determination. IFRS 13 has been applied prospectively from 1 January 2013. The Group did not make a significant revision of its valuation methods that are deemed consistent with IFRS 13 guidance; credit and debit value adjustments had been incorporated in the valuation of derivative financial instruments prior to the application of IFRS 13. Accordingly, the initial application of IFRS 13 did not have a material impact on the Group’s Consolidated Financial Statements..

In December 2011, the IASB issued **amendments to IFRS 7** “Financial Instruments: Disclosures” (endorsed in December 2012) expanding disclosure requirements for financial assets and liabilities that are set off in the statement of financial position or subject to netting agreements. The Group provides the disclosure required by the amendments retrospectively for all periods presented .

The IASB issued various amendments to IFRS Standards within the Annual Improvements 2009-2011 Cycle, which have become applicable as of 1 January 2013. The amendments refer to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

b) New or Amended Interpretations

There are no new or amended interpretations applicable to the Group which became effective for the financial period beginning after 31 December 2012.

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 2013 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 the Group’s Consolidated Financial Statements as well as its basic and diluted earnings per share.

In November 2009, the IASB issued **IFRS 9** “Financial Instruments (2009)” (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 October 2010 the IASB added to IFRS 9 the requirements for the classification and measurement of financial liabilities (not yet endorsed). The amendment carried forward unchanged most of the requirements in IAS 39 for classifying and measuring financial liabilities, but changed the IAS 39 requirements for accounting for own credit risk to the effect that changes in the credit risk of a financial liability carried at fair value will not affect profit or loss unless the liability is held for trading. In November 2013, the IASB added to IFRS 9 amendments related to hedge accounting (not yet endorsed). The amendments replace the hedge accounting requirements of IAS 39 and establish a comprehensively reviewed and more principle-based approach to hedge accounting that aligns hedge accounting more closely with risk management. In addition the amendments removed 1 January 2015 as the mandatory effective date of IFRS 9 and clarify that the mandatory effective date will be determined when the outstanding phases of the IAS 39 replacement project, principally dealing with impairment issues, are finalised. In light of the 2013 changes, and those still to come, the Group 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 defines the principle of control and establishes control as the sole basis for determining which entity should be consolidated in 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.

In June 2012, the IASB issued the **Transition Guidance (Amendments for IFRS 10, IFRS 11 and IFRS 12),** which was endorsed in April 2013 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.

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 proportionate consolidation method for joint ventures will have a considerable impact on the Group’s Consolidated Financial Statements as the Group has opted to apply this method for the consolidation of its joint ventures under IAS 31. For further information about principle joint ventures accounted for under the proportionate consolidation method, please refer to Note 37 “Interest in Joint Ventures”.

Based on preliminary assessment, retrospective application of the equity method for joint ventures would have reduced the Group’s 2013 consolidated profit before finance cost and income tax by approximately € 32 million, the Group’s revenue by approximately €1,703 million and the Group’s cash and cash equivalents by approximately € 495 million. The impact on these financial figures in 2014 cannot be reasonably estimated. The retrospective adjustments in the opening balance sheet as of 1 January 2012 will result in a decrease of retained earnings of € 148 million. Impact from the first time application of IFRS 10 is still under final assessment but no material impact on the presentation of the Group’s financial statements is expected.

In December 2011, the IASB issued **amendments to IAS 32** “Financial Instruments: Presentation” clarifying the IASB’s requirements for offsetting financial instruments (endorsed in December 2012). The amendments will have to be applied retrospectively for annual periods beginning on 1 January 2014.

In May 2013, the IASB issued **IFRIC 21** “Levies” (not yet endorsed). IFRIC 21 covers the recognition and measurement of levies. IFRIC 21 is effective from 1 January 2014.

On 27 June 2013 IASB issued **amendments to IAS 39** “Novation of Derivatives and Continuation of Hedge Accounting” (endorsed in December 2013). Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2014.

In November 2013, the IASB issued **amendments to IAS 19** “Employee Contributions” (not yet endorsed). The amendments clarify which employee (or third party) contributions may be accounted for as a reduction of the service cost in the period in which the related service is rendered rather than as negative benefits attributed to periods of service under the plan’s benefit formula or on a straight-line basis. The amendments will have to be applied for annual periods beginning on or after 1 July 2014.

In December 2013, the IASB issued various amendments to IFRS Standards within the Annual Improvements 2010-2012 Cycle and the Annual Improvements 2011-2013 Cycle (both not yet endorsed). The amendments of the Annual Improvements 2010-2012 Cycle refer to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The amendments of the Annual Improvements 2011-2013 Cycle refer to IFRS 1, IFRS 3, IFRS 13 and IAS 40. All amendments are effective for annual periods beginning on or after 1 July 2014 with early application allowed.

AMENDED IFRS STANDARDS ISSUED AND EARLY ADOPTED

In May 2013, the IASB issued amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets” (endorsed in December 2013). The amendments to IAS 36 modify disclosure requirements in IAS 36 “Impairment of Assets” regarding measurement of the recoverable amount of impaired assets. The amendments to IAS 36 are applicable for periods beginning on or after 1 January 2014 with early adoption permitted. The Group has opted to early adopt the amendments to IAS 36 for 2013 annual period.

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 the Group. 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 the Group 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 the Group and de-consolidated from the date control ceases.

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

Goodwill is measured at the acquisition date as:

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

Before recognising a gain on a bargain purchase in the Consolidated Income Statement, a reassessment is made of whether all of the assets acquired and all of the liabilities assumed have been correctly identified, and a review is undertaken of the procedures used to measure (a) the identifiable assets and liabilities, (b) any non-controlling interest, (c) the consideration transferred and (d) for a business combination achieved in stages, the Group’s previously held equity interest in the acquiree.

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

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

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

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 the Group 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.

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

Investment in associates and jointly controlled entities - For investments the Group jointly controls ("joint ventures") with one or more other parties ("venturers"), the Group 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 the Group 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 the Group 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. The investments' carrying amount is adjusted by the cumulative movements in recognised income and expense. When the Group's 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.

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

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

Transactions in 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.

Non-monetary assets and liabilities denominated in foreign currencies that 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. However, translation differences of non-monetary financial assets measured at fair value and classified as available for sale are included in AOCI.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative translation reserve is allocated to non-controlling interests. When the Group disposes of only part of its investment in an associate or 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 current or non-current in general depends on whether the item is related to serial production or subject to long-term production. In the serial production business, an asset or liability is classified as current when the item is realised or settled within 12 months after the reporting period, and as non-current otherwise. In the construction contract business, an asset or liability is classified as current when the item is realised or settled within the Group's normal operating cycle for such contracts, and as non-current otherwise. As a result, assets and liabilities relating to the construction contract business, such as inventories, trade receivables and payables and receivables from PoC, that are sold, consumed or settled as part of the normal operating cycle are classified as current even when they are not expected to be realised within 12 months after the reporting period.

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

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

When the Group entities provide more than one element of revenue (goods and/or services), the consideration received is allocated by reference to the relative fair values of the separate elements of revenue when the amounts are separately identifiable. For construction contracts, when the outcome can be estimated reliably, revenues are recognised by reference to the percentage of completion ("PoC") of the contract activity by applying the estimate at completion method. Depending on the nature of the contract, the percentage of completion is determined, and revenue recognised, as contractually agreed technical milestones are reached, as units are delivered or as the work progresses. Whenever the outcome of a construction contract cannot be estimated reliably – for example during the early stages of a contract or when this outcome can no longer be estimated reliably during the course of a contract's completion – all related contract costs that are incurred are immediately expensed and revenues are recognised only to the extent of those costs being recoverable ("early stage method of accounting"). Once the outcome of such contracts can (again) be estimated reliably, revenue is accounted for according to the PoC method henceforward, without restating the revenues previously recorded under the early stage method of accounting. 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. For construction contracts such loss-at-completion provisions 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 the Group's accounting policy on recognising revenue on construction contracts.

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 the Group's 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 leased 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 part of 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 income". Revenues and the related cost of sales are recognised at the inception of the finance lease.

Assets obtained under finance leases are included in property, plant and equipment at cost less accumulated depreciation and impairment if any (see Note 15 "Property, plant and equipment"), and give rise to an associated liability from finance leases. If such assets are further leased out to customers, they are classified either as an operating lease or as a finance lease, with the Group being the lessor (headlease-sublease transactions), and accounted for accordingly. When the Group is the lessee under an operating lease contract, rental payments are recognised on a straight line basis over the lease term (see Note 33 "Commitments and contingencies" for future operating lease commitments). An operating lease may also serve as a headlease in a headlease-sublease transaction. If so, the related sublease is an operating lease as well. Headlease-sublease transactions typically form part of commercial aircraft customer financing transactions.

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

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

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

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

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

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

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

Borrowing costs — Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time (generally more than 12 months) to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. The Group capitalises borrowing costs for qualifying assets where construction was commenced on or after 1 January 2009. Further, the Group 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 accumulated depreciation and impairment losses. Such costs include the estimated cost of replacing, servicing and restoring part of such property, plant and equipment. Items of property, plant and equipment are generally depreciated on a straight-line basis. The costs of internally produced equipment and facilities include direct material and labour costs and applicable manufacturing overheads, including depreciation charges. The following useful lives are assumed: buildings 10 to 50 years; site improvements 6 to 30 years; technical equipment and machinery 3 to 20 years; and other equipment, factory and office equipment 2 to 10 years. The useful lives, depreciation methods and residual values applying to property, plant and equipment are reviewed at least annually and in case they change significantly, depreciation charges for current and future periods are adjusted accordingly. If the carrying amount of an asset exceeds its recoverable amount an impairment loss is recognised immediately in profit or loss. At each end of the reporting period, it is assessed whether there is any indication that an item of property, plant and equipment may be impaired (see also below "Impairment of non-financial assets").

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

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

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

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

Impairment of non-financial assets — The Group assesses at each end of the reporting period whether there is an indication that a non-financial asset 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 price the Group would obtain at its end of the reporting period from the asset's disposal in an orderly transaction between market participants after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, its fair value is assessed by the use of appropriate valuation models dependent on the nature of the asset, such as by the use of discounted cash flow models. These calculations are corroborated by available fair value indicators such as quoted market prices or sector-specific valuation multiples.

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

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

Financial instruments **—** A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's financial assets 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, issued bonds, loans, refundable advances, trade liabilities, finance lease liabilities as well as derivatives with a negative fair value. The Group recognises a financial instrument on its Consolidated Statement of Financial Position when it becomes party to the contractual provision of the instrument. All purchases and sales of financial assets are recognised on settlement date according to market conventions. The settlement date is the date an asset is delivered to or by an entity. Financial instruments are initially recognised at fair value plus, in the case the financial instruments are not measured at fair value through profit or loss, directly attributable transaction costs. Financial instruments at fair value through profit or loss are initially recognised at fair value, transaction costs are recognised in the Consolidated Income Statement. Finance lease receivables are recognised at an amount equal to the net investment in the lease. The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. The Group derecognises a financial asset 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. The Group 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, the Group determines fair values by using generally accepted valuation techniques on the basis of market information available at the end of the reporting period. Such techniques consist in discounted cash flow analysis or option pricing and other valuation models. Inputs to such techniques may include prices achieved in recent arm's length market transactions for the same or a similar instrument, or inputs, other than quoted or traded prices, that are observable for the financial instrument. Such input includes interest rates, foreign currency rates, credit spreads and volatilities.

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

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

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

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

The majority of the Group's **securities** consists of debt securities and 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 equity, net of applicable deferred income taxes. As soon as such financial assets are sold or otherwise disposed of, or are determined to be impaired, the cumulative gain or loss previously recognised in equity is recorded as part of "other income (expense) from investments" in the Consolidated Income Statement for the period. Interest earned on the investment is presented as interest income in the Consolidated Income Statement using the effective interest method. Dividends earned on investment are recognised as "Other income (expense) from investments" in the Consolidated Income Statement when the right to the payment has been established.

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

Loans and receivables — Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable 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 — The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

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

Non-current assets / disposal groups classified as held for sale— Non-current assets / disposal groups classified as assets held for sale 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, the Group does not depreciate or amortise a non-current asset. In addition, equity accounting of investments in associates ceases once classified as held for sale or distribution. Liabilities directly associated with non-current assets held for sale in a disposal group are presented separately on the face of the Consolidated Statement of Financial Position. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale is continued to be recognised.

To be classified as held for sale the non-current assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale must be highly probable. For a sale to be highly probable – among other criteria that have to be fulfilled – the appropriate level of the Group's 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 the Group has either been disposed of or is classified as held for sale and i) represents a separate major line of business or geographical area of operations, ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or iii) is a subsidiary acquired exclusively with a view to resale the component is a discontinued operation.

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

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

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

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

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

ii) **Cash flow hedge:** The Group applies cash flow hedge accounting generally to foreign currency derivative contracts on future sales 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.

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

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

The fair values of various derivative financial instruments used as hedging instruments are disclosed in Note 34 “Information about financial instruments”. Periodical movements in the AOCI, the separate component of total equity in which the effective portion of cash flow hedges are recognised, are disclosed in Note 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 the Group only to the extent that it is probable that future taxable profits will be available against which deferred tax assets will be utilised. In principle, the recoverability test of deferred tax assets is assessed based on the Group's latest 5 year operative planning also taking into account existing deferred tax liabilities and certain qualitative aspects regarding the nature of the temporary differences. The carrying amount of deferred tax assets is reviewed at each financial year-end.

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

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

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

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

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

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

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".

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

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

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

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

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

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

Share based compensation — **Stock options** issued by the Group up to 2006 and certain performance units (unfunded share promise) are accounted for in accordance with IFRS 2 "Share-based Payment" and qualify as **equity settled share-based payments.** In 2007, the Group also introduced a performance and restricted unit plan (LTIP) which qualifies as **cash settled share-based payment plan** under IFRS 2. For 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.

The Group 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 the Group's Consolidated Income Statements at grant date. .

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

Financing liabilities — Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, loans, loans to affiliated non-consolidated companies as well as finance lease liabilities. Financing liabilities are recorded initially at the fair value of the proceeds received, net of transaction costs incurred. Subsequently, financing liabilities 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.

Financing liabilities to financial institutions include liabilities from securities lending transactions. In a securities lending transaction EADS receives cash from its counterparty and transfers the securities subject to the lending transaction as collateral. The amount of cash collateral received is recognised as a financing liability. The securities lent are not derecognised, but are separately disclosed on the balance sheet.

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

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

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

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

The Group' 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 the Group's management are based on parameters which are derived from the knowledge at the time of preparing the Consolidated Financial Statements.

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

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

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

Revenue recognition on construction contracts – The Group conducts a significant portion of its business under construction contracts with customers, for example within aerospace related governmental programmes. The Group generally accounts for construction projects using the 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, the Group either consults with an independent external valuation expert or develops the fair value internally, using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. See Note 4 "Acquisitions and Disposals" and Note 14 "Intangible assets" for further information.

Goodwill impairment test and recoverability of assets – The Group tests at least annually whether goodwill has suffered any impairment, in accordance with its accounting policies. The determination of the recoverable amount of a Cash Generating Unit (CGU) to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced by several assumptions including for example growth assumptions of CGUs, availability and composition of future defence and institutional budgets, foreign exchange fluctuations or implications arising from the volatility of capital markets. The Group generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations basically use five-year projections that are based on the operative plans approved by management. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using estimated growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, 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 salary increases and mortality rates. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds with an AA rating. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in 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, restructuring measures and legal proceedings is based on best available estimates. Onerous sales contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which also requires significant judgement related to achieving certain performance standards as well as estimates involving warranty costs. Depending on the size and nature of the Group’s contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. 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 the Group’ industry require challenging integration and coordination along the supply chain including an on-going 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 – Group companies are parties to litigations related to a number of matters as described in Note 32 “Litigation and claims”. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Group. Management regularly analyses current information about these matters and provides provisions for probable 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 Group companies or the disclosure of any such suit or assertions, does not automatically indicate that a provision may be appropriate. See Note 32 “Litigation and claims” for further information.

Income taxes – The Group operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgments are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the current income tax liabilities and deferred income tax liabilities in the period in which such determinations are made. At each end of the reporting period, the Group assesses whether the realisation of future tax benefits is probable to recognise deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group’s ability to utilise future tax benefits. In principle, the basis for the recoverability test of deferred tax assets is the same as the Group’s latest 5 year operative planning also taking into account certain qualitative aspects regarding the nature of the temporary differences. The further looking into the future is necessary to seek sufficient taxable profits, the more subjective the projections become. However, as a general cut off of the lookout period would be arbitrary, the Group determines the lookout period applied for an entity also considering certain qualitative factors. Consideration of such qualitative factors could result in not applying the full 5 year operative planning period for the deferred tax asset recoverability assessment as well as the contrary, i.e. extending the period to the strategic planning period. Qualitative factors include but are not limited to an entity’s history of planning accuracy, performance records, business model, backlog, existence of long term contracts as well as the nature of temporary differences. See Note 13 “Income Taxes” for further information.

3. Scope of Consolidation

Perimeter of consolidation (31 December 2013) – The Consolidated Financial Statements include, in addition to EADS N.V.:

- 2013: 262 (2012: 271) companies which are fully consolidated;
- 2013: 47 (2012: 47) companies which are proportionately consolidated;
- 2013: 19 (2012: 23) 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 insignificant M&A transaction of the Group’s divisions was completed during the financial year 2013.

On 17 May 2013, Cassidian Cybersecurity SAS, Elancourt (France) acquired a 83.9% controlling interest in Arkoon Network Security SA, Lyon (France) for a total consideration of €14 million.

The following table summarises the consideration transferred, the fair value of identifiable assets acquired, liabilities assumed and any non-controlling interest as at the acquisition date. The fair values remain provisional due to ongoing purchase price allocation project, but will be finalised within 12 months after the acquisition date.

Fair value recognised on acquisition in € million	**2013 Arkoon acquisition**
Intangible assets(1)	3
Customer relationships	*2*
Technologies	*1*
Property, plant and equipment	1
Inventories	0
Trade receivables	1
Other assets(2)	8
Cash and cash equivalents	1
	14
Provisions(3)	1
Financing liabilities	1
Trade liabilities	0
Tax liabilities	3
Other liabilities	6
	11
Net assets acquired	**3**
Non-controlling interests(4)	0
The Group**’s portion in net assets acquired**	**3**
Preliminary goodwill(5) arising on acquisition (see Note 14 “Intangible Assets”)	11
Total consideration	**14**

(1) The customer relationships and the technologies acquired are expected to be amortised over a period between 3-5 years and 2-5 years respectively.

(2) Includes the revaluation of the investment in Skyrecon US (a non-consolidated 100% subsidiary) for € 1.4 million.

(3) Includes contingent liabilities for € 0.1 million.

(4) Non-controlling interest portion was measured at its proportional share in net assets.

(5) None of the goodwill of the Group's 2013 M&A transaction is considered to be tax deductible in the respect of local tax accounts.

On 14 June 2013 Cassidian Cybersecurity SAS made a mandatory simplified public offering on the remaining shares of Arkoon Network Security in line with General Regulations of the French Financial Market Authority ("AMF"). As a result of the tender offer that ended 4 July 2013 Cassidian's interest in Arkoon increased to 97.3%. Subsequent squeeze-out procedure of remaining shareholders was finalized on 15 July 2013 leaving Cassidian as sole shareholder of Arkoon. The total consideration for the acquisition of the remaining 16.1% of the shares was €2.7 million.

From the date of acquisition, Arkoon Network Security SA has contributed €6 million to revenues for the period of the Group. The contribution to the profit before finance cost and income tax was immaterial.

Transactions not yet closed

On 16 December 2013, the Group has entered into a Share Purchase Agreement with Raiffeisenverband Salzburg to acquire 100% shares in Salzburg München Bank AG, a fully-licensed bank based in Munich with approximately €350 million total assets serving small and medium enterprises and private clients. The acquisition of Salzburg München Bank aims to provide additional financing options for the Group's businesses and is subject to obtaining regulatory approvals, i.e. the Ownership Control Procedures with the German Financial Supervisory Authority ("BaFin") and approval from the German antitrust authority ("BKartA").

The section does not necessarily provide a comprehensive list of all purchase transactions signed but not yet closed as at the balance sheet date.

Transactions with non-controlling shareholders

On 31 May 2013, Astrium Services GmbH, Ottobrunn (Germany) acquired remaining non-controlling interest of 24.9% in ND Satcom GmbH, Immenstaad (Germany) from SES S.A., Betzdorf (Luxemburg). The amount of the total consideration was €1.

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

Acquisitions and other M&A transactions during 2012

During 2013 the Group finalised the following individually insignificant M&A transactions of the prior year.

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, the Group 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.

The following table summarises the aggregated changes to provisional 2012 purchase price allocation figures and the final identifiable assets and liabilities as at the date of acquisition:

Fair value recognised on acquisition in € million	**Final figures for all 2012 individually insignificant acquisitions**	**Aggregated changes**	**Provisional figures for all 2012 acquisitions**
Intangible assets	51	-7	58
Customer / supplier relationships	*11*	*-4*	*15*
Technologies / Licenses	*39*	*-2*	*41*
Trademarks	*1*	*-1*	*2*
Property, plant and equipment	41	0	41
Inventories	105	0	105
Trade receivables	63	-2	65
Other assets	50	8	42
Cash and cash equivalents	58	0	58
	368	**-1**	**369**
Provisions	147	21	126
Financing liabilities	11	0	11
Trade liabilities	36	4	32
Tax liabilities	8	-2	10
Other liabilities	70	3	67
	272	**26**	**246**
Net assets acquired	**96**	**-27**	**123**
Non-controlling interests	0	-8	8
The Group**'s portion in net assets acquired**	**96**	**-19**	**115**
Goodwill arising on acquisition	213	14	199
Total consideration	**309**	**-5**	**314**

Apart from those mentioned, other acquisitions by the group were not significant.

B) DISPOSALS

On 31 January 2013, ST Aerospace Ltd., Singapore (Singapore) acquired a 35% non-controlling interest in Elbe Flugzeugwerke, Dresden (Germany) (EFW) by increase in capital of €2.5 million in EFW, the Group as the former sole shareholder retains 65% of the shares of EFW.

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

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

5. Segment Reporting

Through the end of 2013, 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. Additionally, the development, manufacturing, marketing and sale of regional turboprop aircraft - ATR group - and aircraft components - Sogerma Group - are reclassified from "Other Businesses" and are managed by Airbus Commercial from 1 January 2013 onwards.

- **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. After the reclassification of ATR Group and SOGERMA Group to "AIRBUS Commercial", "Others/HQ/Conso" comprises the Group's activities managed in the US, the holding function of EADS Headquarters and consolidation effects.

A) BUSINESS SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

In € million	AIRBUS Commercial	AIRBUS Military	EURO-COPTER	ASTRIUM	CASSIDIAN	Total Seg-ments	Others/ HQ/ Conso.	Consolidated
Total revenues	39,889	2,893	6,297	5,784	5,976	60,839	457	61,296
Internal revenues	(933)	(251)	(486)	(24)	(345)	(2,039)	(1)	(2,040)
Revenues	**38,956**	**2,642**	**5,811**	**5,760**	**5,631**	**58,800**	**456**	**59,256**
Segment result	**1,568**	**138**	**393**	**343**	**411**	**2,853**	**(541)[3)]**	**2,312**
- *thereof additions to other provisions (see Note 25C)*	*1,046*	*52*	*533*	*144*	*1,011*	*2,786*	*513[3)]*	*3,299*
- *thereof impairments of intangible assets and PPE*	*(20)*	*0*	*0*	*(14)*	*(12)*	*(46)*	*0*	*(46)*
Share of profit from associates accounted for under the equity method	1	27	3	0	15	46	249	295
Profit before finance costs and income taxes	**1,569**	**165**	**396**	**343**	**426**	**2,899**	**(292)[3)]**	**2,607**
Goodwill impairment	0	0	0	0	0	0	15	15
Exceptionals	26	1	1	4	6	38	1	39
EBIT pre-goodwill impairment and exceptionals (see definition in Note 5C)	**1,595**	**166**	**397**	**347**	**432**	**2,937**	**(276)[3)]**	**2,661**
Total finance costs								(630)
Income tax expense								(502)
Profit for the period								**1,475**
Attributable to: Equity owners of the parent (Net income)								1,465
Non-controlling interests								10
OTHER INFORMATION								
Identifiable segment assets (incl. goodwill)[(1)]	40,109	4,250	9,769	7,715	9,023	70,866	416	71,282
thereof goodwill	*6,680*	*12*	*302*	*1,235*	*2,720*	*10,949*	*13*	*10,962*
Investments in associates	4	0	6	0	139	149	2,753	2,902
Segment liabilities[(2)]	35,829	5,627	8,691	7,706	9,652	67,505	682	68,187
thereof provisions (see Note 25)	*6,958*	*464*	*2,514*	*1,098*	*3,153*	*14,187*	*1,182*	*15,369*
Capital expenditures (excl. leased assets)	2,120	76	279	248	169	2,892	57	2,949
Depreciation, amortisation	1,213	66	136	314	176	1,905	63	1,968
Research and development expenses	2,438	6	306	127	248	3,125	35	3,160

(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 (€616 million) and deferred tax liabilities (€1,487 million) and interest bearing liabilities (€11,967 million).

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

B) BUSINESS SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012

n € million	AIRBUS Commercial[4]	AIRBUS Military	EURO-COPTER	ASTRIUM	CASSIDIAN	Total Seg-ments	Others/ HQ/ Conso.[4]	Consolidated
Total revenues	37,624	2,131	6,264	5,817	5,740	57,576	639	58,215
Internal revenues	(625)	(279)	(540)	(23)	(232)	(1,699)	(36)	(1,735)
Revenues	**36,999**	**1,852**	**5,724**	**5,794**	**5,508**	**55,877**	**603**	**56,480**
Segment result[3]	**1,122**	**74**	**305**	**308**	**99**	**1,908**	**(60)**	**1,848**
- *thereof additions to other provisions (see Note 25C)*	*795*	*50*	*843*	*157*	*645*	*2,490*	*191*	*2,681*
- *thereof impairments of intangible assets and PPE*	*(30)*	*0*	*0*	*0*	*(100)*	*(130)*	*0*	*(130)*
Share of profit from associates accounted for under the equity method	0	18	3	(1)	23	43	198	241
Profit before finance costs and income taxes[3]	**1,122**	**92**	**308**	**307**	**122**	**1,951**	**138**	**2,089**
Goodwill impairment	0	0	0	0	0	0	17	17
Exceptionals	25	1	1	4	6	37	1	38
EBIT pre-goodwill impairment and exceptionals[3] (see definition in Note 5C)	**1,147**	**93**	**309**	**311**	**128**	**1,988**	**156**	**2,144**
Total finance costs								(453)
Income tax expense[3]								(438)
Profit for the period[3]								**1,198**
Attributable to: Equity owners of the parent (Net income)[3]								1,197
Non-controlling interests								1
OTHER INFORMATION								
Identifiable segment assets (incl. goodwill)[1]	36,331	4,051	9,354	7,855	9,634	67,225	173	67,398
thereof goodwill	*6,670*	*12*	*323*	*1,236*	*2,711*	*10,952*	*65*	*11,017*
Investments in associates	1	0	4	0	133	138	2,524	2,662
Segment liabilities[2],[3]	39,780	1,803	8,794	7,869	10,203	68,449	400	68,849
thereof provisions (see Note 25)[3]	*6,980*	*1,226*	*2,668*	*1,116*	*2,984*	*14,974*	*915*	*15,889*
Capital expenditures (excl. leased assets)	2,321	85	323	393	179	3,301	(31)	3,270
Depreciation, amortisation	1,225	77	134	298	252	1,986	67	2,053
Research and development expenses	2,428	11	297	128	234	3,098	44	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 (€458 million) and deferred tax liabilities (€1,502 million) and interest bearing liabilities (€10,892 million).

(3) 2012 figures are adjusted due to revised IAS 19 and due to PPA adjustments (see Note 2.a).

(4) 2012 figures are adjusted due to the inclusion of ATR group and SOGERMA group into Airbus Commercial and the remaining activities of "Other Businesses" into "Others/HQ/Conso".

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

The Group uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the 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	2013	2012	2011
Profit before finance costs and income taxes(1)	**2,607**	**2,089**	**1,541**
Disposal and impairment of goodwill	15	17	42
Exceptional depreciation/ disposal	39	38	41
EBIT pre-goodwill impairment and exceptionals(1)	**2,661**	**2,144**	**1,624**

(1) Previous years' figures are adjusted due to revised IAS 19.

D) REVENUES BY GEOGRAPHICAL AREA

In € million	2013	2012	2011
Germany	4,476	5,231	5,074
France	4,630	4,685	4,762
United Kingdom	3,191	3,320	2,757
Spain	1,528	646	702
Other European Countries	7,223	7,124	7,359
Asia/Pacific	19,557	18,344	14,303
North America	8,781	7,681	5,852
Middle East	5,459	5,413	5,111
Latin America	3,529	3,540	2,874
Other Countries	882	496	334
Consolidated	**59,256**	**56,480**	**49,128**

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

E) CAPITAL EXPENDITURES BY GEOGRAPHICAL AREA

In € million	2013	2012	2011
France	1,445	1,578	951
Germany	815	818	576
United Kingdom	312	448	333
Spain	203	212	255
Other Countries	174	214	82
Capital expenditures excluding leased assets	**2,949**	**3,270**	**2,197**
Leased assets	**175**	**350**	**243**
Capital expenditures	**3,124**	**3,620**	**2,440**

F) PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHICAL AREA

In € million	2013	2012	2011
France	6,110	5,618	4,992
Germany	4,475	4,164	3,950
United Kingdom	2,829	2,846	2,728
Spain	1,364	1,314	1,273
Other Countries	656	678	629
Property, plant and equipment by geographical area	**15,434**	**14,620**	**13,572**

Property, plant and equipment split by geographical area excludes leased assets of €422 million (2012: €576 million and 2011: €574 million).

6. Revenues and Gross margin

Revenues in 2013 reach €59,256 million compared to €56,480 million in 2012 and €49,128 million in 2011.

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	2013	2012	2011
Revenues from construction contracts	9,055	8,962	8,808
Other revenues	50,201	47,518	40,320
Total	**59,256**	**56,480**	**49,128**
- *Thereof service revenues including sale of spare parts*	*7,730*	*7,465*	*6,027*

Revenues of €59,256 million (2012: €56,480 million) increase by 5%. AIRBUS Commercial delivered more aircraft (626 with revenue recognition versus 588 in the previous year, of which 585 with revenue recognition) and CASSIDIAN as well as EUROCOPTER contributed also positively. AIRBUS Military includes revenues related to the A400M launch contract of €1,006 million (2012: €513 million). ASTRIUM revenues decrease slightly.

Revenues in 2012 of €56,480 million (2011: €49,128 million) increased by 15%. AIRBUS Commercial delivered more aircraft (588, of which 585 with revenue recognition versus 534 in the previous year, but 536 with revenue recognition (2 operating leases sold down)) 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.

The **Gross Margin** increases by €+463 million to €8,361 million compared to €7,898 million (adjusted) in 2012. This improvement is mainly related to Airbus Commercial due to higher deliveries of the long range and single aisle programs, better operational performance, an improvement at the A380 as well as lower expenses for A380 wing rib provisioning and no one-off charges in Cassidian. The improvement is partly compensated by higher A350 programme support cost, negative currency one-offs at Airbus Commercial compared to 2012 and an update of the A350 loss making contract provision (€-434 million net charge) to reflect mainly the higher level of recurring cost.

The A350 XWB Entry into service is scheduled for the end of 2014. Airbus continues to make significant progress on A350 XWB program. Since the first flight in June 2013, the entire flight programme envelope has been cleared and first tests of all major aircraft systems successfully performed. Airbus is in the most critical phase of the A350 programme.

The industrial ramp up preparation is underway and associated risks will continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customers' commitments.

Based on an updated technical solution concept to fix permanently the retrofit of the A380 wing rib issue, an additional amount of €85 million was recognized for the repair costs on delivered aircraft this year. 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.

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.

7. Functional Costs

Inventories recognised as an expense during the period amount to €40,387 million (2012: €39,639 million; 2011: €35,036 million).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of €39 million (2012: €38 million; 2011: €40 million); these are related to the EADS merger and the AIRBUS Combination.

Personnel expenses are:

In € million	**2013**	**2012**	**2011**
Wages, salaries and social contributions	12,637	11,692	10,286
Net periodic pension cost (see Note 25b) [1]	564	567	495
Total	**13,201**	**12,259**	**10,781**

[1] Previous years' figures are adjusted due to revised IAS 19.

8. Research and Development Expenses

Research and development expenses in 2013 amount to €3,160 million compared to €3,142 million in 2012 and €3,152 million in 2011, 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 €354 million of development costs for the A350 XWB programme has been capitalized.

9. Other Income

In € million	**2013**	**2012**	**2011**
Other income	236	184	359
Thereof rental income	15	6	16
Thereof income from sale of fixed assets	44	14	9
Thereof release of allowances	5	2	2
Thereof badwill and other gains related to business combinations	0	0	26

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

10. Other Expenses

In € million	**2013**	**2012**	**2011**
Other expenses	263	229	221
Thereof goodwill impairment charge	15	17	20
Thereof loss from disposal of fixed assets	6	3	18

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	2013	2012	2011
Share of profit from associates	295	241	164
Other income from investments	51	6	28
Total	**346**	**247**	**192**

The **share of profit from associates accounted for under the equity method** in 2013 is mainly derived from the result of the equity investment in Dassault Aviation of €247 million (2012: €198 million; 2011: €146 million). For the first half-year of 2013, Dassault Aviation published a net income of €135 million which has been recognised by the Group in its half year financial statements 2013 with its share of 46.32% amounting to €62 million. Since for the second half-year 2013 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of the 2013 Consolidated Financial Statements, the Group uses a best estimate for the net income of Dassault Aviation. Furthermore, the Group's net income includes an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

For the first half-year of 2012, Dassault Aviation published a net income of €191 million which has been recognised by the Group 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, the Group uses a best estimate for the net income of Dassault Aviation. Furthermore, the Group's net income includes an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

12. Total Finance Costs

Interest result in 2013 comprises interest income of €168 million (2012: €237 million; 2011: €377 million) and interest expense of €-497 million (2012: €-522 million; 2011: €-364 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 €-254 million (2012: €-272 million; 2011: €-92 million) which was positively impacted in 2011 by the release of €120 million following the termination of the A340 programme.

Other financial result in 2013 amounts to €-301 million (2012: €-168 million and in 2011: €-233 million) and mainly includes charges from the unwinding of discounts by €-171 million (2012: €-180 million; 2011: €-172 million), the negative impact from foreign exchange translation of monetary items of €-64 million (2012: €+41 million; 2011: €+109 million) and the negative revaluation of financial instruments of €-54 million (2012: €-11 million; 2011: €-94 million).

In 2013, the Group capitalised €12 million of borrowing cost on the production of qualifying assets (2012: €5 million). The Group's borrowing rate at the end of 2013 was 2.24% (2012: 3.20%).

13. Income Taxes

The expense for income taxes is comprised of the following:

In € million	2013	2012	2011
Current tax expense	(470)	(409)	(253)
Deferred tax expense [1]	(32)	(29)	(84)
Total [1]	**(502)**	**(438)**	**(337)**

[1] Previous years' figures are adjusted due to revised IAS 19.

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 2013, for 31 December 2012 and for 31 December 2011.

In France a tax law has been enacted in December 2013 changing the rate for income taxes to 38% for the years 2013 and 2014. For subsequent years the tax rate should go down again to 34.43 %. Deferred taxes are calculated accordingly. The tax rate for 2012 and 2011 for French companies had been at 36.1 %.

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 2013, 2012 and 2011.

With respect to the Spanish subsidiaries, the corporate income tax rate amounts to 30% in 2013, 2012 and 2011.

All other foreign subsidiaries apply their national tax rates.

The following table shows a reconciliation from the theoretical income tax (expense) – using the Dutch corporate tax rate of 25.0% in 2013, 2012 and 2011 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	**2013**	**2012**	**2011**
Profit before income taxes(1)	1,977	1,636	1,321
* Corporate income tax rate	25.0%	25.0%	25.0%
Expected (expense) for income taxes(1)	(494)	(409)	(330)
Effects from tax rate differentials(1)	(185)	(154)	(102)
Income from investments/ associates	104	76	58
Tax credit for R&D expenses	73	54	68
Change of tax rate	(44)	(22)	(45)
Change in valuation allowances	102	44	(12)
Non-deductible expenses and tax-free income	(48)	(21)	(10)
Other	(10)	(6)	36
Reported tax (expense) (1)	**(502)**	**(438)**	**(337)**

(1) Previous years' figures are adjusted due to revised IAS 19.

Changes in valuation allowances represent reassessments of the recoverability of deferred tax assets based on future taxable profits of certain companies mainly for Airbus Commercial in the United Kingdom and in Germany. The amount of change in valuation allowances of €102 million in 2013 (2012: €44 million, 2011: €-12 million) excludes a positive impact of €73 million (2012: €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 2013 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 2013 are related to the following assets and liabilities:

In € million	1 January 2013		Other movements		Movement through income statement		31 December 2013	
	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	153	(423)	0	1	0	(56)	151	(476)
Property, plant and equipment	381	(1,139)	0	1	0	(101)	427	(1,285)
Investments and other long-term financial assets	313	(105)	13	0	0	(37)	336	(152)
Inventories	1,752	(37)	0	3	0	(788)	1,166	(236)
Receivables and other assets	102	(2,328)	(391)	(3)	0	(14)	258	(2,892)
Prepaid expenses	1	(9)	0	0	0	5	3	(6)
Provision for retirement plans[(2)]	1,147	0	20	0	0	40	1,207	0
Other provisions	2,385	(276)	0	(2)	0	(14)	2,450	(357)
Liabilities	684	(1,324)	(333)	(1)	0	755	805	(1,024)
Deferred income[(2)]	225	(36)	0	(92)	0	(66)	77	(46)
Net operating loss and tax credit carry forwards	2,383	0	0	(56)	51	69	2,447	0
Deferred tax assets / (liabilities) before offsetting[(2)]	**9,526**	**(5,677)**	**(691)**	**(149)**	**51**	**(207)**	**9,327**	**(6,474)**
Valuation allowances on deferred tax assets	(819)	0	0	144	0	175	(500)	0
Set-off	(4,175)	4,175	0	0	0	0	(4,987)	4,987
Net Deferred tax assets / (liabilities)[(2)]	**4,532**	**(1,502)**	**(691)**	**(5)**	**51**	**(32)**	**3,840**	**(1,487)**

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

(2) Previous year’s figures are adjusted due to revised IAS 19 and due to PPA adjustments of prior year’s acquisitions.

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

In € million	1 January 2012		Other movements		Movement through income statement		31 December 2012	
	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[(2)]	898	0	335	4	0	(90)	1,147	0
Other provisions[(2)]	2,052	(176)	0	9	0	224	2,385	(276)
Liabilities	1,059	(560)	(1,377)	3	0	235	684	(1,324)
Deferred income	161	(3)	0	2	0	29	225	(36)
Net operating loss and tax credit carry forwards	2,280	0	0	(18)	47	74	2,383	0
Deferred tax assets / (liabilities) before offsetting[(2)]	**8,399**	**(4,178)**	**(290)**	**0**	**47**	**(129)**	**9,526**	**(5,677)**
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)[(2)]	**4,325**	**(1,043)**	**(290)**	**20**	**47**	**(29)**	**4,532**	**(1,502)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

(2) Figures are adjusted due to revised IAS 19 and due to PPA adjustments of acquisitions in 2012.

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. The Group 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 €14 million (in 2012: €923 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 2013**	**31 December 2012**
Net Operating Losses (NOL)	1,999	2,064	162	2,860	279	7,364	6,984
Trade tax loss carry forwards	0	2,219	0	0	0	2,219	2,013
Tax credit carry forwards	0	0	368	0	1	369	383
Tax effect	**760**	**641**	**417**	**572**	**57**	**2,447**	**2,383**
Valuation allowances	(1)	(174)	(84)	(134)	(3)	(396)	(586)
Deferred tax assets on NOL's and tax credit carry forwards	**759**	**467**	**333**	**438**	**54**	**2,051**	**1,797**

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 (€1 million) will expire in 2021.

Roll forward of deferred taxes:

In € million	**2013**	**2012**
Net deferred tax asset beginning of the year[(1)]	**3,030**	**3,282**
Deferred tax (expense) in income statement[(1)]	(32)	(29)
Deferred tax recognised directly in AOCI (IAS 39)	(711)	(625)
Deferred tax on remeasurement of the net defined benefit liability[(1)]	20	335
Others[(1)]	46	67
Net deferred tax asset at year end[(1)]	**2,353**	**3,030**

(1) Previous year's figures are adjusted due to revised IAS 19 and due to PPA adjustments of acquisitions in 2012.

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

In € million	**2013**	**2012**
Available-for-sale investments	(21)	(34)
Cash flow hedges	(540)	184
Remeasurement of the net defined benefit liability[(1)]	971	951
Total	**410**	**1,101**

(1) Previous year figure is adjusted due to revised IAS 19.

Notes to the Consolidated Statements of Financial Position

14. Intangible Assets

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

Cost

In € million	Balance at 1 January 2013	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2013
Goodwill (1)	12,191	(51)	0	11	0	0	12,151
Capitalised development costs	1,955	(8)	421	0	(42)	(3)	2,323
Other intangible assets (1)	2,729	(44)	230	10	108	(68)	2,965
Total (1)	**16,875**	**(103)**	**651**	**21**	**66**	**(71)**	**17,439**

Amortisation/Impairment

In € million	Balance at 1 January 2013	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2013
Goodwill	(1,174)	0	(15)	0	0	0	(1,189)
Capitalised development costs	(590)	4	(111)	0	0	0	(697)
Other intangible assets	(1,682)	13	(281)	(3)	(10)	63	(1,900)
Total	**(3,446)**	**17**	**(407)**	**(3)**	**(10)**	**63**	**(3,786)**

Net Book Value

In € million	Balance at 1 January 2013		Balance at 31 December 2013
Goodwill (1)	11,017		10,962
Capitalised development costs	1,365		1,626
Other intangible assets (1)	1,047		1,065
Total (1)	**13,429**		**13,653**

Additions to amortisation/impairment include impairment of capitalised development costs at Cassidian (€-12 million) and impairment of other intangible assets (€-10 million) and of capitalised development costs (€-2 million) at Astrium.

(1) Previous year's figures are adjusted due to PPA adjustments of prior year's acquisitions.

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	Reclassifi-cation	Disposals	Balance at 31 December 2012
Goodwill [(1)]	11,965	4	5	213	4	0	12,191
Capitalised development costs	1,383	5	488	0	79	0	1,955
Other intangible assets [(1)]	2,523	5	306	51	(78)	(78)	2,729
Total [(1)]	**15,871**	**14**	**799**	**264**	**5**	**(78)**	**16,875**

Amortisation/Impairment

In € million	Balance at 1 January 2012	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	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 [(1)]	10,812		11,017
Capitalised development costs	965		1,365
Other intangible assets [(1)]	1,009		1,047
Total [(1)]	**12,786**		**13,429**

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

(1) 2012 figures are adjusted due to 2013 PPA adjustments of acquisitions made in 2012.

GOODWILL IMPAIRMENT TESTS

The Group 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 2013 and 2012, goodwill was allocated to CGUs, which is summarized in the following schedule on segment level:

In € million	AIRBUS Commercial	AIRBUS Military	EURO-COPTER	ASTRIUM	CASSI-DIAN	Others/ HQ/Conso.	Conso-lidated
Goodwill as of 31 December 2013	6,680	12	302	1,235	2,720	13	10,962
Goodwill as of 31 December 2012	6,670	12	323	1,236	2,711	65[1)]	11,017[1)]

(1) 2012 figures are adjusted due to 2013 PPA adjustments of acquisitions made in 2012.

The Astrium CGUs consist of Astrium Satellites (allocated goodwill 2013: €276 million), Astrium Space Transportation (allocated goodwill 2013: €273 million) and Astrium Services (allocated goodwill 2013: €685 million). CASSIDIAN consists of two CGUs including MBDA with a goodwill of €658 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 the Group's impairment testing are based on operative planning.

The operative planning - approved by the Board of Directors on 17 December 2013 - 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% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA.

The Group follows an active policy of foreign exchange risk hedging. As of 31 December 2013, the total hedge portfolio with maturities up to 2020 amounts to US$76 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2014 to 2018). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2020 amounts to 1.34 US$/€ and for the US$/GBP hedge portfolio until 2019 amounts to 1.57 US$/GBP. For the determination of the operative planning in the CGUs management assumed future exchange rates of 1.35 US$/€ from 2014 onwards to convert in € the portion of future US$ which are not hedged. Foreign exchange exposure arises mostly from AIRBUS Commercial and to a lesser extent from the other EADS segments.

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 the Group in 2000 and the Airbus Combination in 2001.

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

- projected cash flows for the next five years were presented to the Group's Board of Directors in the frame of the operative plan. This planning scenario takes into account the decision to ramp-up the production of the A320 programme to 42+ a/c, and to stay with the Long Range-programme at 10 a/c and the A380 - programme at 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 2013. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities.;
- cash flows are discounted using a euro weighted average cost of capital pre-tax (WACC) of 10.1% (in 2012: 10.2%);
- 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 Group's accounts;
- change of the WACC: An increase of 50 basis points in the WACC would not imply an impairment charge in Group 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 Group accounts.

AIRBUS MILITARY

For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 8.7% (in 2012: 8.3%).

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 2013 and 2012.

OTHER CASH GENERATING UNITS

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 2012: 9.5%), whereas CASSIDIAN applied a weighted average cost of capital pre-tax (WACC) of 8.7% (in 2012: 8.3%) and ASTRIUM applied a pre-tax WACC of 9.6% (in 2012: 9.5%). Cash flow projections are based on operative planning covering a five-year planning period.

The strong order book of Eurocopter as of 31 December 2013 supports the increasing revenues, which are assumed for the Division over the operative planning period despite heavy competition on the civil and military markets. This is driven by further key orders from global markets for Commercial Helicopter Business and Governmental Programmes. Any significant market opportunities on military contract that will be secured will represent additional upsides and will strongly contribute to further growth and profitability of Eurocopter. Main key achievements in 2013 are the deliveries of NH90 in Europe (Sweden, Greece, Italy, Belgium, Finland, Belgium, Germany), Ecureuil in the U.S.A. and Super Puma throughout the world. Following continued efforts for globalisation and product renewal, the Division continuously expects an increasing performance over the next years thanks to a renewed range planned for entry into service and cost efficiency on key programmes.

The strong order book of the CASSIDIAN Division as of 31 December 2013 supports the stable revenues, which are assumed for this Division over the operative planning period despite continuing unfavourable conditions on the domestic markets. This is driven by further key orders from global markets for Eurofighter, Security and Communication Solutions, Integrated Systems, Electronic Warfare and Radar business. Main key achievements in 2013 are the Meteor Integration for Eurofighter, Missiles Orders in MBDA, Air Surveillance Canada and Tetra in Saudi Arabia. Cassidian successfully stabilised key programmes and implemented a fully integrated organisation. Following continued efforts for globalisation and a review of the product portfolio focusing on profitability, the Division continuously expects a strong and increasing performance over the operative planning period thanks to the investment in new products and maturing cost efficiency programmes.

The strong order book of the ASTRIUM Division as of 31 December 2013 (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 2013 are the successful launch of 6 Astrium-built satellites, including 3 telecommunication satellites and 3 Earth observation, navigation and sciences satellites, 4 successful Ariane 5 launches, the successful mission of the third Automated Transfer Vehicle spacecraft , a contract with Arianespace to start the production of 18 additional heavy-lift Ariane 5 ECA launchers, an ESA order for next development step of A5 ME and the award of 3 export telecommunications satellites. 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 & Ariane 6, 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, 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 2013 and 2012.

With regard to the assessment of the value in use for the cash generating units mentioned above, the variation of the key assumptions in a reasonable range would not cause the recoverable amount to fall below the carrying value.

The goodwill of Others/HQ/Conso. partly relates to the CGU EADS North America reflecting the business activities in the US. For impairment testing purposes in 2013, the recoverable amount has been the fair value less cost of disposal assessed based on an offer received for the Test and Services activities of €38 million. The sales price is a result of negotiations and the fair value measurement thus based on level 1 inputs. The annual impairment test resulted in an impairment charge of €15 million in 2013. In 2012, the recoverable amount has been based on a value in use concept, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) 8.5% resulting in an impairment charge of €17 million.

DEVELOPMENT COSTS

The Group has capitalised development costs in the amount of €1,626 million as of 31 December 2013 (€1,365 million as of 31 December 2012) as internally generated intangible assets mainly for the AIRBUS A380 and A350XWB programme. The amortisation for the A380 programme development costs is performed on a unit of production basis. Capitalisation for development costs of the A350 XWB programme started in the second quarter 2012 when the first aircraft entered the final assembly line. Since 1 April 2012, a total amount of €720 million was capitalised.

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 2013:

Cost

In € million	Balance at 1 January 2013	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication	Disposals	Balance at 31 December 2013
Land, leasehold improvements and buildings including buildings on land owned by others	8,542	(37)	225	0	320	(135)	8,915
Technical equipment and machinery	15,293	(112)	425	4	1,279	(138)	16,751
Other equipment, factory and office equipment	3,846	(61)	351	(2)	1,105	(720)	4,519
Construction in progress	3,441	(27)	1,477	0	(2,538)	(3)	2,350
Total	**31,122**	**(237)**	**2,478**	**2**	**166**	**(996)**	**32,535**

Depreciation/Impairment

In € million	Balance at 1 January 2013	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication	Disposals	Balance at 31 December 2013
Land, leasehold improvements and buildings including buildings on land owned by others	(3,909)	12	(297)	0	31	101	(4,062)
Technical equipment and machinery	(9,422)	69	(903)	(1)	620	122	(9,515)
Other equipment, factory and office equipment	(2,595)	30	(317)	1	(665)	444	(3,102)
Construction in progress	0	0	0	0	0	0	0
Total	**(15,926)**	**111**	**(1,517)**	**0**	**(14)**	**667**	**(16,679)**

Net Book Value

In € million	Balance at 1 January 2013		Balance at 31 December 2013
Land, leasehold improvements and buildings including buildings on land owned by others	4,633		4,853
Technical equipment and machinery	5,871		7,236
Other equipment, factory and office equipment	1,251		1,417
Construction in progress	3,441		2,350
Total	**15,196**		**15,856**

Additions to depreciation/impairment include impairment of other equipment (€-20 million) at AIRBUS Commercial and of technical equipment and machinery at ASTRIUM (€-2 million).

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	Reclassi-fication	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	86	366	24	1,558	(117)	15,293
Other equipment, factory and office equipment	3,882	(22)	567	(29)	(126)	(426)	3,846
Construction in progress	3,011	12	1,586	3	(1,141)	(30)	3,441
Total	**28,313**	**90**	**2,840**	**42**	**440**	**(603)**	**31,122**

Depreciation/Impairment

In € million	Balance at 1 January 2012	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication	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		5,871
Other equipment, factory and office equipment	1,407		1,251
Construction in progress	3,011		3,441
Total	**14,146**		**15,196**

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

Property, plant and equipment include at 31 December 2013 and 2012, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of €146 million and €148 million, net of accumulated depreciation of €91 million and €74 million. The related depreciation expense for 2013 was €13 million (2012: €14 million; 2011: €11 million).

Other equipment, factory and office equipment include the net book value of “aircraft under operating lease” for €422 million and €576 million as of 31 December 2013 and 2012, respectively; related accumulated depreciation is €398 million and €720 million. Depreciation expense for 2013 amounts to €50 million (2012: €52 million; 2011: €59 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 2013 are as follows:

In € million	
not later than 2014	75
later than 2014 and not later than 2018	159
later than 2018	46
Total	**280**

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:

	31 December	
In € million	**2013**	**2012**
(i) Net book value of aircraft under operating lease before impairment charge	591	693
Accumulated impairment	(169)	(223)
Net book value of aircraft under operating lease	422	470
(ii) Aircraft under operating lease with the present value of the guarantee being more than 10%	0	106
Total Net Book value of aircraft under operating lease	**422**	**576**

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 €345 million as of 31 December 2013 compared to 2012 of €346 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 2012	Book value 31 December 2012	Depreciation/ Amortisation	Accumulated depreciation 31 December 2013	Book value 31 December 2013
Book value of Investment Property	211	(139)	72	(3)	(142)	69

As of 31 December 2013, the fair value of the Group's investment property amounts to €83 million (in 2012: €79 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 2013 is €9 million (in 2012: €8 million) with direct operating expenses amounting to €2 million (in 2012: €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:

	31 December	
In € million	**2013**	**2012**
Investments in associates accounted for under the equity method	**2,902**	**2,662**
Non-current other investments and other long-term financial assets		
Other investments	611	596
Other long-term financial assets	1,253	1,519
Total non-current other investments and other long-term financial assets	**1,864**	**2,115**
Current portion of other long-term financial assets	**181**	**287**

Investments in associates accounted for under the equity method as of 31 December 2013 and 2012, mainly comprise the Group's interest in Dassault Aviation (46.32% at 31 December 2013 and 2012) of €2,747 million and €2,519 million. Since for the second half-year 2013 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of 2013 financial statements, the Group used a best estimate for the net income of the second half year 2013 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 2013 equity components have been used to estimate the 2013 year-end consolidated equity position of Dassault Aviation.

Since for the second half-year 2012 no financial information was available from Dassault Aviation at the date of authorisation for issue of 2012 financial statements, the Group used a best estimate for the net income of the second half year 2012 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 2012 equity components have been used to estimate the 2012 year-end consolidated equity position of Dassault Aviation.

The Group's 46.32% interest in Dassault Aviation's market capitalisation, derived from an observable free float of 3.5%, amounts to €4,352 million as of 31 December 2013 (as of 31 December 2012: €3,490 million).

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

In € million	**30 June 2013**	**31 December 2012**
Share of the associate's financial position:		
Non-current assets	2,524	2,594
Current assets	2,338	2,219
Non-current liabilities	112	122
Current liabilities	2,530	2,492
Total equity	**2,220**	**2,199**
Share of the associate's revenues and profit:	**6 months**	**12 months**
Revenues	846	1,826
Net Income	62	233

In € million	**31 December 2013**	**31 December 2012**
Carrying amount of the investment at 31 December	**2,747**	**2,519**

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 2013**	**31 December 2012**
Share of the associate's financial position:		
Non-current assets	1,338	1,271
Current assets	291	256
Non-current liabilities	1,283	1,344
Current liabilities	265	285
Total equity	**81**	**(102)**
Share of the associate's revenues and profit:	**12 months**	**12 months**
Revenues	547	551
Net Income	40	38

In € million	**31 December 2013**	**31 December 2012**
Carrying amount of the investments	**135**	**125**

The cumulative unrecognized comprehensive loss in 2013 amounts to €-55 million (thereof €+171 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 the Group's participations, the most significant being at 31 December 2013 the participations in CARMAT SAS (Group share: 27.3% (2012: 30.7%)) amounting to €136 million (2012: €161 million) and AviChina (Group share: 5.0%) amounting to €116 million (2012: €92 million).

Other long-term financial assets of €1,253 million (2012: €1,519 million) and the **current portion of other long-term financial assets** of €181 million (in 2012: €287 million) encompass other loans in the amount of €769 million and €863 million as of 31 December 2013 and 2012, available-for-sale securities for part time retirement and deferred compensation amounting to €0 million and €203 million as of 31 December 2013 and 2012 and the Group's sales finance activities in the form of finance lease receivables and loans from aircraft financing. They are reported net of accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 33 "Commitments and contingencies" for details on sales financing transactions).

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

	31 December	
In € million	**2013**	**2012**
Outstanding gross amount of loans to customers	405	424
Accumulated impairment	(70)	(60)
Total net book value of loans	**335**	**364**

Finance lease receivables from aircraft financing are as follows:

	31 December	
In € million	**2013**	**2012**
Minimum lease payments receivables	404	462
Unearned finance income	(20)	(14)
Accumulated impairment	(54)	(72)
Total net book value of finance lease receivables	**330**	**376**

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

In € million	
not later than 2014	145
later than 2014 and not later than 2018	121
later than 2018	138
Total	**404**

18. Inventories

Inventories at 31 December 2013 and 2012 consist of the following:

	31 December	
In € million	**2013**	**2012**
Raw materials and manufacturing supplies	2,650	2,397
Work in progress	16,771	15,464
Finished goods and parts for resale	2,119	1,888
Advance payments to suppliers	3,520	3,467
Total	**25,060**	**23,216**

The increase in work in progress of €+1,307 million is mainly driven by AIRBUS Commercial and EUROCOPTER programmes, partly offset by CASSIDIAN programmes. Raw materials were built-up at AIRBUS and at EUROCOPTER. Finished goods and parts for resale increased at AIRBUS and at EUROCOPTER.

The finished goods and parts for resale before write down to net realisable value amount to €2,817 million in 2013 (2012: €2,481 million) and work in progress before write down to net realisable value amounts to €19,756 million (2012: €17,599 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 2013, write downs of inventories in the amount of €-389 million (2012: €-368 million) are recognised in Cost of Sales, whereas reversal of write downs amounts to €69 million (2012: €80 million). At 31 December 2013 €5,127 million of work in progress and €1,563 million of finished goods and parts for resale were carried at net realisable value.

19. Trade Receivables

Trade receivables at 31 December 2013 and 2012 consist of the following:

	31 December	
In € million	**2013**	**2012**
Receivables from sales of goods and services [1)]	7,581	7,136
Allowance for doubtful accounts	(342)	(348)
Total	**7,239**	**6,788**

(1) Previous year's figure is adjusted due to PPA adjustments of prior year's acquisitions.

The **trade receivables** increase by €+451 million mainly caused by AIRBUS (€+479 million), partly compensated by a decrease at CASSIDIAN (€-50 million).

Trade receivables are classified as current assets. As of 31 December 2013 and 2012, respectively, €1,582 million and €1,407 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 2013 an amount of €2,427 million (in 2012: €1,946 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 €63,946 million comparable to €58,206 million at year-end 2012.

The **gross amount due from customers** for construction work amounts to €4,755 million (in 2012: €3,746 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 customers** amounts to €1,030 million (in 2012: €1,190 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	**2013**	**2012**
Allowance balance at 1 January	(348)	(366)
Foreign currency translation adjustment	1	0
Utilisations / disposals	25	10
(Additions) / release	(20)	8
31 December	**(342)**	**(348)**

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 €5,598 million (in 2012: €4,776 million).

20. Other Financial Assets

Other financial assets at 31 December 2013 and 2012 consist of the following:

In € million	31 December 2013	31 December 2012
Non-current other financial assets		
Positive fair values of derivative financial instruments	1,993	1,197
Option premiums	0	41
Others	83	148
Total	**2,076**	**1,386**
Current other financial assets		
Positive fair values of derivative financial instruments	717	321
Receivables from related companies	558	757
Loans	2	31
Others	280	339
Total	**1,557**	**1,448**

21. Other Assets

Other assets at 31 December 2013 and 2012 consist of the following:

In € million	31 December 2013	31 December 2012
Non-current other assets		
Prepaid expenses	1,480	1,223
Others	173	192
Total	**1,653**	**1,415**
Current other assets		
Value added tax claims	1,151	1,001
Prepaid expenses	442	586
Others	481	459
Total	**2,074**	**2,046**

22. Securities

The Group's security portfolio amounts to €6,890 million and €8,315 million as of 31 December 2013 and 2012, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of €4,296 million (in 2012: €5,978 million) and securities designated at fair value through profit and loss of €4 million (in 2012: €9 million) as well as a **current portion** of available-for-sale-securities of €2,590 million (in 2012: €2,328 million).

Included in the securities portfolio as of 31 December 2013 and 2012, respectively, are corporate and government bonds bearing either fixed rate coupons (€6,374 million nominal value; comparably in 2012: €7,400 million) or floating rate coupons (€387 million nominal value; comparably in 2012: €563 million) and foreign currency Funds of Hedge Funds (€8 million nominal value; 2012: €14 million).

When the Group enters into securities lending activities, the securities pledged as collateral continue to be recognised on the balance sheet. The carrying amount of such securities pledged as of 31 December 2013, including accrued coupon interest, was €613 million (2012: €0 million).

23. Total Equity

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

(In number of shares)	2013	2012
Issued as at 1 January	**827,367,945**	**820,482,291**
Issued for ESOP	2,113,245	2,177,103
Issued for exercised options	6,873,677	5,261,784
Cancelled	(53,197,232)	(553,233)
Issued as at 31 December	**783,157,635**	**827,367,945**
Treasury shares as at 31 December	(2,835,121)	(5,226,305)
Outstanding as at 31 December	**780,322,514**	**822,141,640**

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 27 March 2013, the Extraordinary General Meeting of the Company authorised the Board of Directors for an 18-month period to repurchase up to 15% of the Company's issued and outstanding share capital (*i.e.* issued share capital excluding shares held by the Company or its subsidiaries), 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 no less than the nominal value and at most 50 € per share (the 'share buyback programme').

The Extraordinary General Meeting authorized both the Board of Directors and the Chief Executive Officer, with powers of substitution, that the number of shares repurchased by the Company pursuant to the share buyback programme are cancelled (whether or not in tranches). As per decisions of the Chief Financial Officer upon delegation of the Chief Executive Officer, on 20 June 2013, 47,648,691 shares and on 27 September 2013, 3,099,657 shares have been cancelled. The equity of the Company was reduced by an amount of €1,915 million due to the share buy-back program.

On 29 May 2013, 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 in the Company's 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 2014. The mentioned powers include without limitation the approval and implementation of share-related long-term incentive plans (such as stock option, performance and restricted share plans) and employee share ownership plans. Such powers include the granting of rights to subscribe for shares which can be exercised at such time as may be specified in or pursuant to such plans and the issue of shares to be paid up from freely distributable reserves. However, such powers shall not extend to issuing shares or granting rights to subscribe for shares in respect of which there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body), for an aggregate issue price in excess of €500 million per share issuance.

The Shareholders' General Meeting on 29 May 2013 renewed the authorisation given to the Board of Directors for a new period of 18 months from the date of the Annual General Meeting to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company will not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out. This authorisation (i) supersedes and replaces the authorisation given by the Annual General Meeting of 31 May 2012 and (ii) is in addition, and without prejudice, to the repurchase authorisation granted by the Extraordinary General Meeting held on 27 March 2013.

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 2,448,884 shares. As per decision of the Chief Financial Officer upon delegation of the Chief Executive Officer, on 27 September 2013, 2,448,884 shares have been cancelled.

On 29 May 2013, the Shareholders' General Meeting decided to add the net profit of the fiscal year 2012 of €1,228 million (before IAS 19 adjustments) to retained earnings. It also decided to distribute a gross amount of €0.60 per share, which was paid on 5 June 2013. For the fiscal year 2013, the Group's Board of Directors proposes a cash distribution payment of €0.75 per share.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of €6,873,677 (in 2012: €5,261,784) in compliance with the implemented stock option plans and by employees of €2,113,245 (in 2012: €2,177,103) 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 2013, €8 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

The Group 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 the Group's 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. The Group focuses on keeping them in a preferable range.

On 6 September 2013, Standard & Poor's upgraded EADS' Long Term Rating to A from A-, with a stable outlook. EADS' short-term rating with Standard & Poor's stands at A1 following an upgrade from A2 on 2 October 2012.

EADS' Base Credit Assessment (BCA) with Moody's Investors Services currently stands at A3 following an upgrade from Baa1 on 20 November 2012. EADS' Government Related Issuer (GRI) rating currently stands at A2 following a notching down of the government support uplift on 20 November 2012 as a result of the announced change in the Group's governance and shareholding structure.

On 29 October 2013, Fitch Ratings upgraded the Group's Long-term rating unsolicited to A- from BBB+, with a stable outlook.

The upgrades of the Group's stand-alone ratings mainly reflect key progresses made on the A350XWB programme and Group management's strong focus towards profitability enhancement.

In accordance with its conservative financial policy it is essential for the Group to maintain a strong investment grade rating.

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

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

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

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

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

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

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

25. Provisions

Provisions are comprised of the following:

	31 December	
In € million	**2013**	**2012**
Provision for retirement plans (see Note 25B)[1]	6,138	6,024
Provision for deferred compensation (see Note 25A)	477	447
Retirement plans and similar obligations[1]	**6,615**	**6,471**
Other provisions (see Note 25C)[1]	8,754	9,418
Total[1]	**15,369**	**15,889**
Thereof non-current portion[1]	10,046	9,850
Thereof current portion	5,323	6,039

(1) Previous years' figures are adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions.

As of 31 December 2013 and 2012, respectively, €6,209 million and €6,159[1] million of retirement plans and similar obligations and €3,837 million and €3,691[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 for the defined benefit obligation and plan assets is as follows:

Change in defined benefit obligations **in € million**	**2013**	**2012**
Defined benefit obligations as of 1 January	**447**	**358**
Service cost	54	35
Interest cost	16	15
Remeasurements: Actuarial (gains) and losses arising		
from changes in financial assumptions	10	27
from changes in experience adjustments	29	18
Transfer and change in consolidation	(8)	(4)
Benefits paid	(2)	(2)
Defined benefit obligations as of 31 December	**546**	**447**

Change in plan assets in € million	2013	2012
Fair value of plan assets as of 1 January	**0**	**0**
Additions (Reclassification)	73	0
Interest income from plan assets	2	0
Remeasurement of plan assets	(1)	0
Fair value of plan assets as of 31 December	**74**	**0**

Recognized as... in € million	2013	2012
Provision	477	447
Other non-current and current assets	5	0
total	**472**	**447**

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

B) PROVISIONS FOR RETIREMENT PLANS

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

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

Germany - The Group has a pension plan (P3) for executive and non-executive employees in place. Under this plan, the employer provides contributions for the services rendered by the employees, which are dependent on their salaries in the respective service period. These contributions are converted into components which become part of the accrued pension liability at the end of the year. Total benefits are calculated as a career average over the entire period of service. Certain employees that are not covered by 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.

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

It does not exist any statutory or regulatory minimum funding requirements in Germany.

United Kingdom - The EADS Astrium Pension Scheme was implemented by Astrium Ltd., Stevenage (UK) as the principal employer. This plan comprises all eligible employees of Astrium Ltd. as well as all personnel, who were recruited by one of the Group companies located in the UK and participating in the scheme. The majority of the Scheme’s liabilities relates to Astrium Ltd.

The major part of the obligation is funded by scheme assets due to contributions of the participating companies. The Scheme is a registered pension scheme under the Finance Act 2004. The Trustee's only formal funding objective is the statutory funding objective under the Pensions Act6 2004, which is to have sufficient and appropriate assets to cover the Scheme's obligations. Since 1 November 2013, this plan is generally closed for new joiners, who participate in the newly implemented defined contribution plan.

Moreover, the Group participates in the UK in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. These plans qualify as multi-employer defined benefit plans under IAS 19 "Employee Benefits". The Group's most significant investments in terms of employees participating in these BAE Systems UK pension plans 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 the Group 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 the Group investments participate are currently underfunded. BAE Systems has agreed with the trustees various measures designed to make good the underfunding. These include i) regular contribution payments for active employees well above such which would prevail for funded plans and ii) extra employers' contributions.

Due to the contractual arrangements between the Group and BAE Systems, 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 the Group create a situation for the Group different from common UK multi-employer plans with special regulations limiting regular contributions that have to be paid by AIRBUS Operations Ltd., UK to rates applicable to all participating employers.

Based on detailed information about the different multi-employer pension schemes provided by BAE Systems, the Group is able to appropriately and reliably estimate the share of its participation in the schemes, *i.e.* its share in plan assets, defined benefit obligations (DBO) and pension costs. The information enables the Group to derive keys per plan to allocate for accounting purposes an appropriate proportion in plan assets, defined benefit obligations and pension costs to its UK investments as of 31 December 2013 and 2012, taking into account the impact of the capped contributions as well as future extra contributions agreed by BAE Systems with the Trustees. Therefore, the Group accounts for its participation in BAE Systems' UK defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

In 2013, the share of AIRBUS in BAE Systems' main schemes amounts to 19.45% (in 2012: 19.57%). The impact of this change is mainly reflected in the remeasurements of the period.

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

Risks

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

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

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

Inflation risk: The pension liabilities can be sensitive to movements in the inflation rate, whereby a higher inflation rate could lead to an increasing liability. Since some pension plans are directly related to salaries, increases in compensations could result in increasing pension obligations. A fixed interest rate has been agreed for the deferred compensation plan P3, which is financed by the employees. During periods of high inflation rates, it is assumed that there is only little incentive in contributing to this plan.

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

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

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

	Pension plans in							
	Germany		France		UK		Multi-employer (UK)	
	31 December							
Assumptions in %	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Discount rate	3.6	3.7	3.4	3.5	4.6	4.7	4.5	4.5
Rate of compensation increase	3.25	3.25	3.1	3.1-3.5	3.5	3.5	3.0	3.4
Rate of pension payment increase	2.0	2.0	-/ 2.0	-/ 2.0	3.0	2.8	1.9 – 3.7	1.8 – 3.5
Inflation rate	2.0	2.0	2.0	2.0	3.2	2.8	3.4	2.9

The Group derives the discount rate used to determine the defined benefit obligation from yields on high quality corporate bonds with an AA rating. The determination of the discount rate is based on the iBoxx€ Corporates AA bond data and in 2013 uses the granularity of single bond data in order to receive more market information from the given bond index. The discount rate for the estimated duration of the respective pension plan is then extrapolated along the yield curve. In the UK it is determined with reference to the full yield curve of AA-rated sterling-denominated corporate bonds of varying maturities. The salary increase rates are based on long-term expectations of the respective employers, deviated from the assumed inflation rate and adjusted by promotional or productivity scales.

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

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

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

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

Change in defined benefit obligations in € million	**Pension plans of the Group**	**Share of multi-employer plan in UK**	**total**
Defined benefit obligations as of 1 January 2012	**7,379**	**3,260**	**10,639**
Service cost	228	61	289
Interest cost	331	174	505
Plan amendments and curtailments	30	0	30
Remeasurements: Actuarial (gains) and losses arising			
from changes in financial assumptions	802	568	1,370
from changes in experience adjustments	94	(1)	93
Change in consolidation, transfers and other	76	5	81
Benefits paid	(305)	(158)	(463)
Foreign currency translation adjustment	(5)	73	68
Defined benefit obligations as of 31 December 2012/ 1 January 2013	**8,630**	**3,982**	**12,612**
Service cost	279	71	350
Interest cost	312	167	479
Curtailments	(5)	0	(5)
Remeasurements: Actuarial losses arising			
from changes in demographic assumptions	1	0	1
from changes in financial assumptions	14	87	101
from changes in experience adjustments	119	14	133
Transfers and others	(3)	4	1
Benefits paid	(323)	(141)	(464)
Foreign currency translation adjustment	(13)	(81)	(94)
Defined benefit obligations as of 31 December 2013	**9,011**	**4,103**	**13,114**

The weighted average duration of the defined benefit obligation for retirement plans and deferred compensation is 15 years at 31 December 2013 (31 December 2012: 15 years).

The split of the defined benefit obligation for retirement plans and deferred compensation between active, deferred and pensioner members for the most significant plans is as follows (as of 31 December 2013 unless otherwise noted):

	Active	Deferred	Pensioner
Germany	42%	8%	50%
France	99%	1%	0%
UK [(1)]	69%	12%	19%
Share of multi-employer scheme in UK (Main Scheme) [(2)]	35%	15 %	50 %
Others	56%	15%	29%

[(1)] as of 5 April 2013
[(2)] as of 31 March 2011

The following table shows how the present value of the defined benefit obligations of retirement plans and deferred compensation would have been influenced by changes in the actuarial assumptions as set out for 31 December 2013:

	Change in actuarial assumptions	Impact on defined benefit obligations	
		Obligation in € million	Change in %
Present value of the obligation		13,660	-
Discount rate	Increase by 0.5 %-point	12,655	(7.4)
	Decrease by 0.5 %-point	14,645	7.2
Salary growth	Increase by 0.25 %-point	13,934	2.0
	Decrease by 0.25 %-point	13,384	(2.0)
Pension growth	Increase by 0.25 %-point	13,959	2.2
	Decrease by 0.25 %-point	13,361	(2.2)
Life expectancy	Increase by 1 year	14,024	2.7
	Reduction by 1 year	13,290	(2.7)

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

The development of plan assets is as follows:

Change in plan assets **in € million**	**Pension plans of the Group**	**Share of multi-employer plan in UK**	**total**
Fair value of plan assets as of 1 January 2012	**2,751**	**2,384**	**5,135**
Interest income on plan assets [(1)]	132	128	260
Remeasurement of plan assets [(1)]	73	448	521
Contributions by employer	730	126	856
Contributions by other plan participants	6	5	11
Acquisitions and other	20	0	20
Benefits paid	(120)	(158)	(278)
Foreign currency translation adjustments	10	53	63
Fair value of plan assets as of 31 December 2012/ 1 January 2013	**3,602**	**2,986**	**6,588**
Interest income from plan assets	138	127	265
Remeasurement of plan assets	15	188	203
Contributions by employer	138	103	241
Contributions by other plan participants	7	4	11
Transfers	2	0	2
Benefits paid	(124)	(141)	(265)
Foreign currency translation adjustments	(10)	(59)	(69)
Fair value of plan assets as of 31 December 2013	**3,768**	**3,208**	**6,976**

[(1)] Figures are adjusted due to revised IAS 19.

In 2013, contributions in the amount of €138 million (2012: €730 million) are made into the pension plans of the Group, mainly relating to the relief fund in Germany with €74 million (2012: €96 million), the Astrium Pension scheme with €49 million (2012: € 48 million) and the CTA with €10 million (2012: €583 million).

Contributions of approximately €500 million are expected to be made in 2014.

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

31 December in € million	**2013**			**2012**		
	Quoted prices	**Unquoted prices**	**total**	**Quoted prices**	**Unquoted prices**	**total**
Equity securities						
Europe	1,320	0	1,320	1,120	0	1,120
Rest of the world	569	0	569	325	0	325
Emerging markets	256	0	256	451	0	451
Global	677	0	677	705	0	705
Bonds						
Corporates	1,414	0	1,414	1,038	0	1,038
Governments	1,679	0	1,679	1,790	0	1,790
Covered	60	0	60	81	0	81
Pooled Investment Vehicles	288	22	310	221	0	221
Commodities	167	0	167	136	0	136
Hedge Funds	86	0	86	0	0	0
Derivatives	6	(6)	0	7	(22)	(15)
Property [1]	292	5	297	284	5	289
Cash and Money Market Funds	259	0	259	466	0	466
Others	41	(85)	(44)	28	(47)	(19)
	7,114	(64)	7,050	6,652	(64)	6,588

[1] includes €70 million (2012 € 71 million) of properties occupied by Group companies. It relates solely to the share in multi-employer plan in UK.

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

The majority of funded plans applies broadly an asset-liability matching (ALM) framework. The strategic asset allocation (SAA) of the plans takes into account the characteristics of the underlying obligations. Investments are widely diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 consists of fixed income instruments, equities, and although the Group also invests in property, commodities and hedge funds. The Group is reassessing the characteristics of the pension obligations from time to time or as required by the applicable regulation or governance framework. This typically triggers a subsequent review of the SAA.

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

Recognised Provision for retirement plans	**Pension plans of the Group**				**Share of multi-employer plan in the UK**	**total**
	Germany	**France**	**UK**	**Others**		
In € million						
Defined benefit obligation	6,572	1,292	622	144	3,982	12,612
Plan assets	2,923	15	559	105	2,986	6,588
Funded status	3,649	1,277	63	39	996	6,024
Recognised in the statements of financial position as of 31 December 2012 (1)	**3,649**	**1,277**	**63**	**39**	**996**	**6,024**
Defined benefit obligation	6,770	1,408	691	142	4,103	13,114
Plan assets	2,997	17	644	110	3,208	6,976
Funded status	3,773	1,391	47	32	895	6,138
Recognised in the statements of financial position as of 31 December 2013	**3,773**	**1,391**	**47**	**32**	**895**	**6,138**

(1) Previous years' figures are adjusted due to revised IAS 19.

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

In € million	**2013**	**2012**	**2011**
Service cost	350	289	265
Interest cost	479	505	472
Interest income (1)	(265)	(260)	(246)
Past service cost(1)	0	29	0
Net periodic pension cost	**564**	**563**	**491**

(1) Previous years' figures are adjusted due to revised IAS 19.

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2013 amount to €672 million (in 2012: €623 million).

C) OTHER PROVISIONS

Movements in provisions during the year were as follows:

In € million	Balance at 1 January 2013	Exchange differences	Increase from passage of time	Additions	Reclassi-fication/Change in consolidated group	Used	Released	Balance at 31 December 2013
Contract losses	2,638	(1)	53	477	(1,023)	(274)	(72)	1,798
Outstanding costs	2,366	(39)	0	1,153	(98)	(751)	(108)	2,523
Aircraft financing risks	804	(9)	51	22	0	(102)	(89)	677
Personnel charges	726	(4)	1	545	(1)	(287)	(11)	969
Obligation from services and maintenance agreements	374	0	11	161	(39)	(86)	(75)	346
Warranties	605	(3)	12	157	11	(175)	(16)	591
Restructuring measures/pre-retirement part-time work	303[(1)]	(1)	1	331	21	(116)	(38)	501
Litigations and claims	206	(1)	0	13	(2)	(53)	(9)	154
Asset retirement	112	0	4	6	0	0	(1)	121
Other risks and charges	1,284[(2)]	(3)	4	434	(108)	(331)	(206)	1,074
Total	**9,418[(1),(2)]**	**(61)**	**137**	**3,299**	**(1,239)**	**(2,175)**	**(625)**	**8,754**

(1) Previous years' figures are adjusted due to revised IAS 19.

(2) Previous years' figures are adjusted due to the PPA adjustments.

The provision for contract losses as part of other provisions mainly relates to AIRBUS Military in conjunction with the A400M and to the A350 programme in AIRBUS Commercial. 2013 provision consumption mainly reflects utilisation as the A400M launch contract progresses whilst the increase to a large extent is due to an additional net charge of €434 million recognised in the A350 programme to reflect mainly the higher level of recurring costs. After 2 deliveries in 2013, A400M programme enters in progressive enhancement of military capability in a sequence to be negotiated and concluded with the customers. Risks related to cost envelope and military functionalities are closely monitored.

The majority of the addition to provisions for outstanding costs relates to CASSIDIAN and mainly corresponds to tasks to complete on construction contracts (e.g. border surveillance contracts (€426 million) and the Eurofighter program (€125 million).

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 €88 million (€92 million at 31 December 2012) and asset value risks of €589 million (€712 million at 31 December 2012) related to AIRBUS Commercial, EUROCOPTER and ATR (see Note 33 "Commitments and contingencies").

The provision for obligation from service and maintenance agreements covers among others costs related to technical issues identified and with solutions defined.

The addition to provision for restructuring measures/pre-retirement part-time work mainly relates to restructuring measures defined for the Group's Defence and Space business in order to improve competitiveness by reducing costs, create synergies in the operations and product portfolio and better focus Research and Development efforts. Accordingly, a plan including temporary contract termination, non-replacement of attrition, redeployment, partial and early retirement as well as voluntary leaves in Germany, France, the UK and Spain has been communicated to the Group's employees and the European Works Council in December 2013. As a result the Group has increased restructuring provisions by €292 million in total, excluding pension curtailment effects. Defined restructuring plan shall be fully implemented by the end of 2016. Associated costs of defined measures have been estimated based on experience per country and measure from past social plans throughout the Group.

"Reclassification/Change in consolidated group" mainly relates to offsetting of A400M and A350 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

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

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

The Group can issue commercial paper under the so called "billet de trésorerie" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The issued volume at 31 December 2013 amounted to €0 million (2012: €165 million). The programme has been set up in 2003 with a maximum volume of €2 billion. Liabilities from commercial paper programmes are included in 'Bonds'.

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

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 €157 million (2012: €195 million).

Liabilities from financial institutions at 31 December 2013 also include €608 million short-term liabilities (2012: €0 million) from securities lending activities.

Financing liabilities include liabilities connected with sales financing transactions amounting to €229 million (2012: €345 million), mainly at variable interest rates.

Non-recourse AIRBUS financing liabilities (risk is supported by external parties) amount to €229 million (2012: €345 million).

	31 December	
In € million	**2013**	**2012**
Bonds	2,340	1,669
thereof due in more than five years: 780 (31 December 2012: 579)		
Liabilities to financial institutions	1,217	1,382
thereof due in more than five years: 754 (31 December 2012: 561)		
Loans	237	287
thereof due in more than five years: 30 (31 December 2012: 56)		
Liabilities from finance leases	159	168
thereof due in more than five years: 97 (31 December 2012: 69)		
Others	3	0
thereof due in more than five years: 3 (31 December 2012: 0)		
Long-term financing liabilities	**3,956**	**3,506**
Bonds	0	165
Liabilities to financial institutions	955	53
Loans	116	189
Liabilities from finance leases	13	13
Others	561	853
Short-term financing liabilities (due within one year)	**1,645**	**1,273**
Total	**5,601**	**4,779**

Included in “Others” are financing liabilities to joint ventures.

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

In € million	**Financing liabilities**
2014	1,645
2015	203
2016	1,295
2017	168
2018	626
Thereafter	1,664
Total	**5,601**

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**

27. Other Financial Liabilities

In € million	31 December 2013	2012
Non-current other financial liabilities		
European Governments refundable advances	5,911	5,754
Liabilities for derivative financial instruments	671	1,159
Others	576	545
Total	**7,158**	**7,458**
Current other financial liabilities		
European Governments refundable advances	455	358
Liabilities to related companies	52	26
Liabilities for derivative financial instruments	303	852
Others	657	479
Total	**1,467**	**1,715**

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 the Group on the basis of significant development projects, European Governments refundable advances are accounted for by the Group within “Non-current/ current other financial liabilities” on the statement of financial position including accrued interests and presented within “cash provided by operating activities” in the Consolidated Statements of Cash Flows.

Included in “Other financial liabilities” are €1,498 million (2012: €1,713 million) due within one year and €4,237 million (2012: €3,847 million) maturing after more than five years.

28. Other Liabilities

In € million	31 December 2013	2012
Non-current other liabilities		
Customer advance payments	10,225	9,881
Others	565	643
Total	**10,790**	**10,524**
Current other liabilities		
Customer advance payments	25,193	25,333
Tax liabilities (excluding income tax)	632	592
Others	2,334	2,258
Total	**28,159**	**28,183**

Included in “Other liabilities” are €23,969 million (2012: €25,164 million) due within one year and €4,351 million (2012: €3,746 million) maturing after more than five years.

Advance payments received relating to construction contracts amount to €9,871 million (2012: €10,037 million) mainly resulting from AIRBUS Military (€4,067 million), ASTRIUM (€3,068 million), CASSIDIAN (€1,580 million) and EUROCOPTER (€1,087 million).

29. Trade Liabilities

As of 31 December 2013, trade liabilities amounting to €445 million (€74 million as of 31 December 2012) mature after more than one year.

30. Deferred Income

In € million	31 December 2013	31 December 2012
Non-current deferred income	239	212
Current deferred income [1]	999	1,060
Total	**1,238**	**1,272**

(1) Previous years' figures are adjusted due to PPA adjustments of prior year's acquisitions.

Deferred income includes sales of aircraft with asset value guarantee commitments which are accounted for as operating leases (€19 million and €117 million as of 31 December 2013 and 2012, respectively).

NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

31. Consolidated Statements of Cash Flows

Cash and cash equivalents are composed of the following elements:

Cash and cash equivalents in € million	2013	2012
Bank account & petty cash	2,356	2,761
Short-term securities (at fair value through profit & loss)	2,933	2,296
Short-term securities (available for sale)	2,130	3,323
Others	346	376
Total cash and cash equivalents	**7,765**	**8,756**

As of 31 December 2013, bank account and petty cash are mostly denominated in €, USD and GBP. Others include mainly the Group share in MBDA's cash and cash equivalents, deposited at BAE Systems and Finmeccanica which is available upon demand with an amount of €340 million (€374 million as of 31 December 2012).

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

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

	31 December		
In € million	**2013**	**2012**	**2011**
Total purchase price	(17)	(259)	(1,631)
thereof paid in cash and cash equivalents	(17)	(259)	(1,631)
Cash and cash equivalents included in the acquired subsidiaries, joint ventures and businesses	1	58	96
Cash Flow for acquisitions, net of cash	**(16)**	**(201)**	**(1,535)**

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

In 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 S.A.) 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 € million	31 December 2013	2012	2011
Intangible assets; property, plant and equipment	4	99	719
Inventories	0	105	274
Trade receivables	1	65	387
Other assets	8	42	128
Cash and cash equivalents	1	58	96
Assets	**14**	**369**	**1,604**
Provisions	(1)	(126)	(140)
Trade liabilities	0	(32)	(288)
Financing liabilities	(1)	(11)	(203)
Tax liabilities and other liabilities	(9)	(77)	(308)
Liabilities	**(11)**	**(246)**	**(939)**
Fair value of total net assets	**3**	**123**	**665**
Increase in non-controlling interests due to acquisitions	0	(8)	(2)
Fair value of net assets acquired	**3**	**115**	**663**
Goodwill arising on acquisitions	11	199	1,020
Badwill	0	0	(2)
Total consideration	**14**	**314**	**1,681**
Gains related to business combinations	0	(7)	(24)
Non-cash effective consideration of investments held prior to the acquisitions	0	(1)	(21)
Linked non-controlling interests squeeze out transactions	3	5	(5)
Non-cash effective consideration of earn-outs to be paid at a later stage	0	(52)	0
Less cash and cash equivalents of acquired subsidiaries, joint ventures and businesses	(1)	(58)	(96)
Cash Flow for acquisitions, net of cash	**16**	**201**	**1,535**

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

In € million	31 December 2013	2012	2011
Total selling price	0	0	18
thereof received by cash and cash equivalents	0	0	18
Cash and cash equivalents included in the (disposed) subsidiaries	0	0	0
Cash Flow from disposals, net of cash	**0**	**0**	**18**

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.

In € million	31 December 2013	2012	2011
Intangible assets; property, plant and equipment	0	0	(8)
Trade receivables	0	0	(4)
Cash and cash equivalents	0	0	0
Assets	**0**	**0**	**(12)**
Provisions	0	0	2
Other liabilities	0	0	2
Liabilities	**0**	**0**	**4**
Book value of net assets	**0**	**0**	**(8)**
Related disposal of Goodwill	0	0	(10)
Less cash and cash equivalents of disposed subsidiaries	0	0	0
Cash Flow from disposals, net of cash	**0**	**0**	**(18)**

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

32. Litigation and Claims

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

Regarding the Group's provisions policy, the Group 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. The Group 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 the Group 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 carried out an investigation based on the same facts. In November 2013, the investigating judge decided to send the case to trial (*renvoi devant le tribunal correctionnel*) against seven current and former executives that exercised their stock options in March 2006 and the two core shareholders. All other parties will not stand trial.

CNIM

On 30 July 2010, Constructions Industrielles de la Méditerrannée ("CNIM") brought an action against the Group 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. While preparing appeal, CNIM offered to withdraw its claims in exchange for the Group withdrawing their claims. On 5 December 2013, the Court took note of the dismissal of CNIM and its acceptance by the defendants, thereby declaring the case closed.

GPT

Prompted by a whistleblower's allegations, the Company has conducted internal audits and commissioned an external investigation relating to GPT Special Project Management Ltd. ("GPT"), a subsidiary that the Group acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by the Group, relating to activities conducted by GPT in Saudi Arabia. Following the allegations, the Group conducted comprehensive internal audits in 2010 that did not detect any violations of law. The UK Serious Fraud Office (the "SFO") subsequently commenced a review of the matter. In 2011, the Group retained PricewaterhouseCoopers ("PwC") to conduct an independent review, the scope of which was agreed with the 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 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 the Group to the SFO in March 2012. Separately, in August 2012, the SFO announced that it had opened a formal criminal investigation into the matter. The Group is cooperating fully with this investigation.

Eurofighter Austria

In March 2012, the German public prosecutor, following a request for assistance by the Austrian public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust by current and former employees of EADS Deutschland GmbH and Eurofighter Jagdflugzeug GmbH as well as by third parties relating to the sale of Eurofighter aircraft to Austria in 2003. The Group is cooperating fully with this investigation and has also engaged external legal counsel to conduct an independent review of the matter.

Commercial disputes

In May 2013, the Group has been notified of a commercial dispute following the decision taken by the Group to cease a partnership for sales support activities in some local markets abroad. The Group believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the potential outcome of any future procedures to be initiated by the parties cannot be assessed at this stage.

In the course of another commercial dispute, the Group has received in the third quarter 2013 a statement of claim alleging liability for refunding part of the purchase price of a large contract which the customer claims it was not obliged to pay. The Group believes that this claim which goes back many years ago should be dismissed in principle. As always, the outcome of a legal proceeding is uncertain.

33. Commitments and Contingencies

Commitments and contingent liabilities

Sales financing – In relation to its AIRBUS, EUROCOPTER and ATR activities, the Group 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. The Group believes that the estimated fair value of the aircraft securing such commitments will substantially offset any potential losses from the commitments. Any remaining difference between the amount of financing commitments given and the collateral value of the aircraft financed is provided for as an impairment to the relating asset, if assignable, or as a provision for aircraft financing risk. The basis for this write down is a risk-pricing-model, which is applied at every closing to closely monitor the remaining value of the aircraft.

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for **on the statement of financial position** either as (i) an operating lease (see Note 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") or (iv) inventory. As of 31 December 2013, related accumulated impairment amounts to €169 million (2012: €223 million) for operating lease, to €124 million (2012: €132 million) for loans and finance lease receivables and €10 million for inventories (2012: €0). As part of provisions for aircraft financing risks €43 million (2012: €49 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, who assume liability for the payments, it is exposed to future lease payments.

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

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

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 the Group bears the risk (not discounted)	**51**

Total aircraft lease commitments of €271 million as of 31 December 2013 (2012: €332 million) arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of €188 million (2012: €300 million). A large part of these lease commitments (€219 million and €281 million as of 31 December 2013 and 2012) arises from transactions that were sold down to third parties, which assume liability for the payments. The Group determines its gross exposure to such operating leases as the present value of the related payment streams. The difference between gross exposure and the estimated value of underlying aircraft used as collateral, the net exposure, is provided for in full with an amount of €45 million as of 31 December 2013 (2012: €43 million), as part of the provision for aircraft financing risks (see Note 25C) "Other provisions").

As of 31 December 2013 and 2012, the total consolidated **– on and off balance sheet –** Commercial Aviation Sales Financing Exposure is as follows (AIRBUS Commercial, EUROCOPTER and 50% for ATR):

	31 December	
In € million	**2013**	**2012**
Total gross exposure	1,358	1,297
Estimated fair value of collateral (aircraft)	(967)	(850)
Net exposure (fully provided for)	**391**	**447**

Details of provisions / accumulated impairments are as follows:

	31 December	
In € million	**2013**	**2012**
Accumulated impairment on operating leases (see Note 15 "Property, plant and equipment")	169	223
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")	124	132
Provisions for aircraft financing risk (on balance sheet) (see Note 25C) "Other provisions")	43	49
Impairment charge on second hand aircraft included in inventories (see Note 18 "Inventories")	10	0
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 25C) "Other provisions")	45	43
Total provisions / accumulated impairments for sales financing exposure	**391**	**447**

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 2025. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease (see Note 15 "Property, plant and equipment" and Note 30 "Deferred income"). In addition, the Group is contingently liable in case asset value guarantees with less than 10% are provided to customers as part of aircraft sales. Counter guarantees are negotiated with third parties and reduce the risk to which the Group is exposed. As of 31 December 2013, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to €871 million (2012: €1,046 million), excluding €205 million (2012: €333 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 €589 million (2012: €712 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, the Group 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 the Group as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to €731 million (2012: €916 million) as of 31 December 2013, and relate mainly to procurement operations (*e.g.* facility leases, car rentals).

Maturities as of 31 December 2013 are as follows:

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

The respective 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**

34. Information about Financial Instruments

A) FINANCIAL RISK MANAGEMENT

By the nature of the activities carried out, the Group is exposed to a variety of financial risks, as explained below: i) market risks, especially foreign currency exchange rate risks, interest rate risks, equity price risks and commodity price risks, ii) liquidity risk and iii) credit risk. The Group's overall financial risk management programme focuses on mitigating unpredictable financial market risks and their potential adverse effects on the Group's operational and financial performance. The Group uses derivative financial instruments and, to a minor extent, non-derivative financial liabilities to hedge certain risk exposures.

The financial risk management of the Group 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.

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

Significant parts of Group 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 the Group does not use financial instruments to cover its current and future foreign currency exchange rate exposure, its profits are affected by changes in the euro-US dollar exchange rate. As the Group intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, it uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

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

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

Equity Price risk – The Group is to a small extent invested in equity securities mainly for operational reasons. 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 the Group's financial instrument portfolio is amongst other key indicators the value-at-risk ("VaR"). The VaR of a portfolio is the estimated potential loss that will not be exceeded on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by the Group is based upon a 95 percent 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.

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

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

- A five-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 95 percent 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 the Group's financial instruments portfolio at 31 December 2013 and 31 December 2012 is as follows:

In € million	**Total VaR**	**Equity price VaR**	**Currency VaR**	**Commodity price VaR**	**Interest rate VaR**
31 December 2013					
FX hedges for forecast transactions or firm commitments	577	0	615	0	46
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	156	161	16	0	19
Finance lease receivables and liabilities, foreign currency trade payables and receivables	28	0	4	0	28
Commodity contracts	13	0	1	12	0
Diversification effect	(157)	0	(18)	0	(38)
All financial instruments	**617**	**161**	**618**	**12**	**55**
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**

The decrease of total VaR compared to 31 December 2012 is mainly attributable to strong decrease of market volatilities, in particular FX volatilities in combination with a decreased net foreign exchange portfolio in comparison to year end 2012. The Group 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 €577 million (2012: €916 million) cannot be considered as a risk indicator for the Group in the economic sense.

Further, the Group 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 internally within the Group 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 the Group's functional currency. At 31 December 2013, the related total VaR amounts to €122 million (2012: €153 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. The Group manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility

(€3.0 billion as of 31 December 2013 and 2012, respectively) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. The Group continues to keep within the asset portfolio the focus on low counterparty risk. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, the Group may issue bonds, notes and commercial papers and may enter into security lending agreements. Adverse changes in the capital markets could increase the Group's funding costs and limit its financial flexibility.

Further, the management of the vast majority of the Group's liquidity exposure is centralised by a daily cash concentration process. This process enables the Group to manage its liquidity surplus as well as its liquidity requirements according to the actual needs of its subsidiaries. In addition, Management monitors the Group's liquidity reserve as well as the expected cash flows from its operations 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
Dec 31, 2013								
Non-derivative financial liabilities	(17,258)	(17,999)	(12,282)	(533)	(1,577)	(475)	(951)	(2,181)
Derivative financial liabilities	(974)	(765)	(373)	(305)	(91)	(32)	(11)	47
Total	**(18,232)**	**(18,764)**	**(12,655)**	**(838)**	**(1,668)**	**(507)**	**(962)**	**(2,134)**
Dec 31, 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)**

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

The amounts disclosed are the contractual undiscounted cash flows, comprising all outflows 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 €6,366 million (2012: €6,112 million).

Credit Risk

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

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

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

European financial markets stabilized substantially in 2013. However, uncertainties regarding the creditworthiness of sovereign debtors and respective financial institutions could resurface, despite some efforts by governments and the European community. Furthermore, the continuation of monetary policy in the US will likely have an impact on global financial markets. Therefore, adverse developments for credit and funding markets cannot be excluded and this could have a number of effects on the Group's business, including:

- Continued de-leveraging as well as mergers and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by the Group for its businesses or restrict its ability to implement desired foreign currency hedges; and
- Default of cash investment securities or derivative counterparties and other financial institutions, which could negatively impact the Group's treasury operations.

Group financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments, impairment charges resulting from revaluations of debt and equity securities and other investments, interest rates, cash balances and changes in fair value of derivative instruments.

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment. In order to support sales, primarily at AIRBUS Commercial and ATR, the Group may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, AIRBUS 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	**2013**	**2012**
Receivables, neither past due nor impaired[(1)]	5,911	5,567
Not past due following negotiations and not impaired	49	39
Receivables impaired individually	197	30
Receivables not impaired and past due ≤ 3 months	1,219	1,107
Receivables not impaired and past due >3 and ≤ 6 months	133	124
Receivables not impaired and past due >6 and ≤ 9 months	169	255
Receivables not impaired and past due >9 and ≤ 12 months	171	273
Receivables not impaired and past due > 12 months	411	807
Total [(1)]	**8,260**	**8,202**

(1) Previous year figure adjusted due to PPA adjustments of prior year's acquisitions.

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 2013 and 2012 respectively:

31 December 2013 **In € million**	**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**	
Assets	Held for trading	Desi-gnated	Fair value	Book value	Fair Value	Amorti-sed Cost	Fair Value		Book Value	Fair Value
Other investments and other long-term financial assets										
Equity investments[1]	-	-	-	611	611[2]	-	-	-	611	611
Customer financings[3]	-	-	-	-	-	335	335	330	665	665
Other loans	-	-	-	-	-	769	769	-	769	769
Trade receivables	-	-	-	-	-	7,239	7,239	-	7,239	7,239
Other financial assets										
Derivative instruments[6]	238	-	2,472						2,710	2,710
Non-derivative instruments	-	-	-	-	-	923	923	-	923	923
Securities	-	4	-	6,886	6,886	-	-	-	6,890	6,890
Cash and Cash Equivalents	-	2,933	-	2,130	2,130	2,702	2,702	-	7,765	7,765
Total	**238**	**2,937**	**2,472**	**9,627**	**9,627**	**11,968**	**11,968**	**330**	**27,572**	**27,572**
Liabilities										
Financing liabilities										
Issued bonds & commercial papers	-	-	-	-	-	(2,340)	(2,432)	-	(2,340)	(2,432)
Liabilities to banks & other financing liabilities						(3,089)	(3,127)		(3,089)	(3,127)
Finance lease liabilities[4]	-	-	-	-	-	-	-	(172)	(172)	(172)
Other financial liabilities										
Derivative instruments[7]	(229)	-	(745)	-	-	-	-	-	(974)	(974)
European Governments refundable advances	-	-	-	-	-	(6,366)	(6,366)[5]	-	(6,366)	(6,366)
Other	(180)	-	-	-	-	(1,105)	(1,105)	-	(1,285)	(1,285)
Trade liabilities	-	-	-	-	-	(10,372)	(10,372)	-	(10,372)	(10,372)
Total	**(409)**	**-**	**(745)**	**-**	**-**	**(23,272)**	**(23,402)**	**(172)**	**(24,598)**	**(24,728)**

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

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

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

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

(5) The European Governments refundable advances of €6,366 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programs approach the end of production.

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

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

31 December 2012 In € million	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	
Assets	Held for trading	Desi-gnated	Fair value	Book value	Fair Value	Amorti-sed Cost	Fair Value		Book Value	Fair Value
Other investments and other long-term financial assets										
Equity investments[1]	-	-	-	596	596[2]	-	-	-	596	596
Customer financings[3]	-	-	-	-	-	364	364	376	740	740
Other loans	-	-	-	-	-	863	863	-	863	863
Part-time retirement & deferred compensation assets	-	-	-	203	203	-	-	-	203	203
Trade receivables[8],[9]	-	-	-	-	-	6,788	6,788	-	6,788	6,788
Other financial assets										
Derivative instruments[6]	422	-	1,145						1,567	1,567
Non-derivative instruments	-	-	-	-	-	1,267	1,267	-	1,267	1,267
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**	**12,428**	**12,419**	**12,419**	**376**	**29,095**	**29,095**
Liabilities										
Financing liabilities										
Issued bonds & commercial papers	-	-	-	-	-	(1,834)	(2,072)	-	(1,834)	(2,072)
Liabilities to banks & other financing liabilities						(2,764)	(2,820)		(2,764)	(2,820)
Finance lease liabilities[4]	-	-	-	-	-	-	-	(181)	(181)	(181)
Other financial liabilities										
Derivative instruments[7]	(278)	-	(1,782)	-	-	-	-	-	(2,060)	(2,060)
European Governments refundable advances	-	-	-	-	-	(6,112)	(6,112)[5]	-	(6,112)	(6,112)
Other	-	-	(5)	-	-	(996)	(996)	-	(1,001)	(1,001)
Trade liabilities[8],[9]	-	-	-	-	-	(9,921)	(9,921)	-	(9,921)	(9,921)
Total	**(278)**	**-**	**(1,787)**	**-**	**-**	**(21,627)**	**(21,921)**	**(181)**	**(23,873)**	**(24,167)**

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

(3) For certain unlisted equity investments price quotes are not available and fair values may not be reliably measurable using valuation techniques because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2012, the aggregate carrying amount of these investments was €341 million.

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

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

(6) The European Governments refundable advances of €6,112 million are measured at amortised cost;.fair values cannot be reliably measured reliably due to their risk sharing nature and the uncertainty of about the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programs approach the end of production.

(7) This includes credit value adjustments of €(65) million, which is recognised in OCI.

(8) This includes debit value adjustments of €40 million, which is recognised in OCI.

(9) Previous year's figures adjusted due to PPA adjustments of prior year's acquisitions.

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

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

Unquoted other investments are measured at cost as their fair value is not reliably determinable.

The methodologies used are as follows:

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

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

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

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

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

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

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

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

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

Fair Value Hierarchy

The fair value hierarchy consists of the following levels:

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

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

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

The 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 2013 and 2012 respectively:

31 December 2013 **In € million**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Equity Instruments	252	-	-	252
Derivative Instruments	-	2,676	34	2,710
Securities	6,876	14	-	6,890
Cash equivalents	3,777	1,286	-	5,063
Total	**10,905**	**3,976**	**34**	**14,915**
Financial liabilities measured at fair value				
Derivative instruments	-	(974)	-	(974)
Other liabilities	-	-	(180)	(180)
Total	**-**	**(974)**	**(180)**	**(1,154)**

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

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

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

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

31 December 2012 In € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Equity Instruments	458	-	-	458
Derivative instruments	-	1,518	49	1,567
Securities	8,205	110	-	8,315
Cash equivalents	5,413	206	-	5,619
Total	**14,076**	**1,834**	**49**	**15,959**
Financial liabilities measured at fair value				
Derivative instruments	-	(2,060)	-	(2,060)
Other liabilities	-	-	(5)	(5)
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	Reclassi-fication	Balance at 31 December 2012
Financial assets								
Derivative Instruments								
Commodity swap agreements	39	39	-	-	-	(37)	-	41
Other derivative instruments	0	(1)	2	-	-	-	7	8
Total	**39**	**38**	**2**	**-**	**-**	**(37)**	**7**	**49**
Financial liabilities								
Other liabilities	(56)	(1)	(3)	-	-	62	(7)	(5)
Total	**56**	**(1)**	**(3)**	**-**	**-**	**62**	**(7)**	**(5)**

Financial Assets classified as Level 3

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

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

Financial Liabilities classified as Level 3

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

The fair value measurements are performed on an annual basis in line with the operative planning cycle. For interim financial statements an analysis of the input parameters is performed for determination of significant changes since the last measurement date that would call for an adjustment of the value of the put options. Apart from the detailed five-year operating planning figures, there are two unobservable inputs that significantly affect the values of the NCI puts: the weighted average cost of capital ("WACC") used to discount the forecasted cash flows and the growth rate used to determine the terminal value. WACC and growth rates as well as operating planning figures that were used for the determination of the level 3 fair values are derived from the input perimeters as applied for the impairment test as disclosed in note 14 “Intangible Assets – Goodwill Impairment Tests”. An increase (decrease) of the discount rates by 50 basis points results in a decrease (increase) of the NCI put values by €5 million (€6 million). An increase (decrease) in the growth rates by 50 basis points increases (decreases) the NCI put values by €5 million (€4 million) respectively.

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

Financial Assets designated at fair value through profit or loss

The following types of **financial assets** held at 31 December 2013 and 2012 respectively are designated at fair value through profit or loss:

In € million	Nominal amount at initial recognition as of 31 December 2013	Fair value as of 31 December 2013	Nominal amount at initial recognition as of 31 December 2012	Fair value as of 31 December 2012
Designated at fair value through profit or loss at recognition:				
- Money Market Funds (accumulating)	2,933	2,933	2,296	2,296
- Foreign currency Funds of Hedge Funds	8	4	14	9
Total	**2,941**	**2,937**	**2,310**	**2,305**

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

In addition, the Group invests in Money Market Funds paying interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to €2,941 million (2012: €3,117 million).

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

C) POTENTIAL EFFECT OF SET-OFF RIGHTS ON RECOGNISED FINANCIAL ASSETS AND LIABILITIES

The Group reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. Furthermore, securities lending transactions are accounted for as collateralised borrowings. As a result, the securities pledged as collateral continue to be recognised on the balance sheet and the amount of cash received at the outset of the transaction is separately recognised as a financial liability. The following tables set out the potential effect of master netting agreements and collateralised borrowings on the Group’s financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2013 and 31 December 2012, respectively.

31 December 2013 **In € million**	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial assets set off in the financial statements**	**Net amounts of financial assets presented in the financial statements**	**Related amounts not set off in the statement of financial position**		
				Financial instruments	**Cash Collateral received**	**Net amount**
Derivative instruments	2,627	0	2,627	(953)	(9)	1,665

31 December 2013 **In € million**	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial liabilities set off in the financial statements**	**Net amounts of financial liabilities presented in the financial statements**	**Related amounts not set off in the statement of financial position**		
				Financial instruments	**Cash Collateral pledged**	**Net amount**
Derivative instruments	954	0	954	(954)	0	0
Security lending transactions	608	0	608	(608)(1)	0	0
Total	**1,562**	**0**	**1,562**	**(1,562)**	**0**	**0**

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

31 December 2012 **In € million**	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial assets set off in the financial statements**	**Net amounts of financial assets presented in the financial statements**	**Related amounts not set off in the statement of financial position**		
				Financial instruments	**Cash Collateral received**	**Net amount**
Derivative instruments	1,518	0	1,518	(1,518)	0	0

31 December 2012 **In € million**	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial liabilities set off in the financial statements**	**Net amounts of financial liabilities presented in the financial statements**	**Related amounts not set off in the statement of financial position**		
				Financial instruments	**Cash Collateral pledged**	**Net amount**
Derivative instruments	2,011	0	2,011	(1,311)	0	700

D) NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Year ended 31 December 2012 **In € million**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020+**	**Total**
	Remaining period								
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**

The notional amounts of interest rate contracts are as follows:

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

Please also refer to Note 26 "Financing Liabilities".

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

Notional amounts of commodity contracts:

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

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

E) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING DISCLOSURE

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2013 and 2012:

31 December 2013 **Interest rate in %**	**EUR**	**USD**	**GBP**
6 months	0.34	0.41	0.74
1 year	0.51	0.58	0.95
5 years	1.11	1.75	2.14
10 years	2.03	3.03	2.99

31 December 2012 **Interest rate in %**	**EUR**	**USD**	**GBP**
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

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2013 and 2012 is as follows:

In € million	**Equity attributable to equity owners of the parent**	**Non-controlling interests**	**Total**
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 / 1 January 2013	**(417)**	**1**	**(416)**
Unrealised gains and losses from valuations, net of tax	1,235	(3)	1,232
Transferred to profit or loss for the period, net of tax	306	0	306
Changes in fair values of hedging instruments recorded in AOCI, net of tax	1,541	(3)	1,538
31 December 2013	**1,124**	**(2)**	**1,122**

In the year 2013 an amount of €-450 million (in 2012: €-917 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			
	2013		2012	
In € million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign currency contracts – Cash Flow Hedges	2,346	(634)	959	(1,484)
Foreign currency contracts – not designated in a hedge relationship	89	(20)	164	(51)
Interest rate contracts – Cash Flow Hedges	2	(13)	0	(81)
Interest rate contracts – Fair Value Hedges	124	(61)	178	(171)
Interest rate contracts – not designated in a hedge relationship	102	(129)	144	(144)
Commodity contracts – not designated in a hedge relationship	26	(80)	41	(32)
Embedded foreign currency derivatives – Cash Flow Hedges	0	(37)	0	(46)
Embedded foreign currency derivatives – not designated in a hedge relationship	21	0	32	(2)
Total	**2,710**	**(974)**	**1,518**	**(2,011)**

F) NET GAINS OR NET LOSSES

The Group's net gains or net losses recognised in profit or loss in 2013 and 2012 respectively are as follows:

In € million	**2013**	**2012**
Financial assets or financial liabilities at fair value through profit or loss:		
- Held for trading	5	44
- Designated on initial recognition	1	(1)
Available-for-sale financial assets	9	0
Loans and receivables	14	18
Financial liabilities measured at amortised cost	(58)	(27)

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 €11 million (2012: €189 million) are recognised directly in equity relating to available-for-sale financial assets.

G) TOTAL INTEREST INCOME AND TOTAL INTEREST EXPENSES

In 2013, the total interest income amounts to €167 million (in 2012: €238 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 €-497 million (in 2012: €-522 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

H) IMPAIRMENT LOSSES

The following impairment losses on financial assets are recognised in profit or loss in 2013 and 2012 respectively:

In € million	2013	2012
Other investments and other long-term financial assets		
Equity instruments	(27)	(40)
Customer financings	(19)	(4)
Other loans	(8)	(10)
Trade Receivables	(59)	(50)
Securities	(0)	(2)
Total	**(113)**	**(106)**

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 and 2003. 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 the Group's Stock Option Plans, the granted exercise price was exceeding the share price at grant date.

In 2013, 2012, 2011, 2010, 2009 and 2008, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company. The grant of so called "units" will not physically be settled in shares (except with regard to Group Executive Committee members) but represents a cash settled plan in accordance with IFRS 2.

Due to the partial conversion of LTIP plans 2009-2011 end of December 2012 and of LTIP plan 2012 end of February 2013, some performance units granted to the Executive Committee members have been transformed to equity-settled plans. The grant date for the LTIP 2009-2011 is 31 December 2012, while LTIP 2012 is 28 February 2013. The fair value of at grant date corresponds to €29.50 for LTIP 2009-2011 and €39.70 for LTIP 2012. 328,801 units for the LTIP 2009-2011 and 75,975 units for the LTIP 2012 were transformed into shares at the respective grant dates. These shares are outstanding as of 31 December 2013 (for details please refer to the remuneration section of Note 36 'Related party transactions').

In 2013, compensation expense for Long-Term Incentive Plans was recognised for an amount of €439 million (in 2012: €163 million). The fair value of units granted per vesting date is as follows (LTIP plan 2013):

Expected vesting date	FV of restricted and performance units to be settled in cash In € (per unit granted)
May 2017	49.75
November 2017	48.90
May 2018	47.77
November 2018	46.92

As of 31 December 2013 provisions of €473 million (2012: €253 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 (€55.81 as of 31 December 2013) and the lifetime of the units.

The principal characteristics of the options as well as performance and restricted units as at 31 December 2013 are summarized in the various tables below:

	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	-	1,157,993
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	6,802,256	4,058,265

[1] As regards the sixth tranche, vesting of part of the options granted to the Group's top Executives was subject to performance conditions. As a result, part of these conditional options have not vested and were therefore forfeited during the year 2007.

	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	2,449,997
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 to 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	2,836,097

[1] As regards the seventh tranche, vesting of part of the options granted to the Group's top Executives was subject to performance conditions. As a result, part of these conditional options have not vested and were therefore forfeited during the year 2008.

	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	706,125
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	840,375

	Tenth tranche	
Grant date	13 November 2008	
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted	2,192,740	801,860
Number of units outstanding*)	0	0
Total number of eligible beneficiaries	1,684	
Vesting dates	The performance and restricted units will vest if the participant is still employed by a Group company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: 25% in May 2012; 25% in November 2012; 25% in May 2013; 25% in November 2013.	
Number of vested units**)	2,821,644	756,050

**) Re-evaluation was 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*)	2,697,740	928,660
Number of units outstanding**)	1,623,906	447,550
Total number of eligible beneficiaries	1,749	
Vesting dates	The performance and restricted units will vest if the participant is still employed by a Group company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: 25% in May 2013; 25% in November 2013; 25% expected in May 2014; 25% expected in November 2014.	
Number of vested units	1,515,588	453,550

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

**) Re-evaluation is based on 123% performance achievement for the remaining outstanding Performance Units.

	Twelfth tranche	
Grant date	10 November 2010	
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted*)	2,891,540	977,780
Number of units outstanding	2,758,640	943,060
Total number of eligible beneficiaries	1,711	
Vesting dates	The performance and restricted units will vest if the participant is still employed by a Group company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments 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	2,800	1,400

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

	Thirteenth tranche	
Grant date	9 November 2011	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted*)	2,588,950	877,750
Number of units outstanding	2,532,050	864,150
Total number of eligible beneficiaries	1,771	
Vesting dates	The performance and restricted units will vest if the participant is still employed by a Group company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments 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	2,500	3,750

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

	Fourteenth tranche	
Grant date	13 December 2012	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted*), **)	2,121,800	623,080
Number of units outstanding	2,106,160	616,260
Total number of eligible beneficiaries	1,797	
Vesting dates	The performance and restricted units will vest if the participant is still employed by a Group company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments 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	1,000	2,800

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

**) Apart from the 150% performance achievement level, the share price at the vesting dates will be limited for performance as well as restricted units to 55.66 €, which corresponds to 200% of the reference share price. Overall, the pay-out for performance units is limited to a total amount of 250% of the units originally granted, each valued with the reference share price of 27.83 €.

	Fifteenth tranche	
Grant date	17 December 2013 ***)	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted*), **)	1,241,020	359,760
Number of units outstanding	1,241,020	359,760
Total number of eligible beneficiaries	1,709	
Vesting dates	The performance and restricted units will vest if the participant is still employed by a Group company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: 25% expected in May 2017; 25% expected in November 2017; 25% expected in May 2018; 25% expected in November 2018.	
Number of vested units	-	-

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

**) Apart from the 150% performance achievement level, the share price at the vesting dates will be limited for performance as well as restricted units to 92,34 €, which corresponds to 200% of the reference share price. Overall, the pay-out for performance units is limited to a total amount of 250% of the units originally granted, each valued with the reference share price of 46.17 €.

***) Date, when the vesting conditions were determined

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

Fifth Tranche	Number of Options				
	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
2013	-	1,502,835	(1,398,685)	(104,150)	0

Sixth Tranche	Number of Options				
	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
2013	-	3,316,613	(2,148,520)	(10,100)	1,157,993

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
2013	-	5,333,695	(2,836,097)	(47,601)	2,449,997

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
2013	-	1,202,000	(490,375)	(5,500)	706,125

Total options for all Tranches	**25,070,520**	**11,355,143**	**(14,536,993)**	**(6,219,412)**	**4,314,115**

The weighted average share price at the date of exercise for share options exercised in 2013 was €41.74 (2012: €29.16).

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

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
Performance units in 2013	-	1,409,592	(1,398,688)	(10,904)	-	0
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
Restricted units in 2013	-	377,575	(373,515)	(4,060)	-	0
Total units	**2,994,600**	**1,787,167**	**(3,577,694)**	**(168,798)**	**751,892**	**0**

*) Re-evaluation is based on 136% performance achievement for the remaining outstanding Performance Units at 1st vesting.

Eleventh Tranche	Number of Units					
	Units granted	Balance at 1 January	Vested	Forfeited	Re-evaluation *)	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
Performance units in 2013	-	2,579,920	(1,506,438)	(42,204)	592,628	1.623,906
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
Restricted units in 2013	-	903,820	(449,390)	(6,880)	-	447,550
Total units	**3,626,400**	**3,483,740**	**(1,969,138)**	**(178,434)**	592,628	**2,071,456**

*) Re-evaluation is based on 123% performance achievement for the remaining outstanding Performance Units at 1st Vesting.

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
Performance units in 2013	-	2,835,240	(2,800)	(73,800)	2,758,640
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
Restricted units in 2013	-	947,160	(700)	(3,400)	943,060
Total units	**3,869,320**	**3,782,400**	**(4,200)**	**(163,420)**	**3,701,700**

Thirteenth Tranche	Number of Units					
	Units granted	Additional Grant*)	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
Performance units in 2013	-	14,900	2,559,950	(2,500)	(40,300)	2,532,050
Restricted units in 2011	877,750	-	-	-	-	877,750
Restricted units in 2012	-	-	877,750	(625)	-	877,125
Restricted units in 2013	-	2,475	877,125	(3,125)	(12,325)	864,150
Total units	**3,466,700**	**17,375**	**3,437,075**	**(6,250)**	**(81,625)**	**3,396,200**

*) corresponding to additional performance and restricted units granted for the plan 2011

Fourteenth Tranche	Number of Units				
	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2012	2,119,160*)	-	-	-	2,119,160
Performance units in 2013	-	2,119,160	(1,000)	(12,000)	2,106,160
Restricted units in 2012	621,980**)	-	-	-	621,980
Restricted units in 2013	-	621,980	(2,800)	(2,920)	616,260
Total units	**2,741,140**	**2,741,140**	**(3,800)**	**(14,920)**	**2,722,420**

*) Cancellation of 2,640 Performance Units from 2012 Units Granted

**) Cancellation of 1,100 Restricted Units from the 2012 Units Granted

The outstanding units for the fifteenth tranche as at 31 December 2013 correspond to the number of units at grant date.

B) EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

In 2013 (and 2012), 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). The Group 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 closing price at the Paris stock exchange on 29 May 2013 and amounted to €44.20 (in 2012 the subscription price for ESOP was equal to the closing price at the Paris stock exchange on 31 May 2012 and amounted to €27.07). Investing through the mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 days immediately preceding 29 May 2013 (in 2012 it 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), resulting in a price of €42.02 (in 2012: €28.55). The Group issued and sold 2,133,245 ordinary shares (in 2012: 2,177,103 ordinary shares) with a nominal value of €1.00 in total. Compensation expense (excluding social security contributions) of €31 million (in 2012: €18 million) was recognised in connection with ESOP, based on a fair value of €43.00 at grant date.

Besides the annual ESOP, a free share plan was implemented during the third quarter 2013 due to the new shareholding structure and governance of the Group and to reward all eligible employees for the recent and future Group performance. Each eligible employee is granted ten free shares in EADS resulting in a distribution of 1,461,540 shares in November 2013. Such shares were bought from the market and therefore had not any impact on the issued share capital. Compensation expense (excluding social security contributions) of €69 million (in 2012: €0 million) was recognised for the free share plan, based on a fair value o €47.45 at grant date.

36. Related Party Transactions

Related parties – On 5 December 2012, the Group had announced that their Board of Directors and core shareholders had agreed on a far-reaching change of the company’s shareholding structure and governance. This agreement aimed at normalising and simplifying the governance of the Group while securing a shareholding structure that allows France, Germany and Spain to protect their legitimate strategic interests. On 27 March 2013, the shareholders approved in an Extraordinary General Meeting all resolutions that were required to authorize the Completion (“Consummation”) of the Multiparty Agreement announced on 5 December 2012. On 2 April 2013, the Completion (“Consummation”) of the Multiparty Agreement occurred, following the authorization by the shareholders. Previously existing shareholder agreements were terminated. From this date onwards the Group considers, that governmental shareholders are not meeting the definition of a related party under IAS 24. Consequently the Group no longer reports receivable, payable and other liability or loan transactions with the former shareholders as of 31 December 2013.

Before 2 April 2013, transactions with related parties included the French government, Daimler AG, Lagardère group and the Spanish government (SEPI) and its related entities. The Group has entered into various transactions with related entities that have all been carried out in the normal course of business.

The following table discloses the related party transactions on a full Group share as of 31 December 2013:

In € million	Sales of goods and services and other income in 2013	Purchases of goods and services and other expense in 2013	Receivables due as of 31 December 2013	Payables due as of 31 December 2013	Other Liabilities/ Loans received as of 31 December 2013
French government	632	24	N/A	N/A	N/A
Spanish government (SEPI)	7	0	N/A	N/A	N/A
Daimler AG	0	3	N/A	N/A	N/A
Lagardère group	0	0	N/A	N/A	N/A
Total transactions with shareholder	**639**	**27**	**N/A**	**N/A**	**N/A**
Total transactions with French government related entities	**31**	**1,299**	**N/A**	**N/A**	**N/A**
Total transactions with joint ventures	**2,470**	**157**	**265**	**44**	**877**
Total transactions with associates	**537**	**172**	**30**	**26**	**93**

As of 31 December 2013, the Group granted guarantees of €443 million to Air Tanker group in the UK, a loan to Daher-Socata SA in the amount of €24 million. The share of the Group in OnAIR B.V. was disposed of during 2013. The Group sold some land & buildings to MBDA. The selling price was €76 million, of which 50% were outstanding at the end of 2013.

The following table discloses the related party transactions on a full Group 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**	**4,143[(2)]**	**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.

(2) 2012 figures restated in accordance with 2013 presentation.

As of 31 December 2012, the Group 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.

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

Remuneration of key management personnel	2013 (in € million)	2012 (in € million)
	Total	**Total**
Executive Committee, incl. Executive Board Member(s) [(1)]		
Salaries and other short term benefits (including bonuses) [(2)]	23.1	21.4
Post-employment benefit costs [(3)]	4.6	6.3
Share-based remuneration (“LTIP award”)	24.3	11.1
Termination benefits	0	3.1
Other benefits (incl. company cars, insurance)	0.5	0.4
Social Charges	4.5	4.0
	57.0	**46.3**
Non-Executive Board Members		
Short-term benefits [(4)]	1.8	1.7
	1.8	**1.7**
Total expense recognised	**58.8**	**48.0**

(1) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December of the respective year. Figures account for pro rata periods considering the change of the Group CEO from Louis Gallois to Tom Enders during 2012.

(2) Bonuses included in short-term benefits are based on expected performance achievement as at the respective balance sheet date.

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

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

Amount of the pension defined benefit obligation of the Executive Committee, including the Chief Executive Officer, at 31 December 2013 was €54.4 million (2012: €44.8 million). The disclosed defined benefit obligation reflects the total outstanding balance for all Executive Committee members subject to a defined benefit plan and in charge at the end of the respective balance sheet date.

Outstanding short term benefits (bonuses) at year end 2013 for Executive Committee members based on estimated performance achievement at year end was €12.1 million (2012: €9.2 million).

Other benefits include expenses for Executive Committee members’ company cars and accident insurance. There were no outstanding liabilities at 31 December 2013 or 2012 respectively.

The share-based payment expenses result from not yet forfeited units granted to the Executive Committee Members under the Group’s Long Term Incentive Plan (“LTIP”) which are re-measured to fair value as far as they are cash settled. In 2013, the members of the Executive Committee were granted 203,000 performance units (2012: 275,900 units); the fair value of these performance units at grant date was €10.9 million (2012: €8.1 million). Fair value of outstanding LTIP balances end of 2013 for all Executive Committee Members was €24.8 million (2012: €18.4 million).

In order to strengthen the alignment of the Group’s top management with the long-term growth objectives of the Company, the Board has requested Group 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 the Group's Long-term Incentive Plans to achieve this goal in a timely manner.

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

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

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

	LTIP 2009 (1),(2)	**LTIP 2010 (1) (3)**	**LTIP 2011 (1)**	**LTIP 2012 (4)**
Total number of units granted	343.180	304.400	263.500	275.900
Number of cash-settled units	210.644	193.550	178.085	199.925
Number of equity-settled units	132.536	110.850	85.415	75.975

(1) Partial conversion of cash settled plan into equity settled plan as at 31 December 2012.

(2) Including performance achievement of 123% for performance units under 2009 LTIP.

(3) Based on estimated performance achievement of 100%.

(4) Partial conversion of cash settled plan into equity settled plan as at 28 February 2013.

As all Group Stock Option Plans ("SOP") vested before 2012 no personnel expense was recognised in 2013 or in 2012.

In the case of contract termination, the Executive Committee Members, including the Chie Executive Officer, are entitled to an indemnity equal to 1.5 times the Total Annual Income (defined as Base Salary and target Annual Variable remuneration). This rule does however not apply if the contractor mandate is terminated for cause or if the Executive Committee Member has reached retirement age.

In 2013, no termination package has been granted to any Executive Committee Member. In 2012, four members left the Executive Committee: Louis Gallois, former Chief Executive Officer; Hans-Peter Ring, former Chief Financial Officer; Jussi Itävouri, former Head of Human Ressources and Stefan Zoller, former Head of Cassidian Division. Termination indemnity recognised in 2012 was €3.1 million of which €1.5 million were paid in 2012 and remainder was outstanding at year-end and was paid in 2013. There are no outstanding balances for other compensation elements for neither year end 2013 or for 2012.

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

Past LTIP awards are maintained for good leavers, such as in the case of retirement or if a mandate is not renewed by the Company without cause. The vesting of LTIP awards is not accelerated. LTIP awards are forfeited for Executives who leave the company of their own initiative, but this is subject to review by the Board of Directors.

Furthermore in 2013, the Company recognised €2.4 million of high salary taxes for Executive Committee members subject to French tax jurisdictions under the "Taxe sur les Hauts Revenus", requiring for 2013 and 2014 exceptional 50% charges on individual annual remuneration exceeding €1 million. This amount reflects the Group's best estimate of the chargeable amount by end of 2013; further details from French Tax authorities are expected in the course of 2014.

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

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, and Signalis) in aggregate:

In € million	2013	2012
Non-current assets	572	557
Current assets	2,544	2,526
Non-current liabilities	538	522
Current liabilities	2,557	2,567
Revenues	1,958	1,928
Profit for the period	152	148

The Group's proportional share in contingent liabilities of these joint ventures as of 31 December 2013 amounts in aggregate to €329 million (2012: €495 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.

	2013	2012	2011
Profit for the period attributable to equity owners of the parent (Net income)(1)	€1,465 million	€1,197 million	€980 million
Weighted average number of ordinary shares	792,466,862	819,378,264	812,507,288
Basic earnings per share(1)	€1.85	€1.46	€1.21

(1) Previous years' figures are adjusted due to revised IAS 19.

Diluted earnings per share – For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's categories of dilutive potential ordinary shares are stock options and share-settled performance units for Executive Committee members relating to long-term incentive plans for 2009 to 2012. Since in 2013 the average price of EADS shares exceeded the exercise price of the 5th, 6th, 7th and 8th stock option plan as well as the share-settled performance units (in 2012: the 5th, 6th and the 8th stock option plan, in 2011: the 4th and the 5th stock option plan), 1,660,950 shares related to stock options (in 2012: 1,173,667 shares, in 2011: 1,194,624 shares) were considered in the calculation of diluted earnings per share.

	2013	2012	2011
Profit for the period attributable to equity owners of the parent (Net income) [(1)]	€1,465 million	€1,197 million	€980 million
Weighted average number of ordinary shares (diluted)	794,127,812	820,551,931	813,701,912
Diluted earnings per share[(1)]	€1.84	€1.46	€1.20

(1) Previous years' figures are adjusted due to revised IAS 19.

39. Number of Employees

The number of employees at 31 December 2013 is 144,061 as compared to 140,405 at 31 December 2012.

40. Events after the Reporting Date

On 2 January 2014, the Group has been rebranded as "Airbus Group". The rebranding is the first step of the reorganization under which the Group reduces its number of Divisions from formerly four to three Divisions and also renames two: i) Airbus (focussing on commercial aircraft activities); ii) Airbus Defence and Space (integrating the Group's defence and space activities from Cassidian, Astrium, and Airbus Military); and iii) Airbus Helicopters (comprising all commercial and military helicopter activities).

The Company's legal name change into Airbus Group N.V. shall be submitted to the Company's Annual General Meeting of Shareholders scheduled for end of May 2014. The Company's subsidiaries may change their legal names in line with the Group's rebranding.

On 21 January 2014, Airbus Group signed an agreement with Astronics Corporation to sell substantially all of the assets and liabilities of its EADS North America Test and Services ("EADS NA T&S") business located in Irvine, California. EADS NA T&S is a provider of highly engineered automatic test systems, subsystems and instruments for the semi-conductor, consumer electronics, commercial aerospace and defense industries. The closing of the transaction is yet subject to approval by the US antitrust authorities (Hart-Scott-Rodino Act). The sale was approved by the Group's appropriate body only in January 2014, shortly prior to the signing of the agreement and thus was deemed to be classified as a disposal group only subsequent to the closing date.

These Consolidated Financial Statements have been authorized for issuance by the Board of Directors on 25 February 2014.

APPENDIX “INFORMATION ON PRINCIPAL INVESTMENTS”
CONSOLIDATION SCOPE

Appendix "Information on principal investments"- Consolidation Scope

2013	%	2012	%	Company	Head office
Airbus Commercial					
F	100.00	F	100.00	AD Grundstückgesellschaft mbH & Co. KG	Pullach i. Isartal (Germany)
F	60.00	F	60.00	Aero Equipement S.A.S.	Boulogne-Billancourt (France)
F	100.00	F	100.00	Aerolia S.A.S.	Toulouse (France)
		F	100.00	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	F	100.00	Airbus (TIANJIN) Logistics Company Ltd.	Tianjin (China)
F	100.00			Airbus Alabama, Inc.	Herndon, AL (USA)
F	100.00	F	100.00	Airbus Americas Customer Services, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Engineering, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Sales, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus China Ltd.	Hong Kong (China)
F	100.00			Airbus China Ltd., Beijing Representative Office	Beijing (China)
F	100.00	F	100.00	Airbus Corporate Jet Centre S.A.S. (ACJC)	Toulouse (France)
		F	100.00	Airbus Filton Limited	Filton (United Kingdom)
F	100.00	F	100.00	Airbus Financial Service Unlimited	Dublin (Ireland)
F	100.00	F	100.00	Airbus Flight Hour Services Ltd.	Dublin (Ireland)
		E	50.00	Airbus Freighter Conversion GmbH	Dresden (Germany)
F	100.00	F	100.00	Airbus Invest II S.A.S.	Blagnac (France)
F	100.00	F	100.00	AIRBUS INVEST S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Operations GmbH	Hamburg (Germany)
F	100.00	F	100.00	Airbus Operations Ltd.	Filton (United Kingdom)
F	100.00	F	100.00	Airbus Operations S.A.S.	Toulouse (France)
F	100.00	F	100.00	Airbus Operations S.L.	Madrid (Spain)
F	100.00	F	100.00	Airbus ProSky S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Real Estate Premium AEROTEC Nord GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Airbus S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
		F	100.00	Airbus UK Limited	Filton (United Kingdom)
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)
P	50.00			ATRium Mauritius Ltd	Mauritius Island
F	100.00	F	100.00	Aviateur Finance Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Aviateur International Ltd.	Dublin (Ireland)
		F	100.00	Aviateur Leasing Ltd.	Dublin (Ireland)
		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	Composites Atlantic Ltd.	Lunenburg (Canada)
F	100.00	F	100.00	CTC GmbH	Stade (Germany)
F	100.00	F	100.00	EADS ATR S.A.	Colomiers (France)
F	100.00	F	100.00	EADS Composites Aquitaine S.A.	Salaunes (France)
F	100.00	F	100.00	EADS Maroc Aviation	Casablanca (Morocco)
F	100.00	F	100.00	EADS Real Estate Premium AEROTEC Augsburg GmbH & Co. KG	Augsburg (Germany)
F	100.00	F	100.00	EADS Sogerma S.A.S.	Rochefort (France)
F	65.00	F	100.00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
E	30.00	E	30.00	Elson Ltd.	Hong Kong (China)
F	100.00	F	100.00	Eltra Aeronautics Pte Ltd.	Singapore (Singapore)
F	99.00	F	99.00	Eltra Aeronautique S.A.S.	Marseille (France)
F	49.00	F	49.00	Eltra Beijing Outou	Beijing (China)
F	100.00	F	100.00	Eltra Holdings Pte Ltd.	Singapore (Singapore)
F	100.00	F	100.00	Eltra Services Ltd.	Hong Kong (China)
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 Skeyes SAS	Colomiers (France)
F	100.00	F	100.00	Metron Aviation, Inc.	Dulles, VA (USA)
F	100.00	F	100.00	Metron Holdings, Inc.	Dulles, VA (USA)

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.*

Appendix "Information on principal investments"- Consolidation Scope

2013	%	2012	%	Company	Head office
		E	30.05	OnAir N.V.	Amsterdam (Netherlands)
E	33.00	E	33.00	Pesola Ltd.	São José dos Campos (Brazil)
F	74.90	F	74.90	PFW Aerospace AG	Speyer (Germany)
F	100.00	F	100.00	Premium AEROTEC GmbH	Augsburg (Germany)
F	100.00	F	100.00	Satair A/S	Kastrup (Denmark)
F	100.00	F	100.00	Satair Pte Ltd Beijing Representative Office	Beijing (China)
F	100.00	F	100.00	Satair Pte Ltd.	Singapore (Singapore)
F	100.00	F	100.00	Satair UK Ltd.	Heston (United Kingdom)
F	100.00	F	100.00	Satair USA, Inc.	Atlanta, GA (USA)
F	100.00			SC Premium Aerotec SRL	Braşov (Romania)
E	30.00	E	30.00	Sinelson Aero	Tianjin (China)
E	34.00	E	34.00	Sopecaero Ltd.	São José dos Campos (Brazil)
F	100.00	F	100.00	Star Real Estate S.A.S.	Toulouse (France)
E	29.50	E	29.50	Telair International Services Pte Ltd.	Singapore (Singapore)

Additionally consolidated are 21 SPEs.

Airbus Military

2013	%	2012	%	Company	Head office
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.	Herndon (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

2013	%	2012	%	Company	Head office
F	100.00	F	100.00	AA Military Maintenance Pty. Ltd.	Brisbane (Australia)
F	100.00	F	100.00	American Eurocopter Corp.	Grand Prairie, 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	75.00	F	75.00	Eurocopter South East Asia Pte. Ltd.	Singapore (Singapore)
F	75.50			Eurocopter (Thailand) Limited	Bangkok (Thailand)
F	100.00	F	100.00	Eurocopter Canada Ltd.	Fort Erie, ON (Canada)
F	100.00	F	100.00	Eurocopter Chile S.A.	Santiago (Chile)
F	100.00	F	100.00	Eurocopter Cono Sur S.A.	Montevideo (Uruguay)
F	99.99	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	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.	Marignane (France)
F	100.00	F	100.00	Eurocopter International Pacific Holdings Pty. Ltd.	Bankstown (Australia)
F	100.00	F	100.00	Eurocopter International Pacific New Zealand Pty. Ltd.	Sydney (Australia)
F	100.00	F	100.00	Eurocopter International Services Ltd.	Dublin (Ireland)
F	100.00	F	90.00	Eurocopter Japan Co. Ltd.	Tokyo (Japan)
F	100.00	F	90.00	Eurocopter Japan RG Co.Ltd.	Tokyo (Japan)
F	100.00	F	100.00	Eurocopter Malaysia Sdn. Bhd.	Subang Selongor (Malaysia)
F	100.00	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	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	F	100.00	Motorflug Baden-Baden GmbH	Baden-Baden (Germany)
F	100.00	F	100.00	Spaero Trade GmbH	Rheinmünster (Germany)
F	100.00	F	100.00	The Sigma Aerospace Pension Trustee Ltd.	Croydon (United Kingdom)
F	100.00	F	100.00	Vector Aerospace (UK-Holdings) Ltd.	Aberdeen (United Kingdom)
F	100.00	F	100.00	Vector Aerospace Africa Pty. Ltd.	Midrand (South Africa)
F	100.00			Vector Aerospace Asia Pte Ltd (Singapore)	Singapore (Singapore)
F	100.00	F	100.00	Vector Aerospace Australia Pty. Ltd.	Brisbane (Australia)
F	100.00			Vector Aerospace Brasil Servicos E Monutencao De Aeronaves Ltda	São Paulo (Brazil)
F	100.00	F	100.00	Vector Aerospace Corporation	Toronto (Canada)
F	100.00	F	100.00	Vector Aerospace Engine Services UK Ltd.	Croydon (United Kingdom)
F	100.00	F	100.00	Vector Aerospace Engine Services-Atlantic, Inc.	Toronto (Canada)
F	100.00	F	100.00	Vector Aerospace Financial Services 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)

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Appendix "Information on principal investments"- Consolidation Scope

	2013	%	2012	%	Company	Head office
			F	100.00	Vector Aerospace Holding S.A.S.	Marignane (France)
	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.	Carson City, NV (USA)
	F	100.00	F	100.00	Vector Aerospace USA, Inc.	Montgomery, AL (USA)
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)
	F	100.00			Arkoon Network Security	Lyon (France)
			E	14.7	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)
	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	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	51.00	F	51.00	Cassidian Airborne Solutions GmbH	Bremen (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	Cassidian Cybersecurity GmbH	Ottobrunn (Germany)
	F	100.00	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	F	100.00	Cassidian Mexico SA de C.V.	Colonia Noche Buena (Mexico)
	F	100.00	F	100.00	Cassidian Optronics GmbH	Oberkochen (Germany)
	F	70.00	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 Saudi Ltd.	Riyadh (Saudi Arabia)
	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	Berlin (Germany)
	F	100.00	F	100.00	EADS CASA S.A. (Unit: Military Aircraft)	Madrid (Spain)
	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)
			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	FmElo Elektronik- und Luftfahrtgeräte GmbH	Ottobrunn (Germany)
	F	100.00	F	100.00	Get Electronique S.A.S.	Castres (France)
	F	75.00	F	75.00	GEW Technologies (Pty) Ltd.	Pretoria (South Africa)
	F	100.00	F	100.00	GFD GmbH	Hohn (Germany)
	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	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.	Paris (France)
	P	75.00	P	75.00	MBDA Holding S.A.S.	Paris (France)
	P	37.50	P	37.50	MBDA Insurance Ltd.	Dublin (Ireland)
	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 S.A.S.	Paris (France)
	P	37.50	P	37.50	MBDA Services S.A.	Paris (France)
	P	37.50	P	37.50	MBDA Treasury Ltd.	Jersey (United Kingdom)
	P	37.50	P	37.50	MBDA UAE Ltd.	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	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)

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The stated percentage of ownership is related to EADS N.V.
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Appendix "Information on principal investments"- Consolidation Scope

	2013	%	2012	%	Company	Head office
	F	100.00	F	100.00	Plant Holdings, Inc.	Temecula, CA (USA)
	E	18.75	E	18.75	Roxel S.A.	Le Plessis Robinson (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)
	F	99.88			Skyrecon Systems S.A.	Lyon (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	UTE CASA y Aeronautica industrial S.A.	Madrid (Spain)
Astrium						
			F	100.00	Astrium Americas, Inc.	Rockville, MD (USA)
	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	Astrium GmbH (Unit: HQs & Holdings)	Munich (Germany)
	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 Holding France S.A.S.	Paris (France)
	F	100.00	F	100.00	Astrium Holding S.A.S.	Paris (France)
	F	100.00	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			Astrium Ltd. (Unit: Services P&T)	Stevenage (United Kingdom)
	F	100.00	F	100.00	Astrium Ltd. (Unit: Services S&S)	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)
	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	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 AS (x-Mobsat Holding Norway AS)	Lysaker (Norway)
			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	100.00	F	98.86	Axio-Net GmbH	Hannover (Germany)
	F	54.40	F	54.40	Beijing Spot Image Co Ltd.	Beijing (China)
	F	56.76	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	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	100.00	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	Mobsat Holding 1BV	Amsterdam (Netherlands)
			F	100.00	Mobsat Holding 2BV	Amsterdam (Netherlands)
	F	100.00	F	75.10	ND SatCom Defence GmbH	Immenstaad (Germany)
	F	100.00	F	75.10	ND SatCom FZE	Dubai (United Arab Emirates)
	F	100.00	F	75.10	ND Satcom GmbH	Immenstaad (Germany)
	F	100.00	F	75.10	ND SatCom Products GmbH	Immenstaad (Germany)

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.*

Appendix "Information on principal investments"- Consolidation Scope

	2013	%	2012	%	Company	Head office
	F	100.00	F	75.10	ND SatCom Satellite Communication Systems (Beijing) Co. Ltd.	Beijing (China)
	F	100.00	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	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	99.81	Spot Imaging Services Pty. Ltd.	Weston Creek (Australia)
	F	99.99			SSTL US, LLC	Delaware (USA)
	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	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	Vizada Networks B.V.	Hoofddorp (Netherlands)
Other Businesses						
	E	30.00	E	30.00	Daher - Socata S.A.*	Louey (France)
	F	100.00	F	100.00	EADS North America Holdings, Inc.	Herndon, VA (USA)
	F	100.00	F	100.00	EADS North America, Inc.	Arlington, VA (USA)
	F	100.00	F	100.00	EADS Supply Services, Inc.	Rockville, MD (USA)
	F	100.00	F	100.00	Manhattan Beach Holding Company	Herndon, VA (USA)
	F	100.00	F	100.00	Matra Aerospace, Inc.	Herndon, VA (USA)
Headquarters						
	F	100.00	F	100.00	Aelis Mexico LLP	Querétaro (Mexico)
			F	60.00	Aero Equipement S.A.S.	Boulogne-Billancourt (France)
	F	100.00	F	100.00	Aero Ré S.A.	Luxembourg (Luxembourg)
	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 Aeroassurance S.N.C.	Paris (France)
	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)
	F	100.00	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)

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.*

Independent auditors' report

To: The Shareholders of European Aeronautic Defence and Space Company EADS N.V.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements 2013 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 2013, 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 2013 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.

Amstelveen, 25 February 2014

KPMG Accountants N.V.
A.A. van Eimeren RA

Rotterdam, 25 February 2014

Ernst & Young Accountants LLP
C.T. Reckers RA

Company Financial Statements

Balance Sheet of the Company Financial Statements

in €m		At 31 December	At 31 December
Assets	Note	**2013**	**2012**
Fixed assets			
Goodwill	2	4,354	4,354
Financial fixed assets [2])	2	14,107	11,331
Non-current securities	4	4,179	5,786
		22,640	**21,471**
Non-fixed assets			
Receivables and other assets	3	10,073	8,654
Current securities	4	2,430	2,228
Cash and cash equivalents	4	6,126	6,962
		18,629	**17,844**
Total assets		**41,269**	**39,315**
Liabilities and stockholders' equity			
Stockholders' equity [1])	5		
Issued and paid up capital		783	827
Share premium		5,049	7,253
Revaluation reserves		1,718	146
Legal reserves		4,462	4,143
Treasury shares		(50)	(84)
Retained earnings [2])		(2,416)	(3,079)
Result of the year [2])		1,465	1,197
		11,011	**10,403**
Non current liabilities			
Non current financing liabilities	6	3,514	3,078
		3,514	**3,078**
Current liabilities			
Current financing liabilities	6	914	-
Other current liabilities	7	25,830	25,834
		26,744	**25,834**
Total liabilities and stockholders' equity		**41,269**	**39,315**

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

[2]) Previous years' figures adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions.

Income Statement of the Company Financial Statements

in €m		2013	2012
Income from investments [2])		1,466	1,137
Other results		(1)	60
Net result	8	**1,465**	**1,197**

Notes to the Company Financial Statements

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 2013 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 unrealized.

Undistributed results from investments are included in the legal reserves to the extent the company cannot enforce dividend distribution.

2. Fixed assets

At the end of 2013, goodwill acquisition cost amounts to € 5,676 million (2012: € 5,676 million) and the cumulative amortization and impairments amounts to € 1,322 million (2012: € 1,322 million).

The movements in financial fixed assets are detailed as follows:

in €m	Subsidiaries	Participations	Loans	Total
Balance at 31 December 2011	**6,126**	**149**	**3,527**	**9,802**
Prior Years' Adjustment [2])	(7)	-	-	(7)
Balance at 31 December 2011 [2])	**6,119**	**149**	**3,527**	**9,795**
Additions	138	9	367	514
Redemptions		(4)	(328)	(332)
Share based payments	18			18
Net income from investments [2])	1,119	18		1,137
Actuarial gains/losses IAS 19 [2])	(739)			(739)
Dividends received	(240)	(12)		(252)
Translation differences/other changes [2])	1,214	2	(26)	1,190
Balance at 31 December 2012	**7,629**	**162**	**3,540**	**11,331**
Additions		22	544	566
Redemptions			(422)	(422)
Share based payments	33			33
Net income from investments	1,453	13		1,466
Actuarial gains/losses IAS 19	(48)			(48)
Dividends received	(26)	(6)		(32)
Translation differences/other changes	1,286	24	(97)	1,213
Balance at 31 December 2013	**10, 327**	**215**	**3,565**	**14,107**

[2]) Previous years' figures adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions.

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 € 3,565 million (2012: € 3,540 million) include loans provided to subsidiaries in the amount of € 3,207 million (2012: € 2,990 million) and loans provided to participations in the amount of € 94 million (2012: € 58 million). The increase of loans is mainly driven by loans provided to the subsidiaries Airbus SAS and Helicopteros do Brasil SA. The item redemptions mainly reflects repayments of loans provided to Astrium Holding SAS and Cassidian Ltd. An amount of € 1,519 million has a maturity between five and ten years and an amount of € 391 million matures after ten years. On average, the interest rate of the loans is 3.5%.

3. Receivables and other assets

in €m	2013	2012
Receivables from subsidiaries	9,873	8,410
Other assets	200	244
Total receivables and other assets	**10,073**	**8,654**

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

The receivables and other assets in the current year and in the previous year are due within one year.

4. Securities, Cash and cash equivalents

The securities comprise mainly available-for-sale securities. The available-for-sale security portfolio contains a non-current portion of € 4,179 million (2012: € 5,786 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 €m	Capital stock	Share premiums	Revaluation reserves	Legal reserves	Treasury shares	Retained earnings	Result of the year	Total equity
Balance at 31 December 2011	**820**	**7,519**	**(1,207)**	**3,544**	**(113)**	**(2,746)**	**1,033**	**8,850**
Prior Years' Adjustment [2])	-	-	-	-	-	46	(53)	(7)
Balance at 31 December 2011 [2])	**820**	**7,519**	**(1,207)**	**3,544**	**(113)**	**(2,700)**	**980**	**8,843**
Capital increase	7	137						144
Net income [2])							1,197	1,197
Cash distribution		(369)						(369)
Share based payments						18		18
Transfer to legal reserves				593		(593)		0
Purchase/ sale of treasury shares					(5)			(5)
Cancellation of treasury shares		(34)			34			0
Others [2])			1,353	6		(784)		575
Appropriation of result						980	(980)	0
Balance at 31 December 2012	**827**	**7,253**	**146**	**4,143**	**(84)**	**(3,079)**	**1,197**	**10,403**
Capital increase	9	233						242
Net income							1,465	1,465
Cash distribution		(467)						(467)
Share based payments		(74)				107		33
Transfer to legal reserves				475		(475)		0
Purchase of treasury shares					(1,915)			(1,915)
Cancellation of treasury shares	(53)	(1,896)			1,949			0
Others			1,572	(156)		(166)		1,250
Appropriation of result [2])						1,197	(1,197)	0
Balance at 31 December 2013	**783**	**5,049**	**1,718**	**4,462**	**(50)**	**(2,416)**	**1,465**	**11,011**

[2]) Previous years' figures adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions.

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

As of 31 December 2013, the item “Revaluation reserves” relates to € 594 million (2012: € 563 million) from unrealized positive fair values of securities classified as available for sale, and fair values of cash flow hedges, recognised directly in equity with a positive amount of € 1,124 million (2012: € 418 million negative fair values). The securities classified as available for sale and cash flow hedges are included in the fixed asset movement schedule within the “Subsidiaries”.

The “Legal reserves” are related to EADS’ share in the undistributed results from investments for € 1,626 million (2012: € 1,412 million), internally generated capitalized development costs of € 1,625 million (2012: € 1,365 million) and € 1,211 million (2012: € 1,366 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 € 3,122 million negative (2012: € 3,074 million negative).

Pursuant to Dutch law, limitation exist relating to the distribution of stockholders’ equity with an amount of € 6,964 million (2012: € 5,534 million). The limitations relate to capital stock of € 783 million (2012: € 827 million) and to legal reserves of € 4,462 million (2012: € 4,143 million). In 2013, unrealized gains related to “Revaluation reserves” with an amount of € 1,718 million (2012: 564 million) were not distributable. In general, gains related to available for sale securities, fair values of cash flow hedges, currency translation effects of affiliated companies and capitalized development costs reduce the distributable stockholders’ equity.

6. Financing liabilities

The non current financing liabilities in the amount of € 3,514 million (2012: € 3,078 million) include two long term loans, granted by the European Investment Bank to EADS for a total amount of US$ 1,127 million, a US$ 300 million loan granted by the Development Bank of Japan and three loans granted by EADS Finance B.V. for an amount of € 1,494 million and USD 1,000 million (granted in 2013). The two EUR-loans originate from the issuance of two EURO denominated bonds under EADS’ EMTN Programme by EADS Finance B.V.. The USD-Loan originates from the issuance by EADS Finance B.V. of a USD denominated bond in the U.S. institutional market. Terms and conditions of the three loans basically match those of the underlying bonds.

The current financing liabilities in the amount of € 914 million relate to cash received for security lending activities amounting to € 608 million and the current part of one loan granted by the European Investment Bank in the amount of US$ 421 million.

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

7. Current liabilities

in €m	**2013**	**2013**
Liabilities to subsidiaries	25,029	24,577
Liabilities to participations	598	891
Other liabilities	203	366
Total	**25,830**	**25,834**

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

8. Net income

The net income in 2013 amounts to € 1,465 million (2012: net income of € 1,197 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. issued guarantees on behalf of consolidated companies in the amount of € 6,404 million (2012: € 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 2013 and 2012 can be summarized as follows:

Executive Members of the Board:

(In €)	**2013**	**2012(1)**
Base Salary	1,400,004	1,229,169
Annual Variable Pay(2)	1,989,646	2,108,698
Pension cost	544,736	1,000,769
Share based remuneration („LTIP award“)(3)	4,669,363	1,371,899
Other benefits	73,687	27,845
Social charges	11,052	795,357

(1) Figures account for pro rata periods considering the change of the Group’s Chief Executive Officer from Louis Gallois to Tom Enders during 2012.
(2) The annual variable pay is based on estimated performance achievement as at the balance sheet date.
(3) Expense related to share-based payment plans as recognized in the annual period (service period): refer to note 35 to the Consolidated Financial Statements for details.

Summary table of the remuneration of the Non-Executive Directors

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

Current Non Executive Board Members (*)	**Directors' remuneration related to 2013 (*)**		**Directors' remuneration related to 2012 (*)**	
	Fixum (in €)	**Attendance Fees (in €)**	**Fixum (in €)**	**Attendance Fees (in €)**
Denis Ranque (1)	135,000	60,000	N/A	N/A
Manfred Bischoff (2)	60,000	45,000	N/A	N/A
Ralph D Crosby Jr (3)	60,000	45,000	N/A	N/A
Hans-Peter Keitel (4)	75,000	45,000	N/A	N/A
Hermann-Josef Lamberti (5)	115,000	60,000	130,000	50,000
Anne Lauvergeon (6)	75,000	45,000	N/A	N/A
Lakshmi N. Mittal (7)	95,000	35,000	80,000	40,000
Sir John Parker (8)	115,000	50,000	130,000	50,000
Michel Pébereau (9)	95,000	55,000	100,000	40,000
Josep Piqué i Camps (10)	95,000	50,000	46,667	35,000
Jean-Claude Trichet (11)	95,000	60,000	46,667	40,000
Former Non Executive Board Members				
Dominique D'Hinnin (12)	30,000	10,000	120,000	55,000
Arnaud Lagardère (13)	45,000	20,000	164,167	80,000
Wilfried Porth (14)	25,000	10,000	108,334	35,000
Bodo Uebber (15)	25,000	5,000	157,500	55,000
Former Non Executive Board Members in 2012				
Rolf Bartke	N/A	N/A	41,667	15,000
Juan Manuel Eguiagaray Ucelay	N/A	N/A	33,333	15,000
TOTAL	**1,140,000**	**595,000**	**1,158,335**	**510,000**

* The Fixum related to 2012 was paid in 2013; the Fixum realated to 2013 will be paid in 2014.

(1) New Chairman of the Company's Board of Directors as of 01/04/2013
(2) New member of the Company's Board of Directors as of 01/04/2013
(3) New member of the Company's Board of Directors as of 01/04/2013
(4) New member of the Company's Board of Directors and RNC as of 01/04/2013
(5) Member of the Company's Board of Directors and Chairman of the Audit Committee for the entire year 2013 , Member of the RNC until 31/03/2013
(6) New member of the Company's Board of Directors and Audit Committee as of 01/04/2013
(7) Member of the Company's Board of Directors for the entire year 2013, new member of the RNC as of 01/04/2013
(8) Member of the Company's Board of Directors and Chairman of the RNC for the entire year 2013, member of the Audit Committee until 31/03/2013
(9) Member of the Company's Board of Directors for the entire year 2013, new member of the Audit Committee as of 01/04/2013
(10) Member of the Company's Board of Directors for the entire year 2013, new member of the Audit Committee as of 01/04/2013
(11) Member of the Company's Board of Directors for the entire year 2013, new member of the RNC as of 01/04/2013
(12) Member of the Company's Board of Directors, Audit committee and RNC until 31/03/2013
(13) Chairman of the Company's Board of Directors until 31/03/2013
(14) Member of the Company's Board of Directors and RNC until 31/03/2013
(15) Member of the Company's Board of Directors and Audit Committee until 31/03/2013

Summary table of the remuneration of the current and former Executive Directors in 2012

The remuneration of the Executive Members of the Board of Directors in 2012 was as follows:

Executive Board Members	Directors' remuneration in respect of 2012					
	Base Salary (in €)	**Annual Variable Pay (in €)**	**Pension Cost (in €)**	**Share based payment (in €)**	**Other benefits (in €)**	**Social Charges (in €)**
Tom Enders (June 1 to December 31, 2012)	816,669	1,278,083	1,000,769	548,549	27,845	6,347
Louis Gallois (Jan 1 to May 31, 2012)	412,500	830,615	-	823,350	-	789,010
Total	**1,229,169**	**2,108,698**	**1,000,769**	**1,371,899**	**27,845**	**795,357**

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 2013	granted in 2013	exercised during 2013	as at 31 Dec 2013	exercise price in Euro	expiry date
Tom Enders							
2003	50,000	25,000	-	25,000	0	15.65	Oct. 9, 2013
2004	50,000	37,500	-	37,500	0	24.32	Oct. 7, 2014
2005	135,000	67,500	-	67,500	0	33.91	Dec. 8, 2015
2006	67,500	67,500	-	16,875	50,625	25.65	Dec. 16, 2016

After a recommendation of the Remuneration and Nomination Committee and in compliance with the relevant best practice recommendations, the Board of Directors recommended the set-up of a "blind trust" to which the executives could sign up after the Group's Annual General Meeting in late May 2013. The independence of the trust protects the integrity of the signee and promises compliance with market regulations on such matters.

The Chief Executive Officer decided during an open trading period to entrust the exercise of his options granted between 2003 and until 2006 and thereby relinquished any control over the trading decisions. Under this scheme trading decisions are scheduled in advance by the trust, and are implemented by the relevant bank following a substantial time buffer (of approximately three months) without any knowledge or influence of the signatory.

Any exercise/sale of the Chief Executive Officer in 2013 was executed in the frame of the blind trust mandates.

Performance units plan

Number of performance units (**):

	granted in 2008	vested in 2013
Tom Enders	40,000	27,200* (Re-evaluation of Performance Units based on 136% performance achievement)

*40,000 units have increased to 54,400 according to performance criteria of 136%. All of the 54,400 units have vested and were settled in cash but 20% units during two 2013 vestings were converted into and settled in shares (total units of 5.440). There are no outstanding unvested units of 2008 plan.

	granted in 2009	vested in 2013
Tom Enders	46,000	21,218* (Re-evaluation of Performance Units based on 123% performance achievement)

*46,000 of granted units increased to 56,580 in accordance with performance achievement of 123%. In line with end of 2012 implemented option of partial conversion to equity settlement (see notes 35 and 36 of IFRS Group Financial Statements) 75% of those 56,580 units (42,436 units) will vest in cash at each of initial vesting dates. The remaining 25% of the 56,580 units (14,144 units) will vest and be settled in shares at the last vesting date in November 2014 .

Remaining vesting schedule:

- 10,609 cash-settled units: expected in May 2014
- 10,609 cash-settled and 14,144 equity- settled units: expected in November 2014

	granted in 2010	vesting date
Tom Enders	54,400	Vesting schedule is made up of 4 payments over 2 years

- 25% of cash-settled units: expected in May 2014
- 25% of cash settled units: expected in November 2014
- 25% of cash settled units: expected in May 2015
- 25% of cash- settled units, 100% of equity-settled units: expected in November 2015

End of 2012, the Chief Executive Officer opted for 75% cash settlement of all vesting performance units at each vesting date. Remaining 25% of units will be settled in shares at the last vesting date.

	granted in 2011	vesting date
Tom Enders	51,400	Vesting schedule is made up of 4 payments over 2 years: · 25% of cash-settled units: expected in May 2015 · 25% of cash-settled units: expected in November 2015 · 25% of cash-settled units: expected in May 2016 · 25% of cash-settled units, 100% of equity-settled units: expected in November 2016 End of 2012, the Chief Executive Office opted for 75% cash settlement of all vesting performance units at each vesting date. Remaining 25% of units will be settled in shares at the last vesting date.

	granted in 2012	vesting date
Tom Enders	50,300	Vesting schedule is made up of 4 payments over 2 years: · 25% of cash-settled units: expected in May 2016 · 25% of cash-settled units: expected in November 2016 · 25% of cash settled units: expected in May 2017 · 25% of cash-settled units, 100% of equity-settled units: expected in November 2017 End of February 2013, the Chief Executive Officer opted for 75% cash settlement of all vesting performance units at each vesting date. Remaining 25% of units will be settled in shares at the last vesting date.

	granted in 2013	vesting date
Tom Enders	30,300	Vesting schedule is made up of 4 payments over 2 years: · 25% of cash-settled units: expected in May 2017 · 25% of cash-settled units: expected in November 2017 · 25% of cash-settled units: expected in May 2018 · 25% of cash-settled units, 100% of equity-settled units: expected in November 2018 In February 2014, the Chief Executive Officer opted for 50% cash settlement of all vesting performance units at each vesting date. Remaining 50% of units will be settlend in shares at the last vesting date.

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

Stock option plans

To the other current members of the Executive Committee and to the Group’s senior management, the number of outstanding stock options amounted to 4,314,115 at 31 December 2013 (2012: 11,355,143).

During the year 2013, the Executive Committee members have exercised 260,000 options granted under the various EADS stock option plans. 263,000 options were exercised by former Executive Board Directors.

Performance and Restricted unit plans

The total number of outstanding performance and restricted units amounted to 13,492,556 at 31 December 2013 (2012: 15,235,262) mostly granted to the current members of the Executive Committee and to the Group’s senior management.

Fair Value of outstanding LTIP balances end of 2013 for the Chief Executive Officer was €4,232,328 (2012: €2.649.378).

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.

For the Chief Executive Officer, Tom Enders, the pension defined benefit obligation amounted to €12,921,270 as of 31 December 2013, whilst the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2013 represented an expense of €544,736. This amount has been accrued in the consolidated financial statements. The defined benefit obligation of Tom Enders results from the Group's Executive Committee pension policy as described above and takes into account (1) the seniority of Tom Enders in the Group and its Executive Committee and (2) the significant lower public pension promise derived from the German social security pension system compared to public pensions resulting from the membership in the French public pension system.

Other benefits

The Chief Executive Officer, Tom Enders, is entitled to accident insurance coverage and a company car. In 2013 the total amount expensed was €73,687.

The company has not provided any loans to / advances to / guarantees on behalf of Directors.

For further information on the remuneration, please see Note 35 and 36 of the Consolidated Financial Statements.

12. Employees

The number of persons employed by the company at year end 2013 was 2 (2012: 2).

13. Related party transactions

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 2013 and 2012:

	KPMG Accountants N.V.				**Ernst & Young Accountants LLP**			
	2013		2012		2013		2012	
	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%
Audit								
Audit process, certification, examination of individual and consolidated accounts	5,201	63.6	5,780	55.0	5,931	68.8	5,836	61.3
Additional tasks (*)	2,196	26.9	3,725	35.5	2,123	24.6	3,158	33.2
Sub-total	**7,397**	**90.5**	**9,505**	**90.5**	**8,054**	**93.4**	**8,994**	**94.5**
Other services as relevant								
Legal, tax, employment	769	9.4	961	9.2	566	6.6	519	5.5
Information Technology	8	0.1	20	0.1	0	0.0	0	0.0
Other	0	0.0	22	0.2	0	0.0	0	0.0
Sub-total	**777**	**9.5**	**1,003**	**9.5**	**566**	**6.6**	**519**	**5.5**
Total	**8,174**	**100.0**	**10,508**	**100.0**	**8,620**	**100.0**	**9,513**	**100.0**

(*) Mainly transaction related work.

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 2013 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 2013, 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 2013 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.

Amstelveen, February 25, 2014

KPMG Accountants N.V.
A.A. van Eimeren RA

Rotterdam, February 25, 2014

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 € 1,465 million as shown in the income statements for the financial year 2013 is to be added to retained earnings and that a payment of a gross amount of € 0,75 per share shall be made to the shareholders.

2. Subsequent events

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

Report of the Board of Directors

(Issued as of 25 February 2014)

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**" and together with its subsidiaries the "**Group**") during the 2013 financial year, prepared in accordance with Dutch regulations. As further described in its press release of January 2, 2014, the Group has been rebranded as Airbus Group as of such date.

The Company's legal name change into Airbus Group N.V. through an amendment of its articles of association shall be submitted to the Company's Annual General Meeting of Shareholders (the "**AGM**") scheduled for end of May, 2014. The Company's subsidiaries may change their legal names in line with the Group's rebranding.

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

1. General Overview

With consolidated revenues of € 59.256 billion in 2013, the Group is Europe's premier aerospace and defence company and one of the largest aerospace and defence companies in the world. In terms of market share, the Group is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2013, it generated approximately 80% of its total revenues in the civil sector and 20% in the defence sector. As of 31 December 2013, the Group's active headcount was 144,061 employees.

Until 31 December 2013, the Company organised 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 2013

2013 was an important and eventful year for the Group, not least because of the far-reaching make-over of the Group's governance, shareholder structure and strategy. On the business and operational side the Company again increased revenues and profits, achieved record aircraft deliveries, the A350 XWB's first flight and initial A400M deliveries.

When the Company started the year 2013 it set itself the following "Group Priorities for 2013", which were shared with all employees:

1. Keep customer focus and enhance market position
2. Build EADS 2.0
3. Enhance financial performance
4. Nurture employee engagement
5. Further strengthen ethics and compliance
6. Drive quality and lean improvement
7. Ensure highest standards in health, safety and security
8. Foster innovation and entrepreneurial spirit

In 2013 the Group's order intake rose sharply to € 218.7 billion (FY 2012: € 102.5 billion), reflecting strong commercial momentum at Airbus and major contracts in the space business. At the same time, revenues increased 5% to € 59.3 billion (FY 2012: € 56.5 billion), mainly reflecting higher commercial aircraft deliveries and the A400M ramp-up. Defence revenues were stable and reflected the portfolio mix of development and long-term defence contracts. As of 31 December 2013, the Company's order book was worth € 686.7 billion (year-end 2012: € 566.5 billion). The defence order book was worth € 47.3 billion (year-end 2012: € 49.6 billion).

Since January 1st 2014, the Company has been doing business as Airbus Group and consists of three Divisions:

- **Airbus**, responsible for all commercial aircraft activities;
- **Airbus Defence & Space**, home to the Group's defence and space activities including Military Transport Aircraft;
- **Airbus Helicopters**, comprising all commercial and military helicopter activities.

Pooling the space and defence entities Airbus Military, Astrium and Cassidian is the Group's response to the changing market environment with flat or even shrinking budgets in some of its key markets. The structural change will provide optimised market access, cost and market synergies and improved competitiveness overall. It will also provide better visibility on the European leader in space and defence.

Implementation has started step-by-step on 1 January 2014 and will be completed in the second half of 2014. It is designed to support the Group's Flightpath 2015 for improved shareholder returns.

The Company's CEO, Tom Enders, commented on the day of the announcement: "What we are unveiling today is an evolution, not a revolution. It's the next logical step in the development of our company. We affirm the predominance of commercial aeronautics in our Group and we restructure and focus our defence and space activities to take costs out, increase profitability and improve our market position. The renaming simply gathers the entire company under the best brand we have, one that stands for internationalisation, innovation and integration - and also for some two thirds of our revenues. It reinforces the message that: 'We make things fly'."

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2013, the Company's issued share capital amounted to € 783,157,635 divided into 783,157,635 shares of a nominal value of € 1 each. The issued share capital of the Company as of such date represents 26.11% 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 retain proportion to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of the Company or of a group company. For the contractual position as to pre-emption rights, see "- 3.2. Relationship with Principal Shareholders".

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

Pursuant to the existing shareholders' resolution adopted at the AGM held on 29 May 2013, 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 the Company's authorised share capital. Such powers have been granted for a period expiring at the AGM to be held on 27 May 2014.

The shareholders' meeting will be requested in such AGM to delegate to the Board of Directors the powers to issue shares and to grant rights to subscribe for shares in the Company's share capital for the purpose of employee share ownership plans and share related long-term incentive plans (such as stock option, performance and restricted share plans), provided that such powers shall be limited to an aggregate of 0.2% of the Company's authorised capital from time to time and to limit or exclude preferential subscription rights.

In addition to the abovementioned authorisation, the shareholders' meeting will be requested to delegate the authorisation to the Board of Directors to issue shares and to grant rights to subscribe for shares of the Company up to an aggregate of 0.3% of the Company's authorised share capital, for the purpose of financing the Group, and to limit or exclude preferential subscription rights.

The shareholder's meeting will also be requested in relation to both abovementioned authorisations that (i) they will not extend to an issuance of shares, or granting of rights to subscribe for shares if there is no preferential subscription right and the issuance involves an aggregate issue price in excess of € 500,000,000 per share issuance and (ii) that such powers have been granted for a period expiring at the AGM to be held in 2015.

At the AGM held on 29 May 2013, the Board of Directors was authorised, for a period of 18 months from the date of such AGM, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company would not hold more than 10% of the Company's issued share capital. The shareholders' meeting will be requested to renew those powers in the AGM to be held on 27 May 2014 (without prejudice to the additional repurchase authorisation referred to below).

An additional share repurchase authorisation was adopted by the extraordinary general meeting ("EGM"), pursuant to which the Board of Directors is authorised, for a period of 18 months from the date of such EGM, to repurchase up to 15% of the Company's issued share capital as at the date of the EGM, 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 is in addition, and without prejudice, to the authorisation granted by the AGM held on 29 May 2013 and the AGM to be held on 27 May 2014. For further information related this additional share repurchase authorisation, please refer to the Board Report as prepared for the EGM dated 27 March 2013 (the "EGM Board Report") and the supplement thereto.

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

Securities granting access to the Company's capital

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

The table below shows the total potential dilution that would occur if all the stock options issued as at 31 December 2013 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights*
Total number of the Company's shares issued as of 31 December 2013	783,157,635	99.452%	780,322,514	99.450%
Total number of the Company's shares which may be issued following exercise of stock options	4,314,115	0.548%	4,314,115	0.550%
Total potential share capital of the Company	787,471,750	100%	784,636,629	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 2013

In 2013, the Group's employees exercised 6,873,677 stock options granted to them through the stock option plans launched by the Company. As a result, 6,873,677 new shares were issued in the course of 2013. The Company also issued 2,113,245 new shares in 2013 in connection with the employee share ownership plan.

50,748,348 treasury shares were cancelled in 2013 following approval by the EGM held on 27 March 2013. Another 2,448,884 treasury shares were cancelled in 2013 following approval by the AGM held on 29 May 2013.

Repurchases of shares in 2013

During 2013, the Company repurchased in aggregate 52,280,691 shares.

Changes in shareholding structure

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

The Multiparty Agreement provided for significant changes to the Company's shareholding structure. In addition, a series of related transactions (collectively referred to as the "Consummation") occurred shortly after the EGM held on 27 March 2013. This resulted in several changes in the governance of the Company, including changes in the composition of the Board of Directors and its internal rules, as well as amendments to the Articles of Association of the Company. The participation agreement (the "Participation Agreement") among the Company's former core shareholders and, as at 31 December 2012 including KfW (together, the Former Consortium Members, a Dutch law contractual partnership between DASA and Sogeade managed by EADS Participations B.V. (the "Contractual Partnership") and the related arrangements (collectively, the "Former Consortium") were terminated and replaced in part by a more limited shareholders' agreement (the "Shareholders' Agreement") among only Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG ("GZBV"), a subsidiary of KfW, Sogepa and SEPI.

On 2 January 2013, KfW acquired (through a wholly owned subsidiary) 65% of the shares in a consortium of private and public-sector investors ("Dedalus"), which brought its stake in Dedalus to 78%. The remaining 22% is held by certain other German public entities. Dedalus held an economic interest of 7.44% in the Company as of the time of this acquisition. As a result of these two transactions, KfW held a voting interest of 2.76% in the Company and an economic interest of 8.56% in the Company – 2.76% directly and 5.80% via Dedalus. The other German public entities participating in Dedalus held a 1.64% economic interest in the Company via Dedalus. The joint economic interest of KfW and such German public entities in the Company was thus 10.2% immediately following these acquisitions. On 4 April 2013, SEPI sold 9,560,000 the Company shares (approximately 1.15% of the outstanding the Company shares). On 9 April 2013, Lagardère sold its remaining

61,000,000 the Company shares (approximately 7.4% of the outstanding the Company shares). On 17 April 2013, the République Française (the "French State") sold through Sogepa12,977,088 the Company shares (approximately 1.56% of the outstanding the Company shares) and Daimler sold its remaining 61,100,000 the Company shares (approximately 7.5% of the outstanding the Company shares). On 26 April 2013 the French State sold another 17,451,000 the Company shares (approximately 2.1% of the outstanding the Company shares). On 31 July 2013 SEPI sold another 2,802,450 the Company shares (approximately 0.36% of the outstanding the Company shares). On 30 December 2013 GZBV sold 1,872,072 the Company shares (approximately 0.24% of the outstanding the Company shares). The aforementioned transactions ultimately led to the French State holding 11.99% of the outstanding the Company shares through Sogepa, the German State holding 10.94% through GZBV and the Spanish State holding 4.13% through SEPI as of 31 December 2013.

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

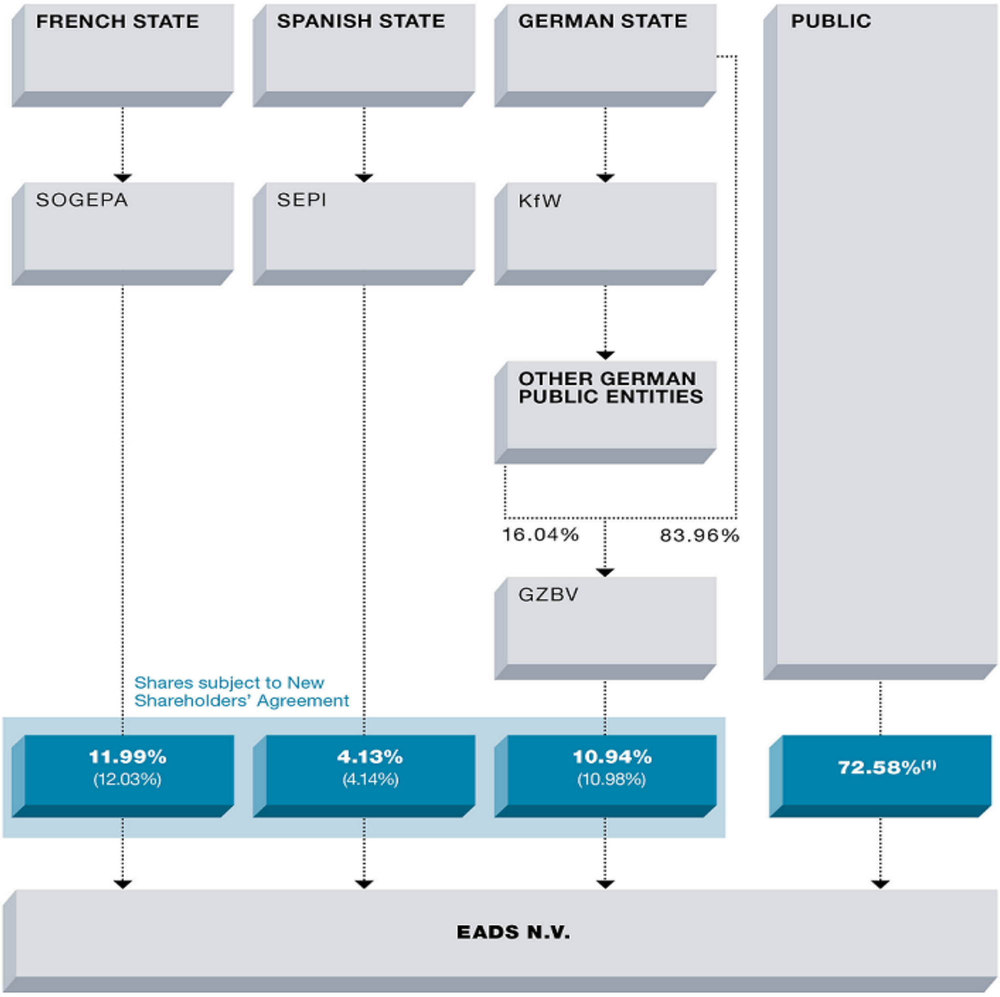
For the number of shares and voting rights held by members of the Board of Directors as of 31 December 2013, see "Notes to the Company Financial Statements – Note 11: Remuneration".

Shareholding structure at the end of 2013

Shareholders may have disclosure obligations under Dutch law. These apply to any person or entity that acquires, holds or disposes of an interest in the Company's voting rights and/or capital. Disclosure is required when the percentage of voting rights or capital interest reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% (whether because of an acquisition or disposal of shares or other instruments, or because of a change in the total voting rights or capital issued). Disclosures must be made to the AFM immediately. Under new Dutch law, which entered into force on July 1, 2013, the 5% threshold was reduced to 3%.

As of 31 December 2013, the French State held 11.99% of the outstanding the Company shares through Sogepa, the German State held 10.94% through GZBV, and the Spanish State held 4.13% through SEPI. The public (including the Group's employees) and the Company held, respectively, 72.51% and 0.36% of the Company's share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2013 (% of capital and of voting rights (in parentheses) before exercise of outstanding stock options granted for the subscription of the Company's shares).



(1) Including warehoused shares (if any) of parties to the New Shareholder Agreement.

In addition, the below listed entities have notified the AFM of their substantial interest in the Company as of 31 December 2013. For further details, please refer to the website of the AFM at: **www.afm.nl**

- BlackRock, Inc. (4.58% of the capital interest and 4.98 % of the voting rights);
- Capital Group International Inc. (5.07% of the voting rights); and
- Capital Research and Management Company (5.07% of the voting rights).

Right to attend shareholders' meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, speak and vote according to the Articles of Association. However, under (and subject to the terms of) the Articles of Association (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 Company shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the instructions specified by the Company in the convening notice. For this purpose, a shareholder will also be able to request that 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, the Company may provide for electronic means of attendance, speaking and voting at the shareholders' meetings. The use of such electronic means will depend on the availability of the necessary technical means and market practice.

Mandatory Disposal Threshold Restricting Ownership to 15%

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

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

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

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

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

Exemptions from Mandatory Disposal Threshold

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

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

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

Mandatory public offer under Dutch law

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

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

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

- Acquires significant control as a result of declaring unconditional a public offer made for all shares (or depositary receipts) in the target company, provided that the bidder as a consequence can exercise more than 50% of the votes at the target company's general meeting;
- Is a legal entity, independent from the target company, that acquires significant control after a public offer has been announced by a third party, provided that such entity (i) holds the shares in the target company for a maximum period of two years and for purposes of protection of the target company and (ii) the corporate objects of such entity are to preserve the interests of the target company;

- Is a legal entity, independent from the target company, which has issued depositary receipts for the shares in the target company;
- Acquires significant control as a result of: (i) an intra-group transfer of the shares representing significant control; or (ii) a transfer between a parent company and its subsidiary;
- Acquires significant control acting in concert with one or more other natural persons, legal entities or companies, in which case the obligation to make a public offer lies with the natural person, legal entity or company that can exercise most of the voting rights in the general meeting of shareholders of the target company; or
- Acts as a custodian (if and to the extent it cannot exercise any voting rights in its sole discretion).

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

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

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

Amendments to the Articles of Association

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

3.2 Relationship with Principal Shareholders

On 5 December 2012, the Board of Directors and the Former Consortium Members entered into the Multiparty Agreement, which contemplated various changes to the Company’s shareholding structure and governance. As part of the Consummation, the Participation Agreement among the Former Consortium Members, the Contractual Partnership Agreement and the related arrangements terminated and were 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 the Company). The New Shareholders’ Agreement does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. Finally, the Multiparty Agreement provided for the entry into state security agreements with each of the French State and German State, which will be described in more detail below, and certain further undertakings of the Company with respect to selected matters that affect the interests of the Current Consortium Members.

3.2.1 NEW CORPORATE GOVERNANCE ARRANGEMENTS

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

3.2.2 NEW SHAREHOLDER ARRANGEMENTS

Grandfathering Agreement

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

Individual Grandfathering Rights

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

Loss of Individual Grandfathering Rights

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

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

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

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

Notification to the Company

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

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

Various provisions

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

Governing law. Laws of the Netherlands.

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

End of Former Consortium and Shareholders' Agreement

At the Consummation, the Former Consortium was terminated, and Sogepa, GZBV and SEPI entered into the Shareholders' Agreement, which has a much more limited scope than the Former Consortium. Below is a further description of the Shareholders' Agreement, based solely on a written summary of the main provisions of the Shareholders' Agreement that has been provided to the Company by Sogepa, GZBV and SEPI (all parties together the Shareholders pursuant to the Multiparty Agreement).

Governance of the Company

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

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

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

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

Balance of interests

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

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

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

Mandatory Takeover Threshold

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

Transfer of Securities

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

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

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

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

Various provisions

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

Governing law. Laws of the Netherlands.

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

3.2.3 UNDERTAKINGS WITH RESPECT TO CERTAIN INTERESTS OF CERTAIN STAKEHOLDERS

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

State Security Agreements and Related Undertakings

The Company and the French State have entered into an amendment to the current convention between the French State and the Company relating to the ballistic missiles business of the Company (as so amended, the "**French State Security Agreement**"). Under the French State Security Agreement, certain sensitive French military assets will be held by a Company subsidiary (the "**French Defence Holding Company**"). At the Consummation, the Company contributed certain sensitive French military assets to the French Defence Holding Company. The French State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the Board of Directors of the French Defence Holding Company (the "**French Defence Outside Directors**"), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board. Two of the French Defence Outside Directors are required to also be Members of the

Board. French Defence Outside Directors may neither (i) be employees, managers or corporate officers of a company belonging to the Group (although they may be Members of the Board) nor (ii) have material on-going professional relationships with the Group.

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

Dassault Aviation

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

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

Stock Exchange Listings

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

Specific Rights of the French State

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

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

In the past, 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.

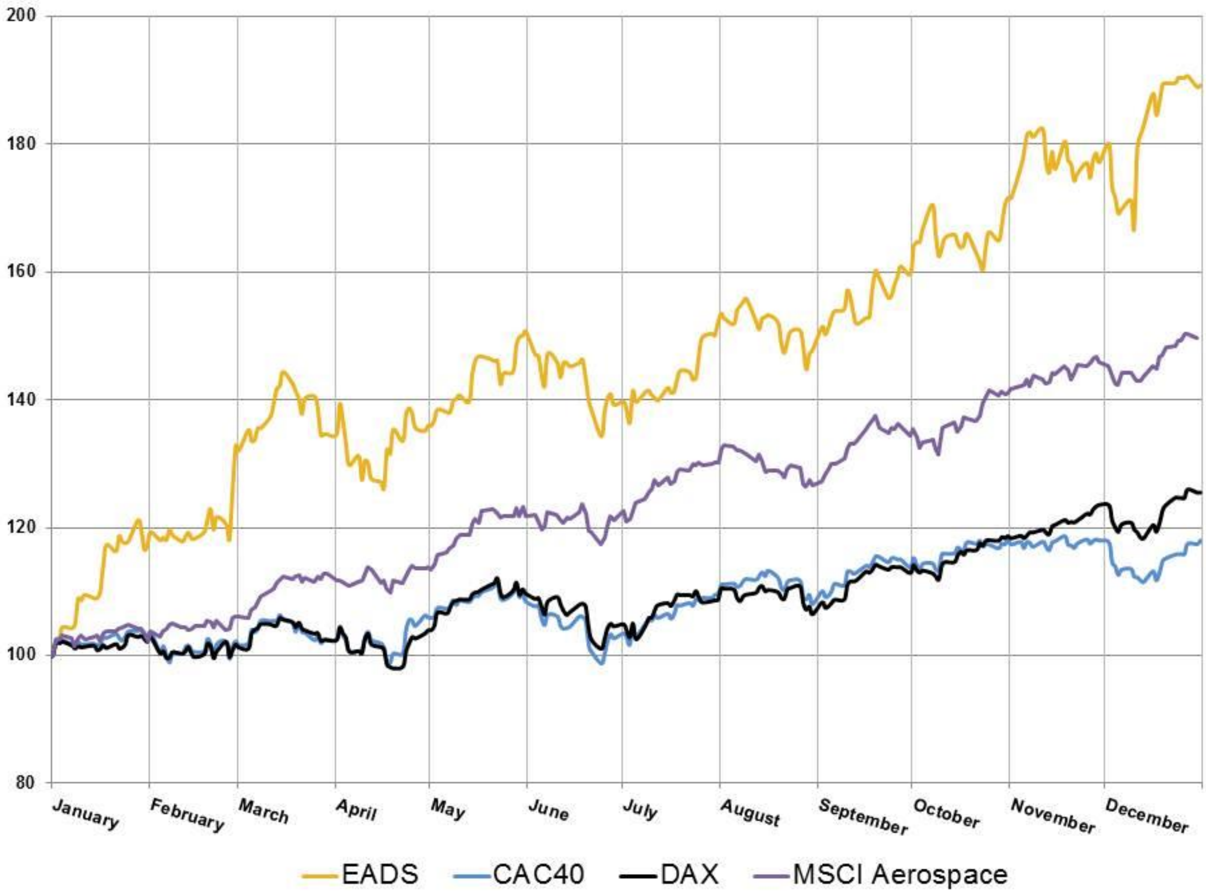
Under ESOP and LTIP, the Board of Directors shall have the discretionary authority to offer shares and grant performance and/or restricted units to employees who, in the sole judgment of the Board of Directors, are eligible thereto and to subject such grant, as the case may be, to performance conditions;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

Elements of ESOP and LTIP (Details)

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

- Item "4.3.2 Remuneration Policy".
- Item "4.3.6 Employee Share Ownership Plan".

3.4 Share price evolution 2013



Following a 22% progression in 2012, the Company's share price rose 89% in 2013. In the same year, the CAC 40 improved by 18%, the DAX by 25% and the MDAX by 36%. The MSCI Aerospace index was up 50%.

By mid-March 2013, the Company's shares peaked at €42.59 following improved full year results and the Company's entry into the EuroStoxx50 index. Over the following weeks, the Company and the European markets declined due to concerns about euro-zone economies. The shares rallied following the completion of a series of share sales by the Group's major legacy shareholders, and due to the Company's on-going share buyback programme reaching €41.12 on 2 April 2013. The share price declined again on renewed worries about the euro zone economy, reaching €37.5 by mid-April.

The release of strong first quarter and half-year figures, on 14 May 2013 and 31 July 2013 respectively saw the Company's shares once again move ahead before slipping back to €42 due to market concerns about a possible Chinese credit crunch and the prospect of reduced U.S. monetary stimulus.

On 11 December, at the start of the Global Investor Forum, the Group announced a new dividend policy with a payout ratio of 30-40% of adjusted earnings, and confirmed its 7-8% return on sales target for 2015 (including margin dilution from the A350 XWB programme and with a €/$ exchange rate at 1.35). The news triggered a sharp increase in the share price which reached an all-time high of €56.2. On 31 December 2013, the EADS share closed at € 55.8.

3.5 Dividend policy

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

Therefore, based on earnings per share (EPS) of € 1.85, the Board of Directors will propose to the Annual General Meeting the payment to shareholders of a dividend of € 0.75 per share on 3 June 2014 (FY 2012: € 0.60 per share). The record date should be 2 June 2014. This proposed dividend represents a pay-out ratio of 40% and a year-on-year dividend per share growth of 25%.

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 corporate governance arrangements of the Company were substantially changed pursuant to the Multiparty Agreement, including changes in the composition of the Board of Directors and the Board Rules. These changes are intended to further normalise and simplify the Company's corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Below is a summary description of such changes. The Company is committed to achieve the best corporate governance practices and to adhere to the Dutch corporate governance code as amended at the end of 2008 (the "**Dutch Code**").

4.1.1 COMPOSITION, POWERS AND RULES

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

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

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

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

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

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

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

The Remuneration and Nomination Committee endeavours to avoid a complete replacement of outgoing Directors by new candidates, but rather to ensure continuity of company-specific knowledge and experience within the Board of Directors, while favouring the introduction of new candidates for at least 1/3 of Director positions.

Powers of the members of the Board of Directors

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

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

- Approving any change in the nature and scope of the business of the Company and the Group;
- Approving any proposed resolution to be presented to the shareholders' meeting relating to a change of any of the articles of the Articles of Association of the Company which requires the approval of a majority of at least seventy-five percent (75%) of the valid votes cast at such shareholders' meeting (Qualified Majority);
- Approving the overall strategy and the strategic plan of the Group;
- Approving the operational business plan of the Group (the "Business Plan") and the yearly budget (the "Yearly Budget") of the Group, including the plans for Investment, R&D, Employment, Finance and, as far as applicable, major programmes;
- Setting the major performance targets of the Group;
- Monitoring on a quarterly basis, the operating performance of the Group;
- Nominating, suspending or revoking the Chairman of the Board of Directors and the CEO (Qualified Majority);
- Approving of all of the Members of the Executive Committee taken as a whole as proposed by the CEO and to approve their proposed appointment as Managing Directors of important Group companies and their service contracts and other contractual matters in relation to the Executive Committee and their function as Managing Directors;
- Establishing, and approving amendments to the Board Rules and the rules for the Executive Committee (Simple Majority with certain exceptions);
- Deciding upon the appointments of the Airbus Shareholder Committee, the appointments of the Company's Corporate Secretary and the chairmen of the supervisory board (or similar organ) of other important Group companies and Business Units, on the basis of the recommendations of the Remuneration and Nomination Committee, as well as the institution and amendment of the rules governing the organs of such entities;
- Approving the relocation of the headquarters of the principal companies of the Group and of the operational headquarters

of the Company (Qualified Majority);

- Approving decisions in connection with the location of new industrial sites material to the Group as a whole or the change of the location of existing activities that are material to the Group;
- Approving decisions to invest and initiate programmes financed by the Group, acquisition, divestment or sale decisions, in each case for an amount in excess of € 300 million;
- Approving decisions to invest and initiate programmes financed by the Group, acquisition, divestment or sale decisions, in each case for an amount in excess of € 800 million (Qualified Majority);
- Approving decisions to enter into and terminate strategic alliances at the level of the Company or at the level of one of its principal subsidiaries (Qualified Majority);
- Approving principles and guidelines governing the conduct of the Group in matters involving non contractual liabilities (like environmental matters, quality assurance, financial announcements, integrity) as well as the corporate identity of the Group;
- Approving any share buyback, cancellation (redemption) of shares or the issuing of new shares or any similar measure leading to a change in the total number of voting rights in the Company, except in the case of any buyback or cancellation (redemption) of shares if in the ordinary course of business (in which case the management of the Company will only inform the Directors before its implementation with a reasonable prior notice) (Qualified Majority);
- Approving matters of shareholder policy, major actions or major announcements to the capital markets;
- Approving decisions in respect of other measures and business of fundamental significance for the Group or which involves an abnormal level of risk;
- Approving any proposal of names of candidates to succeed active Directors made by the Remuneration and Nomination Committee, after consultation with the Chairman of the Board of Directors and the CEO, for submission to the shareholders' meeting; and
- Approving entering into and terminating cooperation agreements at the level of the Company or at the level of one of its principal subsidiaries having an impact on the share capital of the Company or of the relevant subsidiary (Qualified Majority).

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

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

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

Voting and rules

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

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

Executive Committee Nomination and Composition

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

- The preference for the best candidate for the position;
- The maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of the Company (in particular among the nationals of the four (4) Member States of the European Union where these main industrial centres are located); and
- At least 2/3 of the Members of the Executive Committee, including the CEO and the CFO, being EU nationals and residents.

The Board of Directors determines, by simple majority vote, whether to approve all of the Members of the Executive Committee taken as a whole as proposed by the CEO.

Role of CEO and Executive Committee

The CEO, supported by an Executive Committee (the "**Executive Committee**"), is responsible for managing the day-to-day operations of the Company. The Executive Committee, chaired by the CEO, also comprises the Heads of the major Functions and Divisions of the Group. The CEO endeavours to reach consensus among the Members of the Executive Committee. In the event a consensus is not reached, the CEO is entitled to decide the matter.

Composition of the Board of Directors until the EGM of March 27, 2013

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.

Composition of the Board of Directors after the EGM of March 27, 2013

Name	Age	Term started (as member of the Board of Directors)	Term expires	Principal function	Status
Denis Ranque	62	2013	2016	Chairman of the Board of Directors of EADS NV	Non-Executive
Thomas Enders	55	2005, re-elected in 2013	2016	Chief Executive Officer of EADS NV	Executive
Manfred Bischoff	71	2013	2016	Chairman of the Supervisory Board of Daimler AG	Non-Executive
Ralph D. Crosby	66	2013	2016	Former Member of the Executive Committee of EADS and of Northrop Grumman Corporation	Non-Executive
Hans-Peter Keitel	66	2013	2016	Vice President of the Federation of German Industry (BDI)	Non-Executive
Hermann-Josef Lamberti	58	2007, re-elected in 2013	2016	Former Member of the Management Board of Deutsche Bank AG	Non-Executive
Anne Lauvergeon	54	2013	2016	Partner of Efficiency Capital, Chairman and CEO of A.L.P S.A.	Non-Executive
Lakshmi N. Mittal	63	2007, re-elected in 2013	2016	Chairman and Chief Executive Officer of ArcelorMittal SA	Non-Executive
Sir John Parker	71	2007, re-elected in 2013	2016	Chairman of Anglo American PLC	Non-Executive
Michel Pébereau	72	2007, re-elected in 2013	2016	Honorary President of BNP Paribas S.A.	Non-Executive
Josep Piqué i Camps	59	2012, re-elected in 2013	2016	Vice-Chairman and CEO of Obrascón Huarte Lain (OHL)	Non-Executive
Jean-Claude Trichet	71	2012, re-elected in 2013	2016	Honorary Governor of Banque de France and former President of the European Central Bank	Non-Executive

Note: Status as of 1 March 2014. 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.airbus-group.com**.

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

4.1.2 OPERATION OF THE BOARD OF DIRECTORS IN 2013

Board of Directors meetings

The Board of Directors met twelve times during 2013 and was regularly informed of developments through business reports from the Chief Executive Officer, including strategic and operational plans. Out of these twelve meetings, the former Board met three times with an average attendance rate of 78%, and the current Board met nine times with an average attendance rate of 93%. The lower average attendance rate of the former Board is explained by the fact that some members were excused because of possible conflicts of interest regarding the exit of certain core-shareholders and discussions on the share buyback program.

Throughout 2013, the Board of Directors monitored the technical and commercial progress of significant programmes, such as A400M, A380, and NH90. Witnessing the successful inaugural flight of the A350 XWB in June, the Board was continuously informed on the programme's promising progress. Furthermore, the Board monitored the Superpuma EC 225 retrofit activities, discussed improvements in contract management, launched measures to increase cyber security, and reviewed advancements in corporate social responsibility as well as in health & safety.

Moreover, the Board of Directors focused on the Group's financial results and forecasts, asset management, supply chain challenges, the services business, compliance in key business processes and in major programmes, as well as efficiency and innovation initiatives. It reviewed Enterprise Risk Management ("**ERM**") results, export control regulations, investor relations, compliance programme, financial communication and dividend policy, litigation and legal risks. The Board approved a free-share plan for all employees along the lines of the similar plan handed out on the Company's 10th anniversary.

Following a review of lessons learned from the abandoned merger project with BAE Systems, the Board supported management to negotiate the renouncement by the principal shareholders of their control rights and the establishment of the new governance ultimately approved by the extraordinary meeting of shareholders on March 27. 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 composed an ad-hoc Nominations Committee and played an important role in recommending the best possible candidates for the composition of the new Board of Directors. They refused to receive compensation for the work on this committee and their attendance of the numerous meetings held on this occasion.

In line with the Group's priority to 'build EADS 2.0', the Board of Directors repeatedly focussed on the Company's strategy and on supporting management to integrate Airbus Military, Astrium and Cassidian into one Defence and Space Division, and furthermore to enhance integration and cohesion by renaming the Group and its Divisions using the globally recognised Airbus brand. The Board perceives this evolution as the next logical step in the development of the Company. A step which affirms the predominance of commercial aeronautics in the Group and the necessity to restructure and focus the defence and space activities in order to reduce costs, increase profitability and improve competitiveness.

Board evaluation 2013

The evaluation of the Board of Directors was conducted merely ten months into its tenure, with a view to seizing improvement opportunities, based on director interviews by the Corporate Secretary. The interviews covered the board composition, agenda, quality of discussions, board openness and cohesiveness, chairmanship, interactions with management, relations to stakeholders, the work of committees, performance of fiduciary duties, attendance, frequency and length of meetings, documentation. The subsequent discussion of the report by the whole Board was action oriented. The next such report will be entrusted to an external consultant.

Individual and collective attendance are markedly superior since the induction of the current Board, compared to late 2012 and early 2013, and attendance is judged satisfactory (for details, see 4.1.2 "Board of Directors Meetings", and 4.1.3 "Audit Committee" and "Remuneration and Nomination Committee").

Primarily, the Board feels that, while it is too early to determine its main strengths and weaknesses as a body, its composition allows for a good standard of contributions: it is composed of high calibre individuals, with "proven records of success", and relevant skills and experiences are represented, which can "produce the many angles necessary for EADS. The directors noticed that the proportion of gender representation is imbalanced; it also noted that international diversity is a strength that must be fostered further. Even though the new board underwent a rich induction programme, further familiarity with aerospace and defence must be built over time. To this end, educational sessions and site visits are welcome, even outside of Board meetings.

Board discussions are very open, unconstrained, and there is “good chemistry” among members, irrespective of different cultural backgrounds. In the course of deliberations, the right balance between discipline and spontaneity is progressively being struck, with shorter, to the point, presentations, and more time for focused discussions and exploration of decisive questions.

The Chairman inspires trust, and is recognised for his competency and hard work; he has established a personal relationship with each director separately, which is appreciated, and must be maintained. The involvement and professionalism of the Committee chairmen is also broadly commended.

The Board feels that it is properly equipped to accomplish its fiduciary duties in the interest of the company, and under the new governance, as one director remarked, “the Board senses its independence”. The sharing of roles between the Board and the management works satisfactorily.

There is a shared view that meeting time is scarce, and must be used effectively. Flexibility to address unplanned important matters, as they develop, through short additional meetings, provides adequate relief.

In addition to mandatory items which must be given enough time, and protected in a forward-looking plan of Board meeting agendas through the year, directors are keen to explore long-term strategic issues, and to focus on detailed strategy (segment, product, region, value chain) to shape the future portfolio; they favour a commercially oriented agenda with an emphasis on risks; a list of priority issues for 2014, and beyond, was drawn: it includes strategy, business execution, target and performance management and organisational issues.

The timeliness of documentation delivery is crucial for the level of director preparation ahead of meetings, and by ricochet, for the efficiency of the board meetings. Documentation is well targeted, although sometimes long, and its format is effective. Decision-making matters, as opposed to information, must be better identified, to help channel Board thinking and discussions. A few areas of weaker input are noted and shall be corrected. The format of minutes was discussed, and directors agree that they correctly display the level of interplay and challenge inside the Board, and the breadth of the matters discussed.

In between board meetings, directors ask for updates, selective press clippings with explanation of on-going events, management scorecards and analyst presentations.

The members of the Executive Committee and the top layer of the next management level could be exposed to the Board even more often, through Board presentations, but also during dinners and site visits.

4.1.3 BOARD COMMITTEES

Summary of memberships until the EGM of March 27, 2013

Directors	Audit Committee	Remuneration & Nomination Committee
Arnaud Lagardère (Chairman)		
Thomas Enders (CEO)		
Dominique D'Hinnin	X	X
Hermann-Josef Lamberti	Chairman	X
Lakshmi N. Mittal		
Sir John Parker	X	Chairman
Michel Pébereau		
Josep Piqué i Camps		
Wilfried Porth		X
Jean-Claude Trichet		
Bodo Uebber	X	
Number of meetings in 2013	2	1
Average attendance rate in 2013	75%	50%
Note: Status as of 1 March 2013		

In addition to these two standing Committees, the independent Directors, Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker, and Michel Pébereau composed an ad-hoc Nominations Committee to recommend the best possible candidates for the composition of the new Board of Directors. They refused to receive compensation for the work on this committee and their attendance of the numerous meetings held on this occasion.

Summary of memberships after the EGM of March 27, 2013

Directors	Audit Committee	Remuneration & Nomination Committee
Denis Ranque (Chairman)		
Thomas Enders (CEO)		
Manfred Bischoff		
Ralph D. Crosby		
Hans-Peter Keitel		X
Hermann-Josef Lamberti	Chairman	
Anne Lauvergeon	X	
Lakshmi N. Mittal		X
Sir John Parker		Chairman
Michel Pébereau	X	
Josep Piqué i Camps	X	
Jean-Claude Trichet		X
Number of meetings in 2013	4	3
Average attendance rate in 2013	94%	92%
Note: Status as of 1 March 2014		

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 are set out in the Audit Committee Charter.

The Chairman of the Board of Directors and the Chief Executive Officer are invited to attend meetings of the Audit Committee. The Chief Financial Officer and the Head of Controlling and 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 2013 it fully performed all of the above described duties, and met six times. Out of these six meetings, the two meetings of the former Audit Committee reflected an average attendance rate of 75%, and the four meetings of the current Audit Committee reflected an average attendance rate of 94%. The lower average attendance rate of the former Audit Committee is explained by the fact that some members were excused, because of possible conflicts of interest regarding the exit of certain core-shareholders and the discussion on the share buyback.

The Remuneration and Nomination Committee

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

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

In addition to making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviewed top talents, discussed measures to improve engagement and to promote diversity, reviewed the remuneration of the Group Executive Committee members for 2013, the LTIP, and the variable pay for 2012. It also proposed the terms of the 2014 ESOP plan.

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

The Remuneration and Nomination Committee is required to meet at least twice a year. In 2013, the former RNC met once with an average attendance rate of 50%, the current RNC met three times with an average attendance rate of 92%. The lower average attendance rate of the former RNC is explained by the fact that some members were excused, because of possible conflicts of interest regarding the exit of certain core-shareholders and the discussion on the share buyback.

Aside from the regular Remuneration and Nomination Committee, the Board of Directors established an ad hoc 'Nomination Committee' in December 2012, which had been charged with recommending the names of candidates to be submitted to the EGM in February 2013 for appointment to the current Board. This ad hoc Nomination Committee was composed of the independent Board members, Sir John Parker, Hermann-Josef Lamberti, Michel Pébereau and Lakshmi Mittal, who met four times, and who renounced to be remunerated for this additional service.

4.1.4 CONFLICT OF INTEREST AND INSIDER TRADING RULES

Conflicts of interest

The Company has a conflict of interest policy which sets out that any potential or actual conflict of interest between the Company and any member of the Board of Directors shall be disclosed and avoided (please refer to the Directors' Charter and to the Code of Ethics both available on the Company's website: **www.airbus-group.com**). Pursuant to the Articles of Association and the Directors' Charter a conflicted member of the Board of Directors should abstain from participating in the deliberation and decision-making process concerning the matters concerned. The Board of Directors must approve any decision to enter into a transaction where a Director has conflicts of interest that are material to the Company or the individual Director. In 2013, the deliberations and decisions that led to the changes of governance agreed at the EGM, and to the subsequent share buy-back and change of shareholding in the Company, were conducted in full compliance with the Company's conflict of interest policy and the best practice provisions III.6.1-4 inclusive of the Dutch Code, so that inter alia all the Directors potentially exposed to a conflict of interest abstained from participating in such deliberations and decision-making. In 2013, other than the transactions mentioned above, no other transactions were reported where there was a conflict of interest that was material to the Company. There were, however, related-party transactions: for an overview, please see: "Notes to the Consolidated Financial Statements (IFRS) - Note 36: Related Party Transactions".

Insider Trading Rules

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

4.2 Dutch Corporate Governance Code

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

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

For the financial year 2013, the Company states the following:

1. Retirement of Board members

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

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

2. Duration of mandate

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

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

3. Vice-Chairmanship

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

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

4. Termination indemnity

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

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

5. Securities in EADS as long-term investment

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

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

6. Dealings with analysts

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

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

7. Gender diversity

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

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

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

For information on the composition and operation of the Board of Directors and its respective committees, please refer to section 4.1.1 “Composition, power and rules, section, 4.1.2 “Operation of the Board of Directors in 2013”, section 4.1.3 “Board Committees”.

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, please refer to section 3.1 “Shareholding and voting rights – Shareholding structure at the end of 2013“, section 3.2 “Relationships with Principal Shareholders“, section 4.1.1 “Composition, powers and rules“, section 3.1 “Shareholding and voting rights – Amendments to the Articles of Association“ and section 3.1 “Shareholding and voting rights – Modifications of share capital or rights attached to shares”.

4.3 Remuneration Report

4.3.1 INTRODUCTION

The Remuneration and Nomination Committee ("**RNC**") is pleased to present the 2013 Remuneration Report.

The Report comprises the following sections:

- **4.3.2** presents the Company's Remuneration Policy (incorporating certain amendments, separately listed in Section 4.3.3, to be adopted by the 2014 AGM).
- **4.3.3** sets out the changes to the Remuneration Policy that will be proposed for adoption by the 2014 AGM.
- **4.3.4** illustrates how the Remuneration Policy was applied in 2013 in respect of the CEO, the only executive member of the Board of Directors. (The cumulated remuneration of all Group Executive Committee members is presented in the "Notes to the Consolidated Financial Statements (IFRS) - Note 36: Related Party Transactions".)
- **4.3.5** illustrates how the Remuneration Policy was applied in 2013 in respect of the non-executive members of the Board of Directors.
- **4.3.6** outlines the Employee Share Ownership Plan ("**ESOP**")**.**
- **4.3.7** Miscellaneous

4.3.2 REMUNERATION POLICY

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

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

A – Executive Remuneration - applicable to the CEO

Remuneration Philosophy

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

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

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

Total Direct Compensation and Peer Group

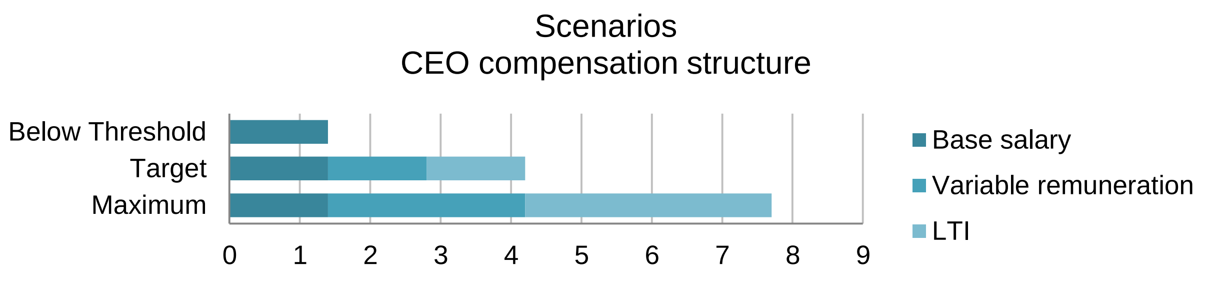
The Total Direct Compensation for the CEO, comprises a Base Salary, an Annual Variable remuneration ("**VR**") and a Long-Term Incentive Plan ("**LTIP**"). The three elements of the Total Direct Compensation are each intended to comprise 1/3 of the total, assuming the achievement of performance conditions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

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

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

The elements of the Total Direct Compensation are described below:

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



Indications are in M €
Below Threshold includes annual base Salary; Annual Variable remuneration at 0%; LTIP not vesting
Target includes Base Salary, Annual Variable remuneration at target and LTIP grant face value
Maximum includes Base Salary; maximum Annual Variable remuneration value (200%); LTIP grant projected at vesting date (250%).

Base Salary

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

Annual Variable Remuneration

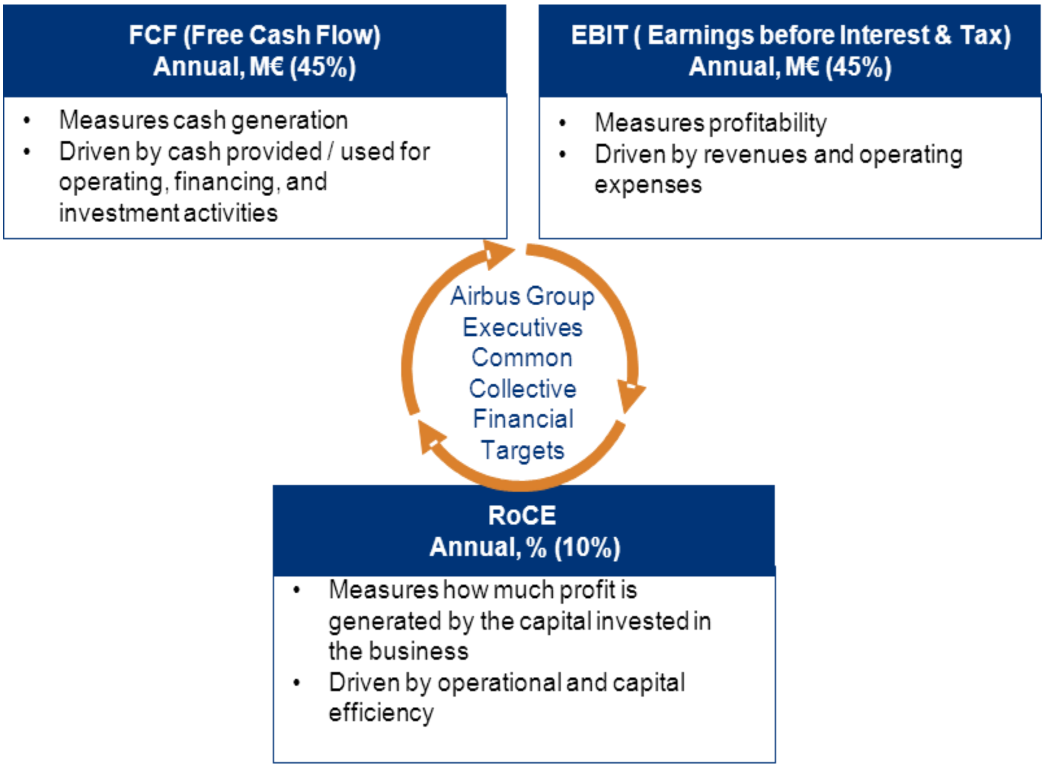
The VR is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of VR for the CEO is targeted at 100% of Base Salary; it is capped at a maximum level of 200% of Base Salary. The entire VR is at-risk, and therefore if performance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

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

COMMON COLLECTIVE COMPONENT

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

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



INDIVIDUAL

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

- **Outcomes** encompass various aspects of what the CEO can do to contribute to the success of the business: specific business results he helps achieve, projects he drives and processes he helps improve. The individual targets of the CEO are comprehensive and shared with all employees via the Company Top Priorities.

- **Behaviour** refers to the way results have been achieved, which is also critical for long term success: how the CEO and Board of Directors work as a team, how the CEO leads the Group Executive Committee, quality of communication, encouragement of innovation, etc. A specific part of the Behaviour assessment relates to ethics, compliance and quality issues.

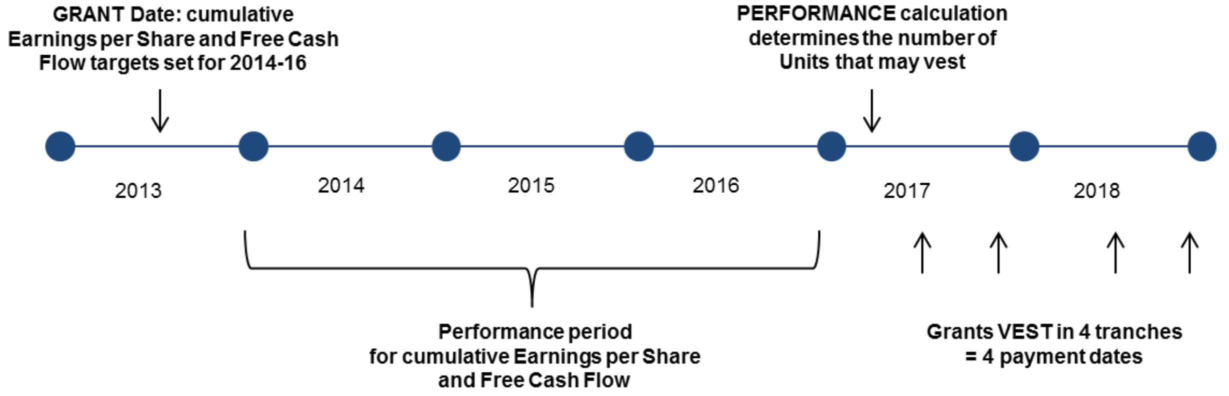
Long-Term Incentive Plan

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

The Board of Directors has the discretion, subject to shareholder approval at the 2014 AGM, to replace all or part of future LTIP allocations with substantially similar instruments, such as Performance Shares or other equity-related allocations. As with the Performance Units, the value of the CEO's LTIP allocation would continue to be capped as a percentage of Base Salary at the date of grant and be subject to comparable performance conditions.

PERFORMANCE UNITS

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



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

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

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

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

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

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

Share Ownership Guideline

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

Benefits

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

Retirement

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

Contracts and Severance

In the case of contract termination, the CEO is entitled to an indemnity equal to 1.5 times the Total Annual Income (defined as Base Salary and target Annual Variable remuneration). This will not apply if the CEO mandate is terminated for cause, or if the CEO has reached retirement age.

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

Past LTIP awards are maintained for good leavers, such as in the case of retirement or if a mandate is not renewed by the Company without cause. The vesting of LTIP awards is not accelerated. LTIP awards are forfeited for executives who leave the company of their own initiative, but this is subject to review by the Board of Directors.

Clawback

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

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

Loans

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

B – Non-executive Remuneration - applicable to Non-executive members of the Board

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

Fees and entitlements

Non-executive members of the Board are entitled to the following:

- A base fee for membership or chair of the Board.
- A committee fee for membership or chair on each of the Board's Committees.

- An attendance fees for the attendance of Board meetings.

Each of these fees is a fixed amount. Non-executive members of the Board do not receive any performance or equity-related compensation, and do not accrue pension rights with the Company. These measures are designed to ensure the independence of Board members and strengthen the overall effectiveness of the Company's corporate governance.

The company does not encourage Non-executive Directors to purchase Company shares.

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

<u>Fixed fee for membership of the Board EUR / year</u>

Chairman of the board: 180,000

Member of the board: 80,000

<u>Fixed fee for membership of a Committee EUR / year</u>

Chairman of a Committee: 30,000

Member of a Committee: 20,000

<u>Attendance fees EUR / Board meeting</u>

Chairman: 10,000

Member: 5,000

Committee chairmanship and Committee membership fees are cumulative if the concerned non-executive Director belongs to two different Committees.

4.3.3 PROPOSED AMENDMENTS OF THE REMUNERATION POLICY

At the 2014 AGM the Board of Directors is proposing that shareholders adopt a number of amendments to the Airbus Group Remuneration Policy.

The following changes are being proposed:

- Under the current Remuneration Policy, the level of vesting of LTIP awards to the CEO is subject to EPS performance only. The Board proposes to amend this so that vesting will be subject to EPS performance (75%) and Free Cash Flow performance (25%).
- Under the current Remuneration Policy, the Free Cash Flow performance target used for the calculation of variable remuneration (45%) is an annual Free Cash Flow objective. The Board proposes to amend this so that quarterly Free Cash Flow objectives be implemented in addition to the annual Free Cash Flow objective.
- For the CEO, the LTIP is currently granted in the form of Performance Units only. It is now proposed that the Board of Directors should have the discretion to replace all or part of future LTIP awards with substantially similar instruments, such as Performance Shares or other equity-related awards. As with the Performance Units, the CEO's LTIP awards would continue to be capped as a percentage of Base Salary at the date of grant and be subject to comparable performance conditions.

In compliance with Dutch legal changes, the Remuneration Policy also reflects the introduction of claw back mechanisms.

4.3.4 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2013: CEO

Benchmarking

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

The last review took place in October 2013, and was completed with the assistance of two independent consultants: Hay Group and Towers Watson. The peer groups that were considered were the Hay Group Top Executive – All Organizations Market Median and a peer group proposed by Towers Watson, which comprised 124 companies[1] having comparable economic indicators such as revenue, number of employees, and market capitalization. Financial institutions were excluded from the peer group.

Based on this review the RNC concluded that the CEO’s Total Direct Compensation was slightly below the median level of the peer group. The RNC was satisfied with this finding, as the RNC is mindful of the potential inflationary effect on executive remuneration that could result from all companies benchmarking at above median levels.

Base Salary

For 2013 the Base Salary was set by the Board of Directors at €1,400,004 (unchanged compared to the annualised salary paid in the previous year). The CEO’s Base Salary level was set in July 2012, shortly after his appointment. The intention of the Board of Directors is not to review this Base Salary level until 2015. Any review of the CEO’s Base Salary will also take into consideration salary increases of employees across the Group.

Annual Variable remuneration

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

For 2013, the Annual Variable Remuneration amounted to an aggregate € 1,470,000, composed of € 595,000 for the Common Collective Component, and € 875,000 for the Individual part.

The **Common Collective Component** results from a composite 85% achievement of EBIT, Free Cash Flow and RoCE objectives.

[1]France: Accor, Air Liquide, Alcatel, Alstom, Areva, Danone Essilor International, Faurecia, Lafarge, Michelin, Orange, Pernod Ricard, Peugeot, Renault, Saint-Gobain, Sanofi, Schneider Electric, Solvay, Suez Environment, Technicolor, Thales, Valeo, Vivendi, Sanofi, Total, PSA, GDF Suez, Schneider, Renault, Alstom, Saint-Gobain, Bouygues and Michelin.

Germany: BASF, Bayer, BMW, Daimler, Lufthansa, Deutsche Post World Net, Deutsche Telekom, E.ON, Henkel, K+S, MAN, Merck, RWE, SAP, Siemens, Thyssenkrupp.

Spain: Abengoa, Acciona, ACS, Endessa, Ferrovial, Gas Natural, SDG, Iberdrola, Indra Sistemas, Obrascon Huarte Lain, Repsol, YPF, Telefonica.

UK: Anglo American, AstraZeneca, BAE Systems, BG Group, BP, British American Tobacco, BT, Centrica, Diageo, GlaxoSmithKline, Imperial Tobacco, National Grid, Reckitt Benckiser, Rio Tinto, Rolls-Royce, SABMiller, Shell, SSE, Unilever, Vodafone, Weir, Wolseley, WPP Group, Xstrata.

US: 3M, Abbott Laboratories, Alcoa, Altria Group, AT&T, Best Buy, Boeing, Bristol-Myers Squibb, Cardinal Health, Caterpillar, Coca-Cola, Dell, Dow Chemical, Emerson, Express Scripts Holding, Ford, General Dynamics, General Electric, Goodyear Tire & Rubber, Hess, Hewlett-Packard, Honeywell, IBM, Intel, International Paper, ITT Corp, J.C. Penney Company, Johnson & Johnson, Johnson Controls, Lockheed Martin, Microsoft, Northrop Grumman, Raytheon, Sprint, Nextel, Target, Textron, United Parcel Service, United Technologies, Valero Energy, Verizon, Walt Disney.

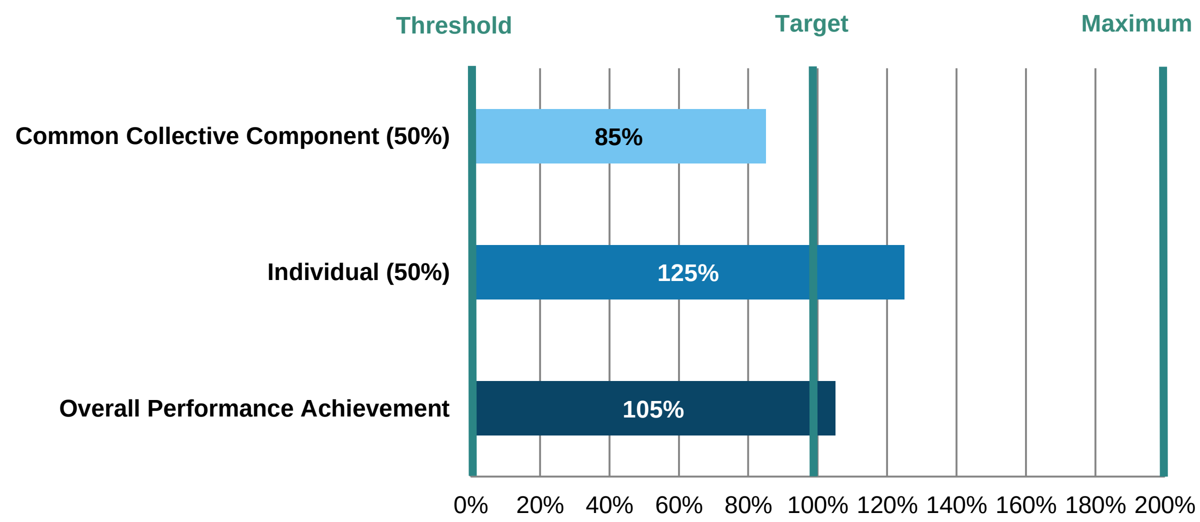
- This assessment mainly reflects a significant **Free Cash Flow** shortfall against the budgeted target and, consequently, against the initial guidance given to the market;
- **EBIT**, weakened by unplanned restructuring charges and programme provisions, but adjusted for certain pre-agreed factors, also came short of the objective (even though EBIT before one-off exceeded guidance slightly).
- **RoCE** bore a limited influence.
- **Normalisation adjustments** of EBIT and Free Cash Flow were mostly driven by currency exchange impacts against an assumed rate and phasing mismatches.

The **Individual** part results from a composite achievement of 125%, assessed by the RNC and by the Board on the basis of the CEO's performance and behaviour, mostly with respect to the 8 Group priorities agreed at the start of the year (see: Chapter 2 - Summary 2013). For each of these, outcomes, leadership and contributions were examined.

The main **positive factors** were: the successful and quick implementation of the new governance, of the share buyback programme, and the overhaul of the shareholder structure; the re-basing of strategy, the identification of the company's future growth engine, and the setting of a framework to strengthen the company's resilience and profitability; the start of the restructuring of the Defence and Space businesses of the company, in the face of adverse home market situations and competitiveness problems; the extraordinary order intake in more than one division; the launching of a quality initiative and of an effort to harmonise processes, and the propagation of ethics and compliance throughout the organisation. The RNC and the Board recognised that the specific impulse of the CEO had been crucial to these successes.

Conversely, certain **operational shortfalls**, including those leading to charges on the A350 programme, as well as the initial under-estimation of certain challenges facing the helicopter business dampened the achievement level; besides, certain 2013 objectives were not completed, and are carried over into 2014 priorities, such as those relating to internationalisation or security of the company. Finally, the RNC and the Board took into account the average outcome of the Executive Committee members' assessments in rating the CEO's performance.

Performance against target



Long-Term Incentive Plan

As stipulated in the Company's Remuneration Policy, the CEO is eligible for a Performance Unit award under the Company's LTIP. The value of the Performance Unit award is capped at 100% of Base Salary at the date of grant. During 2013 the CEO was granted 30,300 Performance Units.

The table below gives an overview of the performance units granted to the Chief Executive Officer in 2013 pursuant to the LTIP:

	Unit plan: number of performance units*	
	Granted in 2013	Vesting dates
Thomas Enders	30,300	Vesting schedule is made up of 4 tranches over 2 years: (i) 25% expected in May 2017; (ii) 25% expected in November 2017; (iii) 25% expected in May 2018; (iv) 25% expected in November 2018.

In 2013, the CEO received both cash payments and vested shares in connection with the vesting of 2008 and 2009 LTIP awards:

Cash: The total cash payment to the CEO amounted to €2,008,338.

Shares: In connection with the 2008 LTIP award, the CEO received 5,440 vested shares (20% of the vested award). Additionally, the CEO had elected that 25% of his 2009 LTIP grant should be deferred into shares. Therefore the vesting of 7,072 Performance Units was delayed, and these will be released in the form of shares on the fourth vesting date for the 2009 LTIP (which will take place in 2014).

Date of grants	Number	Share price at grant date	Value at grant date	(Un)conditional	Performance achievement	Units with performance achievement	Dates of vesting	2013 Share value at vesting dates
2008	40 000	13,50 €	540 000 €	Conditional	136%	54 400	4 vestings in 2012 - 2013	3rd vesting - 30th May 2013: 42,29 EUR 4th vesting - 19th November 2013: 51,17 EUR
2009	46 000	14,50 €	667 000 €	Conditional	123%	56 580	4 vestings in 2013 - 2014	1st vesting - 30th May 2013: 42,29 EUR 2nd vesting - 19th November 2013: 51,17 EUR
2010	54 400	18,40 €	1 000 960 €	Conditional	not yet known	not yet known	4 vestings in 2014 - 2015	not yet known
2011	51 400	21,41 €	1 100 474 €	Conditional	not yet known	not yet known	4 vestings in 2015 - 2016	not yet known
2012	50 300	27,83 €	1 399 849 €	Conditional	not yet known	not yet known	4 vestings in 2016 - 2017	not yet known
2013	30 300	46,17 €	1 398 951 €	Conditional	not yet known	not yet known	4 vestings in 2017 - 2018	not yet known

Calculations may involve rounding to the nearest unit.

Stock Options

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

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

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

Any exercise or sale that occurred in 2013 was executed under the Blind Trust framework and related to the Stock Option awards mentioned above. It appears along with the CEO's outstanding Stock Option awards in: "Notes to the Company Financial Statements – Note 11: Remuneration".

Benefits

As stipulated in the Company's Remuneration Policy the CEO's benefits comprise a company car and accident insurance. The monetary value of these benefits for 2013 amounted to € 73,687.

Retirement

As of 31 December 2013, the book cash value of the CEO's pension defined benefit obligation amounted to €12,921,270. For fiscal year 2013 the current service and interest costs related to the CEO's pension promise represented an expense of €544,736. This obligation has been accrued in the consolidated financial statements.

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

Clawback

The board has not applied any claw back in 2013.

4.3.5 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2013: NON-EXECUTIVE FEES

The RNC recommended and the Board of Directors decided not to increase non-executive fees in 2013, and therefore the non-executive fees remain unchanged from the level set in October 2007. The CEO is the only member of the Board of Directors who is not entitled to any Board membership fee.

Summary table of the 2013 and 2012 fees of all non-executive members of the Board (current and former):

Current Non Executive Board Members (*)	Directors' remuneration related to 2013 (*)			Directors' remuneration related to 2012 (*)		
	Fixum (in €)	Attendance Fees (in €)	Total (in €)	Fixum (in €)	Attendance Fees (in €)	Total (in €)
Denis Ranque (1)	135,000	60,000	195,000	-	-	
Manfred Bischoff (2)	60,000	45,000	105,000	-	-	
Ralph D Crosby Jr (3)	60,000	45,000	105,000	-	-	
Hans-Peter Keitel (4)	75,000	45,000	120,000	-	-	
Hermann-Josef Lamberti (5)	115,000	60,000	175,000	130,000	50,000	180,000
Anne Lauvergeon (6)	75,000	45,000	120,000	-	-	
Lakshmi N. Mittal (7)	95,000	35,000	130,000	80,000	40,000	120,000
Sir John Parker (8)	115,000	50,000	165,000	130,000	50,000	180,000
Michel Pébereau (9)	95,000	55,000	150,000	100,000	40,000	140,000
Josep Piqué i Camps (10)	95,000	50,000	145,000	46,667	35,000	81,667
Jean-Claude Trichet (11)	95,000	60,000	155,000	46,667	40,000	86,667
Former Non Executive Board Members						
Dominique D'Hinnin (12)	30,000	10,000	40,000	120,000	55,000	175,000
Arnaud Lagardère (13)	45,000	20,000	65,000	164,167	80,000	244,167
Wilfried Porth (14)	25,000	10,000	35,000	108,334	35,000	143,334
Bodo Uebber (15)	25,000	5,000	30,000	157,500	55,000	212,500
Former Non Executive Board Members in 2012						
Rolf Bartke	N/A	N/A	N/A	41,667	15,000	56,667
Juan Manuel Eguiagaray Ucelay	N/A	N/A	N/A	33,333	15,000	48,333
TOTAL	**1,140,000**	**595,000**	**1,735,000**	**1,158,335**	**510,000**	**1,668,335**

* The Fixum related to 2012 was paid in 2013; the Fixum related to 2013 will be paid in 2014.

(1) New Chairman of the Company's Board of Directors as of 01/04/2013 (Only attendance fees until 01/09/2013, application of fixed fee pro rata after 01/09/2013)
(2) New member of the Company Board of Directors as of 01/04/2013
(3) New member of the Company Board of Directors as of 01/04/2013
(4) New member of the Company Board of Directors and RNC as of 01/04/2013
(5) Member of the Company Board of Directors and Chairman of the Audit Committee for the entire year 2013 , Member of the RNC until 31/03/2013
(6) New member of the Company Board of Directors and Audit Committee as of 01/04/2013
(7) Member of the Company Board of Directors for the entire year 2013, new member of the RNC as of 01/04/2013
(8) Member of the Company Board of Directors and Chairman of the RNC for the entire year 2013, member of the Audit Committee until 31/03/2013
(9) Member of the Company Board of Directors for the entire year 2013, new member of the Audit Committee as of 01/04/2013
(10) Member of the Company Board of Directors for the entire year 2013, new member of the Audit Committee as of 01/04/2013
(11) Member of the Company Board of Directors for the entire year 2013, new member of the RNC as of 01/04/2013
(12) Member of the Company Board of Directors, Audit committee and RNC until 31/03/2013

(13) Chairman of the Company Board of Directors until 31/03/2013
(14) Member of the Company Board of Directors and RNC until 31/03/2013
(15) Member of the Company Board of Directors and Audit Committee until 31/03/2013

4.3.6 EMPLOYEE SHARE OWNERSHIP PLAN

EADS supports employee share ownership. Since its creation, EADS has regularly offered qualifying employees the opportunity to purchase EADS shares on favourable terms through the ESOP.

In June 2013, 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 to participate in the ESOP offer.

As announced by EADS Chief Executive Officer, Thomas Enders, during the AGM May 29th 2013, 10 EADS Free Shares were granted to all eligible employees of EADS Group, to reward them for their engagement and commitment to EADS, with an effective date November 15, 2013.

EADS Executive Committee members, EADS Non-Executive members of the Board, all EADS Executives were not eligible to receive these 10 Free Shares.

Future ESOP

The Company intends to implement an ESOP in 2014, subject to approval by the Board of Directors. The 2014 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 0.45% of its issued share capital, open to all qualifying employees (including the Chief Executive Officer). Under the umbrella of ESOP 2014, a dedicated UK tax saving plan (Share Incentive Plan – SIP) has been deployed in December 2013 subject to the decision of the Board of Directors in May 2014.

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

4.3.7 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 Organisation

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

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

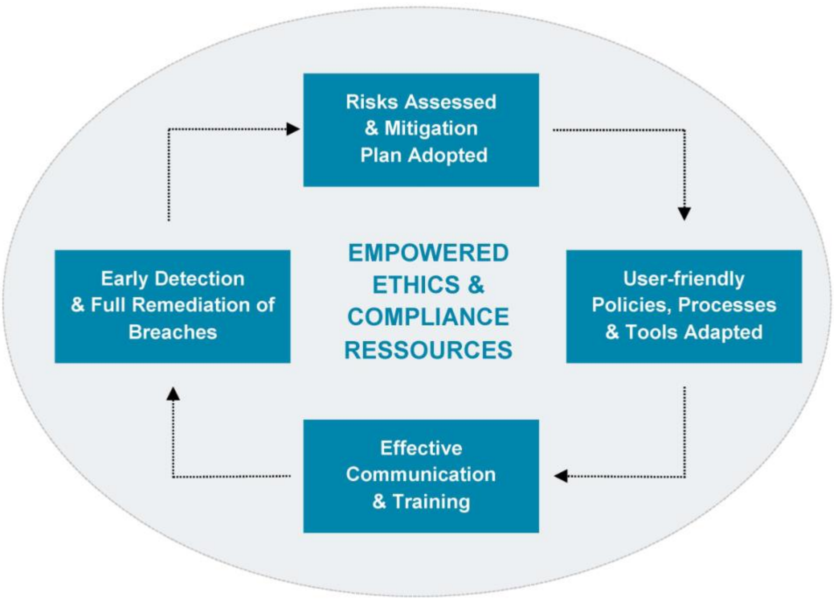
The Airbus Group E&C Organisation balances proximity to day-to-day business activities with the necessary independence. Hence, the Group's Ethics & Compliance Officer ("ECO"), who is appointed by the Board of Directors, reports both to the Group's Chief Executive Officer and the Audit Committee of the Company's Board of Directors, while the Divisions' E&C Officers report both to their Division CEO and the Group ECO. Each Division E&C Officer runs a Divisional E&C Organisation that is embedded in the business through a network of E&C representatives. In 2013, the Company enlarged the footprint of E&C representatives and they are now present in all functions and locations of our business. They are the voice and the face of the E&C Programme to help us build an E&C culture. In 2013, the Company also extended the breadth of the Airbus Group E&C Programme by appointing E&C Managers in four key Countries: Brazil, Russia, India, and Saudi Arabia. Furthermore, an E&C Manager is to be hired in China in 2014. The various Country E&C Managers report to the ECO.

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

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

Similar to previous years, E&C was defined as a top priority for the Group in 2013, resulting in a number of specific objectives for the E&C Organisation as well as for each Executives of the Company.

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



Employees, customers, suppliers, and third-party intermediaries are encouraged to freely share their E&C concerns with management or with E&C Resources. While we do have a non-retaliation principle, we recognize that a confidential channel for reporting may be useful. The Company's alert system is called OpenLine. Subject to local legal restrictions, OpenLine is available to employees of controlled entities in France, Germany, Spain, and UK. In 2013, it was extended to Australia, Brazil, and Canada. It will be further extended to China, Mexico, and Saudi Arabia in 2014. It has been available in the US since 2008.

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

In 2013, the Company was audited by an external verification company called ETHIC Intelligence on its anti-corruption programme and was certified.

Similar to previous years, in 2013 the Company participated to various collective actions on E&C and anti-corruption in forums such as the 'Global Compact 10th Principle' and the 'International Forum for Business Ethical Conduct'. The latter is a sectorial association that develops global E&C standards in the Aerospace and Defence industry and has been chaired by the Company in 2013.

4.5 Enterprise Risk Management System

Risk and opportunity management is of paramount importance to the Company, given the complex and volatile business environment in which the Company operates. A comprehensive set of risk and opportunity management procedures and activities across the Company makes up the Airbus Group Enterprise Risk Management ("**ERM**") system.

The objective of the ERM system is to create and preserve value for the Company's stakeholders. It is designed and operated to effectively identify potential events that may affect the Company, 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, the Company 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 the Company culture, in order to make risk and opportunity management a regular and everyday process for employees.

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

The ERM system comprises an integrated hierarchical bottom-up and top-down process to enable better management and transparency of risks and opportunities. At the top, the Board of Directors and the Audit Committee discuss major risks and opportunities, related risk responses and opportunity capture as well as the status of the ERM system, including significant changes and planned improvements. This is based on systematic bottom-up information including management judgement. The results are then fed back into the organisation. The design of the ERM system seeks to ensure compliance with applicable laws and regulations with respect to internal control ("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 the Company in the short-, middle- and long-term. It also applies to all of the Company's businesses, activities and departments. Management at each level discusses ERM when they run the business, as part of their decision-making and related activities. Accordingly, the ERM process is part of the management process and interrelated with other processes. The details of application of the ERM process vary with the risk appetite of management and the size, structure and nature of the organisational unit, programme/project, department or process. Nonetheless, the fundamental principles of the Company's ERM Policy generally apply.

For a discussion of the main risks to which the Group is exposed, see: Chapter 4.6 (Risk Factors) of this document.

ERM governance and responsibility

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

- The Board of Directors supervises the design and effectiveness of the ERM system including management actions to mitigate the risks inherent in the Company's business activities. It discusses the major risks at least quarterly based on ERM reporting or as required depending on development of business risks. It is supported by the Audit Committee, which discusses at least yearly the activities with respect to the operation, design and effectiveness of the ERM system, as well as any significant changes and planned improvements prior to presentation to the full Board of Directors;
- The Group's Chief Executive Officer, backed by the Group Executive Committee, is responsible for an effective ERM system, the related internal environment (i.e. values, culture) and risk philosophy. He is supported by the Group's Chief Financial Officer, who supervises the Group's Chief Risk Officer and the ERM system design and process implementation;
- The Group's 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 Company's ERM system needs to be effective. The Company has established recurring ERM self-assessment mechanisms, to be applied across the Group. This seeks to enable the Company to reasonably assure the effectiveness of its ERM system. The ERM effectiveness assurance comprises:

- ERM process: needs to be present and functioning throughout the Company without any material weaknesses and needs to fulfil the Company's ERM Policy requirements;
- risk appetite: needs to be in accordance with the Company's 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, the Company 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 as part of the regular divisional business reviews** This control is an important step of the ERM compliance process. All results of the operational risk management process, self-assessment and confirmation procedures are presented by the Divisions or Business Units to top management and discussed and challenged at the Company's CEO/CFO level.
Management	**ERM confirmation letter procedure** Entities and processes/department heads that participate in the annual ERM compliance procedures need to sign ERM confirmation letters, especially on internal control effectiveness and deficiencies or weaknesses. The scope of participants is determined by aligning coverage of 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 2013 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. The Company 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 2013:

- Regular monitoring took place by Board of Directors/Audit Committee: Board of Directors – four times 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.

Generally, the Company 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 2013 and provides reasonable assurance that the financial reporting does not contain any errors of material importance.

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

4.6 Risk Factors

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

4.6.1 Financial market risks

Global economic and sovereign debt concerns

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

European financial markets have experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro-zone to reduce their budget deficits and refinance or repay their sovereign debt obligations as they come due. The European Central Bank and Eurozone policy makers have so far succeeded to stabilise the Eurozone and the

European banks, decrease the volatility of the Euro against other major currencies thanks to improvements in the governance of the Eurozone banking system. However, the asset quality of European banks remains a risk for the financial system and the EU sovereign debt crisis remains a drag on near term economic prospects despite signs of a slow recovery.

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 the Company's 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 the Company must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interests the Company might have in the underlying aircraft;
- Further reductions in public spending for defence, homeland security and space activities, which go beyond those budget consolidation measures already proposed by governments around the world;
- Financial instability, inability to obtain credit or insolvency of key suppliers and subcontractors, thereby impacting the Company's ability to meet its customer obligations in a satisfactory and timely manner;
- Continued de-leveraging as well as mergers, rating downgrades and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by the Company for its businesses or restrict its ability to implement desired foreign currency hedges; and
- Default of investment or derivative counterparties and other financial institutions, which could negatively impact the Company's treasury operations including the cash assets of the Company.

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

Foreign currency exposure

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

Sales financing arrangements

In support of sales, the Company 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, the Company 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 the Company to protect itself from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market will be effective, which may have a negative effect on its future results of operation and financial condition.

Counterparty credit

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

Equity investment portfolio

The Company holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. The Company is exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies.

Pension commitments

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

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

Tax issues

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

4.6.2 Business-related risks

Commercial aircraft market cyclicality

Historically, the market for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and cargo activity, which are in turn primarily influenced by economic or gross domestic product ("**GDP**") growth. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) deregulation and (vii) environmental constraints imposed upon aircraft operations. The Company 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, the Company may suffer from a decline in demand for all or certain types of its aircraft or other products, and the Company's customers may postpone delivery or cancel orders.

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

Dependence on key suppliers and subcontractors

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

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

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

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

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

Industrial ramp-up

As a result of the large number of new orders for aircraft recorded in recent years, the Company intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft (including helicopters). As it nears full capacity, the Company's ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given high demand by the Company and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, 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. Good progress has been made in 2013 and the supply chain is in general more stable. Specific areas of risk with suppliers of cabin equipment need to be carefully managed.

Technologically advanced products and services

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

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

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

Dependence on public spending and certain markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. Due to the overall economic environment and competing budget priorities, several countries have 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 the Company's 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 the Company to enter into or perform such contracts.

Further, a significant portion of the Company's backlog is concentrated in certain regions or countries, including the US, 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 the Company's future results of operation and financial condition.

Availability of government and other sources of financing

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

Competition and market access

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

Major research and development programmes

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

Restructuring, transformation and cost saving programmes

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

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

Acquisitions, joint ventures & strategic alliances

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

Public-private partnerships and private finance initiatives

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

Programme-specific risks

In addition to the risk factors mentioned above, the Company also faces the following programme-specific risks (while this list does not purport to be comprehensive, it highlights the current risks believed to be material by management):

- A350 XWB programme. In connection with the A350 XWB programme, after a successful initial flight test campaign, the Company faces the following main challenges: ensuring aircraft performance and flight tests completion, certification and first deliveries before the end of 2014; maintaining supply chain performance and production ramp-up; managing production overcosts of the early aircraft and recurring costs beyond the initial ramp-up phase; maintaining customisation and heads of versions ramp-up; and maintaining the development schedule of A350-1000 to ensure entry in service as planned.
- A380 programme. In connection with the A380 programme, the Company 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; and managing maturity in service. The wing rib feet issues are now well understood and fixes are in place. The impact will be closely managed with customers over the next two years. However, in case of such a large and complex aircraft, risk that we could run into further technical issues in the future remains.
- A400M programme. In connection with the A400M programme, the Company faces the following main challenges: finalising the development, tests and associated documentation to enable progressively enhanced aircraft capabilities (enhanced IOC and standard operational clearance (SOC1 to 3); completing the final development of a full set of in-service support goods and services, and providing high levels of service for integrated logistic support that deliver mission success to programme customers; pursuing further aircraft development (engine, cargo systems, military systems); continuing the production ramp-up; managing the contractual retrofit campaign; increasing export orders; and meeting the contractual time schedule for the next programme milestones.
- A320neo programme. In connection with the A320neo programme, the Company faces the following main challenges: management of stress in the supply chain as a result of the industrial ramp-up; meeting the engine development status, including performance targets, and its schedule; and ensuring the availability of skilled personnel for the programme. The programme progresses as planned and no new challenges emerged in 2013. The main focus will be the transition in 2017 and 2018 from A320ceo to A320neo.
- A330 programme. The long range programme presents no new challenges. However, managing the order book beyond 2016 becomes more challenging due to competition from A350XWB and Boeing 787.
- NH90 and Tiger programmes. In connection with the NH90 and Tiger programmes, the Company 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, the Company faces the following main challenges: after the approval of safety measures by EASA permitting return to service of EC225 fleet, the Company is now finalising the development and certification of the re-designed main gear box shaft failure. The retrofit of the whole 225 fleet will start mid-2014 and finish end 2015.
- Lead systems integration. In connection with lead systems integration projects (in particular Saudi border surveillance contract and National Security Shield Qatar), the Company 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. In relation to a Command and Control System for the UAE, which was under development by Emiraje Systems LLC (in which the Company has a 49% shareholding), the customer has indicated its willingness to terminate the contract amicably. Settlement negotiations are underway and activities terminated.

4.6.3 Legal risks

Dependence on joint ventures and minority holdings

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

Product liability and warranty claims

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

Intellectual property

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

Export controls and other laws and regulations

The export market is a significant market for the Company. There can be no assurance (i) that the export controls to which the Company is subject will not become more restrictive, (ii) that new generations of the Company products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain the Company's ability to perform under previously signed contracts. The Company is also subject to a variety of other laws and regulations, including among others, those relating to commercial relationships, the use of its products and anti-bribery provisions. Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in administrative, civil or criminal liabilities resulting in significant fines and penalties or result in the suspension or debarment of the Company from government contracts for some period of time or suspension of the Company's export privileges.

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

Legal and regulatory proceedings

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

4.6.4 Industrial and environmental risks

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

5. Financial Performances and other Corporate Activities

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 €	**2013**	**2012**
Revenues	59,256	56,480
Cost of sales *)	(50,895)	(48,582)
Gross margin *)	**8,361**	**7,898**
Selling expenses	(1,217)	(1,192)
Administrative expenses *)	(1,696)	(1,677)
Research and development expenses	(3,160)	(3,142)
Other income	236	184
Other expenses	(263)	(229)
Share of profit from associates under the equity method	295	241
Other income from investments	51	6
Profit before finance costs and income taxes *)	**2,607**	**2,089**
Total finance costs	(630)	(453)
Income taxes *)	(502)	(438)
Profit for the period *)	**1,475**	**1,198**
Attributable to:		
Equity owners of the parent **(Net income) *)**	1,465	1,197
Non-controlling interests	10	1

*) Previous year's figures are adjusted due to revised IAS 19.

5.1.2 REVENUES

In 2013, revenues increased 5% to € 59.3 billion (FY 2012: € 56.5 billion), mainly reflecting higher commercial aircraft deliveries and the A400M ramp-up. Defence revenues were stable and reflected the portfolio mix of development and long-term defence contracts.

5.1.3 EBIT PRE GOODWILL IMPAIRMENT AND EXCEPTIONALS

Airbus Group uses EBIT pre goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the 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 €)	2013	2012
Profit before finance costs and income taxes *)	**2,607**	**2,089**
Disposal and impairment of goodwill	15	17
Exceptional depreciation and disposal	39	38
EBIT pre goodwill impairment and exceptionals *)	**2,661**	**2,144**

*) Previous year's figures are adjusted due to revised IAS 19.

Reported EBIT* increased to € 2,661 million (FY 2012 adjusted: € 2,144 million) despite € 913 million in total one-off charges for the year. The fourth quarter of 2013 included a € 434 million net charge to reflect the higher level of costs on the A350 XWB programme as well as a € 292 million provision related to the restructuring of the Airbus Defence and Space Division and Headquarters.

Group EBIT* before one-off – an indicator capturing the underlying business margin by excluding material non-recurring charges or profits caused by movements in provisions related to programmes and restructurings or foreign exchange impacts – increased to € 3.6 billion (FY 2012: € 3.0 billion) and to € 2.3 billion for Airbus (FY 2012: € 1.8 billion).
The overall improvement was driven by Airbus, which achieved good margin evolution despite the ramp up in A350 XWB support costs while the transformation efforts launched at the former Cassidian and Astrium Divisions have started to deliver results. The Group EBIT* before one-off margin increased to 6.0%.

The finance result was € -630 million (FY 2012: € -453 million) while net income increased to € 1,465 million (FY 2012 adjusted: € 1,197 million), or earnings per share of € 1.85 (earnings per share FY 2012 adjusted: € 1.46). Self-financed research & development (R&D) expenses were stable at € 3,160 million (FY 2012: € 3,142 million).

Table 3 – EBIT* and Revenues by Division

by Division	**EBIT***			**Revenues**		
(Amounts in millions of Euro)	FY 2013	FY 2012	Change	FY 2013	FY 2012	Change
Airbus Division (1)	1,710	1,252(2),(3)	+37%	42,012	39,273(3)	+7%
Airbus Commercial	1,595	1,147(2),(3)	+39%	39,889	37,624(3)	+6%
Airbus Military	166	93	+78%	2,893	2,131	+36%
Eurocopter	397	309(2)	+28%	6,297	6,264	+1%
Astrium	347	311(2)	+12%	5,784	5,817	-1%
Cassidian	432	128(2)	+238%	5,976	5,740	+4%
Headquarters / Consolidation	-218	142	-	-1,222	-1,200(3)	-
Other Businesses	-7	2(3)	-	409	586(3)	-30%
Total	2,661	2,144(2)	+24%	59,256	56,480	+5%

* 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.

2) Previous year's figures are adjusted due to revised IAS 19.

3) Previous year's figures are adjusted due to the inclusion of ATR group and Sogerma group into Airbus Commercial (formerly in Other Businesses).

5.1.4 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ("IFRS")

Table 4 – Consolidated Statements of Financial Position (IFRS)

in millions of €	December 31 2013	2012	Change
Intangible Assets *)	13,653	13,429	224
Property, Plant and Equipment	15,925	15,268	657
Investments in associates under the equity method	2,902	2,662	240
Other investments and other long-term financial assets	1,864	2,115	-251
Other non-current assets	3,729	2,801	928
Deferred tax assets*)	3,840	4,532	-692
Non-current securities	4,300	5,987	-1,687
Non-current assets	**46,213**	**46,794**	**-581**
Inventories	25,060	23,216	1,844
Trade receivables*)	7,239	6,788	451
Other current assets	4,444	4,239	205
Current securities	2,590	2,328	262
Cash and cash equivalents	7,765	8,756	-991
Current assets	**47,098**	**45,327**	**1,771**
Total assets	**93,311**	**92,121**	**1,190**
Equity attributable to equity owners of the parent*)	11,011	10,403	608
Non-controlling interests*)	43	17	26
Total equity	**11,054**	**10,420**	**634**
Non-current provisions*)	10,046	9,850	196
Long-term financing liabilities	3,956	3,506	450
Deferred tax liabilities*)	1,487	1,502	-15
Other non-current liabilities	18,187	18,194	-7
Non-current liabilities	**33,676**	**33,052**	**624**
Current provisions*)	5,323	6,039	-716
Short-term financing liabilities	1,645	1,273	372
Trade liabilities*)	10,372	9,921	451
Current tax liabilities	616	458	158
Other current liabilities*)	30,625	30,958	-333
Current liabilities	**48,581**	**48,649**	**-68**
Total equity and liabilities	**93,311**	**92,121**	**1,190**

*) Previous year's figures are adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions.

Non-current assets

Intangible assets of € 13,653 million (prior year-end adjusted: € 13,429 million) include € 10,962 million (prior year-end adjusted: € 11,017 million) of goodwill. This mainly relates to Airbus Commercial (€ 6,680 million), Cassidian (€ 2,720 million), Astrium (€ 1,235 million) and Eurocopter (€ 302 million). The annual impairment tests, which were performed in the fourth quarter, led to an impairment charge of € 15 million in Other Businesses. Capitalization for development costs of the A350 XWB programme started in the second quarter 2012. In 2013, an amount of € 354 million has been capitalized resulting in a total amount of € 720 million.

Property, plant and equipment increase by € +657 million to € 15,925 million (prior year-end: € 15,268 million), including leased assets of € 422 million (prior year-end: € 576 million). The increase is mainly driven by the A350 programme. Property, plant and equipment also comprise "Investment property" amounting to € 69 million (prior year-end: € 72 million).

Investments in associates under the equity method of € 2,902 million (prior year-end: € 2,662 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 2013 equity components have been used to estimate the 2013 year-end consolidated equity position of Dassault Aviation.

Other investments and other long-term financial assets of € 1,864 million (prior year-end: € 2,115 million) are related to Airbus for an amount of € 1,083 million (prior year-end: € 1,288 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 € +928 million to € 3,729 million (prior year-end: € 2,801 million) is mainly caused by the positive variation of the non-current portion of fair values of derivative financial instruments (€ +796 million) and by higher prepaid expenses (€ +257 million).

Deferred tax assets decrease by € -692 million to € 3,840 million (prior year-end adjusted: € 4,532 million) mainly in relation with the changes in fair value of financial instruments recorded in OCI.

The fair values of derivative financial instruments are included in other non-current assets (€ 1,993 million, prior year-end: € 1,197 million), in other current assets (€ 717 million, prior year-end: € 321 million), in other non-current liabilities (€ 671 million, prior year-end: € 1,159 million) and in other current liabilities (€ 303 million, prior year-end: € 852 million) which corresponds to a total net fair value of € +1,736 million (prior year-end: € -493 million). The volume of hedged US dollar-contracts decreases from US dollar 83.6 billion as at 31 December 2012 to US dollar 75.9 billion as at 31 December 2013. The US dollar spot rate is USD/ € 1.38 at 31 December 2013 vs. 1.32 at 31 December 2012. The average US dollar hedge rate for the hedge portfolio of the Group improves from USD/ € 1.35 as at 31 December 2012 to USD/ € 1.34 as at 31 December 2013.

Non-current securities with a remaining maturity of more than one year decrease by € -1,687 million to € 4,300 million (prior end: € 5,987 million). The movement is related to the cash management policy of the Group.

Current assets

Inventories of € 25,060 million (prior year-end: € 23,216 million) increase by € +1,844 million. This is mainly driven by higher unfinished goods and services at Airbus (€ +1,148 million, net of the related portion of provisions mainly for the A400M and A350) and Eurocopter (€ +154 million), higher advance payments made at Airbus (€ +262 million) as well as higher raw materials at Airbus (€ +158 million) and Eurocopter (€ +74 million).

Trade receivables increase by € +451 million to € 7,239 million (prior year-end adjusted: € 6,788 million), mainly caused by Airbus (€ +479 million), partly offset by Cassidian (€ -50 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 increase of € +205 million to € 4,444 million (prior year-end: € 4,239 million) comprises among others a positive variation of the current portion of fair values of derivative financial instruments (€ +396 million) and an increase of VAT receivables (€ +150 million), mostly offset by a decrease of receivables from related companies (€ -199 million) and of prepaid expenses (€ -144 million).

Current securities with a remaining maturity of one year or less correspond to € 2,590 million (prior year-end: € 2,328 million) and increase by € +262 million. (Please refer to “non-current securities”).

Cash and cash equivalents decrease from € 8,756 million to € 7,765 million.

Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 11,011 million (prior year-end adjusted: € 10,403 million). The increase is mainly due to a net income of € +1,465 million and other comprehensive income of € +1,416 million, partly compensated by purchase of treasury shares of € -1,915 million following the implementation of the announced share buy-back programme and a cash distribution to shareholders of € -467 million (corresponding to € 0.60 per share).

Non-controlling interests increase to € 43 million (prior year-end adjusted: € 17 million), mainly due to the EFW transaction.

Non-current liabilities

Non-current provisions of € 10,046 million (prior year-end adjusted: € 9,850 million) include the non-current portion of pension provisions which increases by € +50 million to € 6,209 million (prior year-end adjusted: € 6,159 million).

Moreover, other provisions are included in non-current provisions, which increase by € +146 million to € 3,837 million (prior year-end adjusted: € 3,691 million). Included in the other provisions are additions for restructuring measures defined for the Group’s Defence and Space business in order to improve competitiveness by reducing costs, create synergies in the operations and product portfolio and better focus Research and Development efforts. Accordingly, a plan including temporary contract termination, non-replacement of attrition, redeployment, partial and early retirement as well as voluntary leaves in Germany, France, the UK and Spain has been communicated to the Group's employees and the European Works Council in December 2013. As a result the Group has increased non-current and current restructuring provisions by € 292 million in total.

The provision for contract losses as part of other provisions mainly relates to Airbus Military in conjunction with the A400M and to the A350 programme in AIRBUS Commercial. 2013 provision consumption mainly reflects utilisation as the A400M launch contract progresses whilst the increase to a large extent is due to an additional net charge of 434 M € recognised in the A350 programme to reflect mainly the higher level of recurring costs. After 2 deliveries in 2013, A400M programme enters in progressive enhancement of military capability in a sequence to be negotiated and concluded with the customers. Risks related to cost envelope and military functionalities are closely monitored.

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions increase by € +450 million to € 3,956 million (prior year-end: € 3,506 million). This increase is mainly due to the issuance of an inaugural US dollar 1 billion bond with a 10-year maturity placed on the U.S. institutional market on 9 April 2013. The bonds will pay a fixed coupon of 2.7%. This increase is partly compensated by lower liabilities to financial institutions (€ -165 million).

Other non-current liabilities, comprising "Non-current other financial liabilities", "Non-current other liabilities" and "Non-current deferred income", decrease in total by € -7 million to € 18,187 million (prior year-end: € 18,194 million). The negative fair values of financial instruments decrease by € -488 million whereas advance payments received increase by € +344 million and government refundable advances by € +157 million, particularly in Airbus (€ +114 million) and Eurocopter (€ +43 million).

Current liabilities

Current provisions decrease by € -716 million to € 5,323 million (prior year-end adjusted: € 6,039 million) and comprise the current portions of pensions (€ 406 million) and of other provisions (€ 4,917 million) including € 85 million of restructuring provisions (see above). The decrease is mainly linked to the A400M Program on which inventories are presented net of the respective portion of the contract loss provision.

Short-term financing liabilities increase by € +372 million to € 1,645 million (prior year-end: € 1,273 million), mainly due to transactions related to repo agreements (short-term cash collection) and to financial institutions partly compensated by lower liabilities from the commercial paper programme.

Trade liabilities increase by € +451 million to € 10,372 million (prior year-end adjusted: € 9,921 million), mainly at Airbus (€ +476 million).

Other current liabilities include "Current other financial liabilities", "Current other liabilities" and "Current deferred income". They decrease by € -333 million to € 30,625 million (prior year-end adjusted: € 30,958 million), mainly due to a decrease of the current portion of negative fair values of financial instruments (€ -549 million).

5.1.5 NET CASH

The net cash position at the end of 2013 was € 9.1 billion (year-end 2012: € 12.3 billion) after taking into account the € 1.9 billion invested in the share buyback programme and a dividend payment of € 469 million. The gross cash balance at the end of 2013 was € 14.7 billion, providing financial flexibility and security.

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 amounted to € -818 million (FY 2012: € 1,449 million) and reflected the increased investment required to support programmes in production and development. The last quarter of 2013 benefited from a very strong cash performance.

Capital expenditure of € 2.9 billion was mainly driven by progress on A350 XWB development aircraft and includes development costs capitalised under IAS 38 of € 354 million for the A350 XWB.

5.1.6 ORDER INTAKE AND ORDER BOOK

Group order intake in 2013 rose sharply to € 218.7 billion (FY 2012: € 102.5 billion), reflecting strong commercial momentum at Airbus and major contracts in the space business. As of 31 December 2013, the order book was worth € 686.7 billion (year-end 2012: € 566.5 billion). The defence order book was worth € 47.3 billion (year-end 2012: € 49.6 billion).

Table 5 – Order Intake and Order Book by Division

by Division (Amounts in millions of Euro)	**Order Intake(2)**			**Order Book(2)**		
	FY 2013	**FY 2012**	**Change**	**31st Dec 2013**	**31st Dec 2012**	**Change**
Airbus Division (1)	202,260	88,909(3)	+127%	647,410	525,482(3)	+23%
Airbus Commercial	199,867	87,283(3)	+129%	627,113	505,333(3)	+24%
Airbus Military	2,592	1,901	+36%	20,814	21,139	-2%
Eurocopter	5,775	5,392	+7%	12,420	12,942	-4%
Astrium	6,169	3,761	+64%	13,077	12,734	+3%
Cassidian	4,974	5,040	-1%	14,296	15,611	-8%
Headquarters / Consolidation	-785	-1,103(3)	-	-823	-770(3)	-
Other Businesses	288	472(3)	-39%	354	494(3)	-28%
Total	218,681	102,471	+113%	686,734	566,493	+21%

(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.

(3) Previous year's figures are adjusted due to the inclusion of ATR group and Sogerma group into Airbus Commercial (formerly in Other Businesses).

5.1.7 EADS DIVISION DETAILS

In 2013, **Airbus** achieved a new industry record of 1,619 gross commercial orders (FY 2012: 914 gross orders) with net orders of 1,503 aircraft (FY 2012: 833 net orders), excluding ATR. Gross orders comprised 1,253 A320 Family aircraft, 77 A330s, 239 A350 XWBs and 50 A380s. Fourth-quarter orders included Emirates Airline's agreement for 50 A380s and Etihad Airways' order for 50 A350 XWBs, 36 A320neos and one A330-200F. **Airbus Military (now part of Airbus Defence and Space)** received 17 net orders (FY 2012: 32 net orders).

Airbus' net order intake increased sharply to € 202.3 billion (FY 2012 adjusted: € 88.9 billion). At the end of 2013, Airbus' consolidated order book was valued at € 647.4 billion (year-end 2012 adjusted: € 525.5 billion). The Airbus Commercial backlog was worth € 627.1 billion (year-end 2012 adjusted: € 505.3 billion), comprising 5,559 Airbus aircraft (year-end 2012: 4,682 units) and representing over eight years of production. Airbus Military's order book was worth € 20.8 billion (year-end 2012: € 21.1 billion). Airbus series aircraft deliveries increased to 626 aircraft (FY 2012: 588 aircraft, including three A330s without revenue recognition). Airbus Military delivered 31 aircraft (FY 2012: 29 aircraft).

The strong on-going market demand for the A320ceo (current engine option) and the long-term demand for the A320neo (new engine option) triggered a decision to increase single-aisle aircraft production to 46 aircraft a month in 2016.

The A350 XWB programme is progressing towards certification, with more than 1,000 flight test hours accumulated. The ultimate load test of the wing has now been completed and the programme remains on track to achieve entry-into-service by the end of 2014. Airbus is now in the most critical phase of the A350 XWB programme. The fourth quarter charge of € 434 million reflects a re-assessment of actual and estimated unit cost. Improvement actions have been launched to converge on cost targets. The industrial ramp-up preparation is underway and associated risks will continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customers' commitments.

The initial two A400Ms were delivered to the French Air Force during 2013 while the third aircraft, for Turkey, is awaiting acceptance in the delivery centre. The industrial ramp-up is well underway. Progressive enhancement of military capability will follow with upgrades to be agreed and concluded with customers.

Airbus' consolidated revenues increased 7% to € 42,012 million (FY 2012 adjusted: € 39,273 million), reflecting higher commercial and military aircraft deliveries. The Division's consolidated EBIT* rose to € 1,710 million (FY 2012 adjusted: € 1,252 million). Airbus Commercial's revenues rose to € 39,889 million (FY 2012 adjusted: € 37,624 million). The Airbus Commercial reported EBIT* was € 1,595 million (FY 2012 adjusted: € 1,147 million) with the EBIT* before one-off at € 2,216 million (FY 2012 adjusted: € 1,669 million). Airbus Commercial's EBIT* before one-off benefitted from the improved operational performance, including favourable volume, some better pricing and an improvement in A380 losses. It also included higher A350 XWB programme support costs. Revenues at Airbus Military rose to € 2,893 million (FY 2012: € 2,131 million), driven by the A400M ramp-up and higher volumes from both light and medium transport planes and tankers. The EBIT* at Airbus Military was € 166 million (FY 2012: € 93 million).

Order intake at **Eurocopter (now Airbus Helicopters)** rose 7% to € 5,775 million (FY 2012: € 5,392 million) with the number of net bookings declining to 422 units (FY 2012: 469 units). As of 31 December 2013, the Eurocopter order book was worth € 12.4 billion (year-end 2012: € 12.9 billion), comprising 995 helicopters (year-end 2012: 1,070 helicopters).
Deliveries during 2013 rose to 497 helicopters (FY 2012: 475 helicopters). The EC225 returned to service with all operators worldwide. In January 2014, certification was received from the European Aviation Safety Agency for the new EC175 model, allowing entry-into-service to follow later in 2014.

Eurocopter's revenues were stable at € 6,297 million (FY 2012: € 6,264 million) while EBIT* increased to € 397 million (FY 2012 adjusted: € 309 million), with the year-earlier figure including a € 100 million charge for governmental programme renegotiations. EBIT* before one-off was broadly stable. A transformation plan has been launched to improve profitability and competitiveness, customer satisfaction, productivity, quality and safety.

Order intake at **Astrium (now part of Airbus Defence and Space)** rose significantly in 2013 to € 6.2 billion (FY 2012: € 3.8 billion) with the order book worth € 13.1 billion as of December 31, 2013 (year-end 2012: € 12.7 billion). The book-to-bill ratio was above 1. In the final quarter of 2013, Astrium received a frame contract from Arianespace for 18 higher capacity Ariane 5 ECA launchers, while the European Space Agency awarded a contract related to operating and maintaining the International Space Station (ISS). Four Ariane 5 launches were conducted in 2013, bringing the number of successful consecutive launches to 57. Six Astrium-built satellites were successfully delivered during the year with fourth-quarter satellite launches including the Gaia space telescope and the Swarm constellation. The fourth Automated Transfer Vehicle completed its mission to service the ISS.

Astrium's revenues were € 5,784 million (FY 2012: € 5,817 million) with an EBIT* of € 347 million (FY 2012 adjusted: € 311 million), reaching a 6% return on sales for the first time. The EBIT* improvement was driven by volume and productivity in the launchers, defence and satellites businesses as well as margin improvement from the early deployment of the AGILE transformation programme. These positive factors mitigated lower services activity.

Net order intake at **Cassidian (now part of Airbus Defence and Space)** was stable at € 5.0 billion (FY 2012: € 5.0 billion) while at the end of December 2013, its order book was worth € 14.3 billion (year-end 2012: € 15.6 billion). During the fourth quarter, the 400th aircraft in the Eurofighter Typhoon programme was delivered to the German Air Force while Austria placed an order for six Tracker mini unmanned aerial systems. In addition, MBDA received an important contract for a new anti-tank weapon from France and secured further business in the Middle East. Revenues increased to € 5,976 million (FY 2012: € 5,740 million) with an EBIT* of € 432 million (FY 2012 adjusted: € 128 million), representing more than a 7% return on sales. The operational performance at Cassidian reflected a strong increase in underlying profitability driven by volume, productivity and the transformation efforts launched in December 2012. The 2012 EBIT* included € 198 million in charges linked to restructuring and portfolio de-risking.

5.2 EADS N.V. Company financial statements

Table 6 – Balance sheet EADS N.V.

(in millions of €)	**2013**	**2012**
Goodwill	4,354	4,354
Financial fixed assets 2)	14,107	11,331
Non-current securities	4,179	5,786
Fixed assets 2)	**22,640**	**21,471**
Receivables and other assets	10,073	8,654
Current securities	2,430	2,228
Cash and cash equivalents	6,126	6,962
Non-fixed assets	**18,629**	**17,844**
Total assets 2)	**41,269**	**39,315**

Stockholders' equity 1), 2)	**11,011**	**10,403**
Non-current financing liabilities	3,514	3,078
Non-current liabilities	**3,514**	**3,078**
Current financing liabilities	914	0
Other current liabilities	25,830	25,834
Current liabilities	**26,744**	**25,834**
Total liabilities and stockholders' equity 2)	**41,269**	**39,315**

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

2) Previous year's figures adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions.

Table 7 – Income Statement EADS N.V.

(in millions of €)	**2013**	**2012**
Income from investments 1)	1,466	1,137
Other results	(1)	60
Net result	**1,465**	**1,197**

1) Previous year's figure adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions.

5.3 Information on statutory accountants

	Date of First Appointment	**Expiration of Current Term of Office***
KPMG Accountants N.V. Laan van Langerhuize 1 – 1186 DS Amstelveen — the Netherlands Represented by A.A. van Eimeren	10 May 2000	27 May 2014
Ernst & Young Accountants LLP Antonio Vivaldistraat 150 — 1083 HP Amsterdam — the Netherlands Represented by C.T. Reckers	24 July 2002	27 May 2014

* A resolution will be submitted to the General Meeting of Shareholders called for 27 May 2014, in order to appoint KPMG Accountants N.V. as the Company's auditors for the 2014 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 2013, 8,823 employees worldwide (thereof 4,881 in the core-division perimeter, i.e. Airbus, Airbus Defence and Space, and Airbus Helicopters) were welcomed into the Company (11,080 in 2012), while 4,160 employees left the Group including partial retirements. At year-end the Group's workforce increased to 144,061 (year-end 2012: 140,405). The increase in active workforce was mainly driven by the ramp-up in the Group's business activities. In terms of nationalities, 37.1% of the Company's employees are from France, 33.4% from Germany, 9.2% from the UK and 8.4% are from Spain. US nationals account for 1.7% of employees. The remaining 10.1% are employees coming from a total of 131 other countries.

With our recent business success and continued strong order levels for commercial aircraft, production and delivery ramp-ups, the need for highly qualified staff across business areas continued in 2013. The Group's capacity to attract and retain the right talent is a key asset for now and in the future.

To ensure success, the Company developed a long-term Group Employment Marketing Strategy in 2013 that includes five key visions for the coming 5-10 years mainly around making our company and the engineering function in general more attractive. An important part of our strategy involves working in a more targeted way with higher education institutions around the world, developing partnerships with universities, and we have been further focussing this effort through the creation of the Airbus Group University Board. This new initiative will allow the Company targeted and managed university relationships for future skill development, candidate attraction, influence and trend monitoring.

In 2013, several independent surveys recognised the Company with its divisions once more as 'Employers of Choice' in the Group's core countries in Europe. Universum and Trendence named the Group the No.1 employer for engineering students in France, No.6 in Europe and No.8 in Germany. Airbus moved into fifth place in Germany according to Focus magazine's Top Employer survey. In the UK Airbus was among the Times Top 100, and Randstadt ranked the Group No.1 in Spain, No.3 in Germany, as well as Eurocopter No.2 in France. Several other specialized rankings awarded the Group top marks. Airbus Group is going to continue its efforts to become a Global Employer of Choice.

In December 2013, the Board of Directors decided the integration of Cassidian, Astrium and Airbus Military into Airbus Defence and Space. The respective divisional and corporate functions reshaping will result in a headcount reduction of around 5800 positions, including temporary positions, and a consolidation of sites. There will be several social measures in the affected areas aiming at mitigating the impact of the reorganization on employment numbers. These social measures will include internal redeployment to Airbus and Airbus Helicopters, non-replacement of attrition, hiring freeze, voluntary leaves and early retirement. The Company has entered into a constructive dialogue with the social partners on the detailed implementation.

5.4.2 ORGANISATION OF HUMAN RESOURCES MANAGEMENT

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

Since June 2012, the Company's and Airbus' HR have been integrated under the same leadership role: Chief Human Resources Officer Airbus & Airbus Group. The Company is moving forward with the deployment of the new group strategy 2.0 and HR adapt with the new division set-up (creation of Airbus Defence and Space). Therefore in 2013, the HR organisation laid the foundations for a collaborative platform model to support the group evolution and maintain a high quality of delivery. The Airbus Group Corporate HR governing team (HRDC) will be composed of divisional and Group HR directors with a double operational reporting line from the Divisions to the Group Head of HR. This structure fosters full coherence and alignment in the Group's HR operational governance. The main principles of this new setup will be:

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

Corporate HQ HR will mainly be focused on defining state of the art long term HR policies that participate to set and support Group Strategy. Transversal integrated Centres of Competences will be in charge of defining group policies and associated processes. They will also advise management and HR in the divisions in their respective domain of expertize (e.g. Talent and Executive Development, Compensation and Benefits as well as Social Policy and Industrial Relations).

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

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

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

5.4.3 2013 KEY ACHIEVEMENTS IN HUMAN RESOURCES

The ESOP 2013 campaign has been a great success. 32,260 employees (22.4%) invested in the Company, which represents an increase of 11% compared to 2012.

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 women on level 5 (Manager) named "GROW".

In 2013, more than 22% of new recruits to the company were women (21.4% in 2012) and women made up 17.2% of the active workforce (17.3% in 2012). The Company aims to increase the overall share of female employees to 25% and the share of women within the senior manager and executive community to 20%.

Since 2009, the Company runs a group wide engagement initiative towards all employees. The regularly conducted survey helps to identify the strong drivers for engagement as well as areas for improvement. Since the commencement of the initiative, a comprehensive action plan has been rolled out focussing on employee recognition, reinforcement of leadership, communication inside and across teams, proximity of managers and HR support to the Company's employees. The next engagement survey will be launched in Q4 2014.

Mobility of employees within or across divisions continues to be one of the main priorities for the overall benefit of both Airbus Group employees and the Group itself. In 2013, approximately 10,000 employees changed jobs and the Company has kept the challenging 10% target for 2014.

The Company managed to move 842 talents, of which 28% were women, into challenging new positions. It perceives the development of new competences, the creation of new ideas and the further intensification of professional networks as crucial for any successful advancement. Consequently, it is deploying significant efforts towards the analysis and development of all competences across the Group, in diversifying skills, gap-bridging development actions, and in a robust and customized training plan.

5.5 Environmental matters

The Company's 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 Company's Environmental networks, the Group's first environmental policy was published in 2008. In 2011, the Company created a Corporate Environmental Affairs department to help divisions to identify and anticipate trends, define the strategy for the Group, coordinate common positions. In 2013, the Company continued to dedicate itself towards eco-efficiency by launching promising initiatives and realizing innovative achievements.

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. The Company 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 environmental impacts. Robust certified EMS standards have been progressively implemented across the Company's manufacturing sites and over 90% of the Company's employees operate under an ISO 14001 certification. The site and product life cycle orientation of EMS strives to create economic value by reducing environmental costs and exposure at each stage of the product life. In 2013, when Airbus successfully completed the ISO 14001 recertification process, it was the first aeronautical manufacturer to be certified for all its sites, products and services. Subsequently, Eurocopter achieved the prestigious certification in Germany, in Spain, and more recently at sites in Singapore, Canada and in the USA.

At the research and development stage

The Company's main focus is to enable the whole aviation sector to meet ambitious 2020 and 2050 targets for reducing noise and emissions. Airbus is committed to Flightpath 2050 targets of 75% of CO_2 emission reduction per passenger per kilometre, 90% of nitrogen oxide (NOX) emissions reduction and 65% of noise reduction by 2050.

Five of the seven research and technology groups within the Group's corporate research network address topics related to eco-efficiency.

In 2013, the Group launched the 'E-aircraft' project, developing and building an electric general aviation training aircraft in cooperation with Aero Composites Saintonge (ACS), called E-Fan, engineering together with Diamond Aircraft and Siemens an updated hybrid electric motor glider, the Diamond Aircraft DA36 E-Star 2, but also cooperating with Rolls Royce on a smarter future distributed system concept.

In 2010, the Company created a Working Group called Design for Environment to share best practices and enable synergies between the Group's divisions to support the implementation of consistent life cycle analysis & ecodesign approaches.

At the extended enterprise level

The Company 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 (or emerging regulations, e.g. "conflict minerals") regarding various substances content in products. To mitigate non-trivial business risks, a large mobilization is underway to support the Company's supply chain on complex substances related regulations such as REACh (Registration, Evaluation, Authorisation and Restriction of Chemicals). The Company is also working with its suppliers and service providers to reduce its overall environmental footprint. In 2013, Eurocopter signed an agreement with SDV, their transport provider, to commit reducing CO_2 emissions by extending their Save Program charter to Eurocopter's production and administrative facilities in Marignane and La Courneuve, in France. This initiative built on an earlier agreement, signed in 2011, that set a voluntary 20% reduction in CO_2 emissions over a three-year period at Eurocopter's plant in Donauwörth, Germany.

The Company strives to develop joint initiatives throughout the industry, particularly to improve the overall environmental performance of the aerospace and defence industry in the most effective, consistent and cost-efficient manner possible. The Company 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.

The Company 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.

In 2013, numerous initiatives were launched at the Division and site level to reduce the Group's environmental footprint by 2020. An "Energy Award" competition has in particular been launched to highlight projects which strive to achieve the Group's objectives on reducing our energy consumption by 30% and our CO_2 emissions by 50%. The Energy Award Ceremony took place during the 2nd Energy Network Event in October 2013 in Toulouse, awarding the best project throughout the Group in five categories: low carbon energy generation, innovation, employees awareness, energy efficiency in facility management and energy efficiency in manufacturing or IT:

- Airbus Toulouse and Astrium Les Mureaux were rewarded in the "low carbon energy generation" category, with the wood boilers implemented on each site. In Toulouse, a 12MW wood boilerhouse has been built to cover 60% of Clement Ader district heating needs: the neutral CO_2 impact of PEFC wood chips burned allows 12,000 CO_2 tons saving per year.
- Airbus Toulouse was rewarded in the "innovation" category, with the Solar cooling system project, which consists in installing a solar heat pump to produce both chilled water and hot water to cool iron bird hydraulic motors & to pre-heat air intake in spring and autumn times in a specific building on site.
- Eurocopter Marignane was rewarded in the category "Employees awareness": people and head of manufacturing units, or FAL, were made aware of wasting energy, especially on Sundays, non-working days. Industrial means not used are switched off whenever possible to try to reduce at minimum the electrical consumption, and reach the electrical baseload consumption.
- Cassidian Ulm was rewarded in the category "Energy efficiency in Facility Management" for their ISO 50001 certification, highlighting their effort to systematically analyse energy consumption and implement energy consumption reduction measures. 60 measures were identified in Ulm, leading over the last two years to a reduction of 20% of the energy consumption, ensuring a net saving of €700,000 per year.
- Astrium Toulouse and Eurocopter Marignane were rewarded in the category "Energy efficiency in Manufacturing and IT", for their work to improve the efficiency of their data centres.
- In addition to numerous facility management improvements, the Company 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, Company-wide environmental reporting has been well implemented and is applied around clear guidelines through a data collection tool and a structured network. Both the reporting process and the consolidated data have been externally audited since 2010. 14 environmental indicators have been verified in 2013, covering themes such as energy consumption, CO_2 emissions, waste production and water consumption. Results of last year's audit have shown the relevancy, maturity and reliability of the Company's environmental reporting.

Aircraft operations

Over the last 40-50 years, the aviation sector has been able to reduce noise by 75% and CO_2 by 70%. Yet, environmental performance is mandated to improve further and is a major focus of industrial endeavours.

While its fuel saving technology is a compelling argument for airlines, the A380's fuel efficiency (less than 3 litres fuel consumption per passenger per100km vs. 5 litres average for the worldwide fleet) remains unsurpassed for its category. Furthermore, the aircraft generates less than half the noise on departure compared to its nearest competitor and three to four times less noise on landing. At the end of 2013 the global fleet of A380 aircraft had grown to 122.

In line with the ambitious ACARE targets, some Top Level Aircraft Requirements were set for the environmental performance of the A320neo (due for delivery in 2015). 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 3,600 tonnes of CO_2 per year.

Built-in fuel efficiency is beyond any doubt the greatest contributor to the environmental performance of the A350 XWB. Due to enter into service in the fourth quarter of 2014, the A350 XWB burns 25% less fuel than its previous generation competitor. 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. Advanced materials have been favoured throughout the design of the A350 XWB, including fully recyclable titanium and advanced aluminium alloys. Each part of the aircraft has been optimised for increased eco-efficiency.

On a different yet related matter, the Company is working on advanced technologies regarding alternative sources of power for aircraft. In 2013, the Company's research into the use of fuel cells won the prestigious 'GreenTec Award ' in the aviation category. Fuel cells produce electricity through the combination of hydrogen and oxygen and enable emission-free and noise reduced aircraft operation on the ground and efficiency advantages in the air. Integration and use of fuel cell by-products such as water, inert gas and waste heat reduce the total weight and allow for improved energy efficiency.

Beyond aircraft development, the Company is assuming a leading role in developing integrated solutions for enhanced environmental performance including the modernization of Air Traffic Management ("ATM") and the development of sustainable fuels. In view of the latter, the Company pioneers the development of sustainable fuels made from biomass feedstock, which, throughout their total lifecycle, produce lower CO_2 emissions than conventional fossil fuels. The Company has been working with a broad range of universities, farmers, airlines and refineries as well as standard-setting organisations to develop "drop-in" sustainable fuels that can be used in current aircraft without modification. Airbus has set up a number of development partnership projects in Romania, Spain, Qatar, Brazil, Australia and China. It formed alliances focusing on the development and commercialization of sustainable fuels for aviation in countries such as Canada and Russia. Airbus also supports airlines with their commercial operations using sustainable fuels and is co-leading a key project with the European Union to establish a feasibility study and roadmap to ensure two million tonnes of sustainable fuel availability for aviation in the European Union by 2020.

Through Airbus' involvement 50/50 blend sustainable fuels are now certified for commercial flights (Fischer-Tropsch and HEFA processes). Over 1,500 commercial flights have been flown with such sustainable fuels worldwide. Airbus' sustainable fuels strategy is based on being the catalyst in the search for affordable alternative fuels in sufficient commercial quantities.

The Company is furthermore dedicated to the development and support of modern Air Traffic Management, in order to ensure sustainable growth of air transport. In that respect the Company 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", which supplies ATM performance improvement solutions, has been awarded a contract to study cost effective ways of reducing fuel consumption in the Asia-Pacific region.

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 CO_2 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

The Company's evolving technology portfolio, arising from aerospace and defence research, has applications inside and outside its core business, contributing to environmental innovation across other sectors.

In this respect, Airbus Defence and Space, the newly constituted division formed out of Cassidian, Astrium and Airbus Military, 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). Airbus Defense and Space is the prime contractor for four of the six ESA Earth Explorer missions: Cryosat 2, Swarm, Aeolus, and EarthCARE. In 2013, the Swarm satellites have been launched into orbit, from where they are surveying the Earth's magnetic field. In November 2013, Astrium's greenhouse gas emissions measurement service was among business initiatives, which were presented during the Caring for Climate Business Forum in Warsaw. This new monitoring service is allowing governments, cities and local authorities to directly measure the effectiveness of their emission reduction policies. It has already initiated its emissions mapping in Paris and Rotterdam.

5.6 Research and Technology, Quality and Systems Engineering

During 2013, the Corporate Technical Office ("CTO") organization continued to support the Company's research and technology activities, working directly with the business units, while also enhancing the capabilities of the Company's Innovation Works ("IW") research and development arm. Additionally, the CTO reinforced its responsibility for overseeing the Company's cyber security developments, by implementing the Company's Cyber Security Improvement Plan through three clusters: Information Communication Technology, Product Security and Industrial Control System Security. The total budget amounts to 416M€. The Cyber initiative has been successfully initiated in over 150 projects, and reflects a major boost in Cyber awareness and an improvement in the protection level of the entire Group. These activities complement information technology and quality initiatives which are also under the responsibility of the CTO. Furthermore, the CTO directed 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.

The CTO's 2013 developments included the introduction of an all-electric aircraft technology platform known as E-FAN. The Company's and Airbus' Innovation Works co-developed a 'stealthy' new airport building modification that can bring runways and structures closer together, without fear of landing systems being adversely affected. The IW biological electronic sensor known as E-nose that was delivered to the International Space Station in 2012 successfully received data and samples to the IW bio lab in May 2013.

A number of cooperation agreements were signed in the context of the electrical aircraft roadmap with companies including Siemens and Rolls Royce. Increased cooperation in international markets included Russia with the introduction of technology licensing initiative and a cooperation agreement with TsAGI – one of Russia's leading research institutes.

The CTO Innovation Nursery, a group internal incubator, supports promising new concepts and value generating innovations with funding and elaboration of winning business models. In 2013, it formed 2 start-up companies: SPEETECT for developing and marketing a disruptive rapid bacteria detection system and APWORKS, a company to market advanced manufacturing engineering services and tools to non-aviation sectors (like metallic 3D printing, DeltaN friction stir welding, etc.). Further applications were initiated such as an indoor-positioning system, a bird repellent system for ground and aircraft application and MIRA, an augmented reality tool to improve and speed up integration quality control.

The Datadvance joint venture between the Company and Russian investors gained new momentum for its MACROS software tool, dedicated to simulation and optimisation. Created by Russia's International Research Institute of Advanced Systems and the Institute for Information Transmission Problems, with validation performed by the Company's IW, MACROS is now largely deployed within all of the Company's divisions, but also sold outside the Group. Datadvance recently achieved a very challenging multi-objective optimisation of aircraft families for Airbus Commercial Aircraft.

With the CTO's involvement, a unique campus at an industrial site through the joining of universities, research institutions and industry is being established at the Company's Ottobrunn facility in Germany. The ground breaking for the 'Ludwig Bölkow Campus' took place in July 2013 and joint project between the Company and six founding partners with the support from the State of Bavaria. The Ludwig Bölkow Campus will focus on three pillars that involve research projects, scientific equipment as well as teaching and study programs.

Also under the CTO responsibility is the company-wide project to harmonize the Company's information technology infrastructure across all divisions and operations, called 'Lean EGIMS' (EADS Global Information Management Services). In 2013, 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 2014

As the basis for its 2014 guidance, Airbus Group expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes no major disruptions.

In 2014, Airbus deliveries should be about the same level as in 2013, including the first A350 XWB delivery. Gross commercial aircraft orders should be above the level of deliveries.

Assuming an exchange rate of € 1 = $ 1.35, Airbus Group revenues should be stable compared to 2013.

In 2014, using EBIT* before one-off, Airbus Group expects moderate return on sales growth and confirms its 2015 return on sales target of 7-8%**. The EBIT* and EPS* performance of Airbus Group will depend on the Group's ability to limit "one-off" charges.

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 the pre-delivery payment mismatch and balance sheet revaluation.

The A350 XWB programme remains challenging. Any change to the schedule and cost assumptions could lead to an increasingly higher impact on provisions.

Airbus Group is targeting breakeven free cash flow before acquisitions in 2014.

[* Airbus Group uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the EADS merger, the Airbus Combination and the formation of MBDA, as well as impairment charges thereon.]
[**Return on sales for EBIT* before one-off, including A350 XWB dilution with a €/$ exchange rate of 1.35.]

7. Airbus Group Strategy 2.0

7.1 Commercial leadership, defence and space optimisation and value creation

The strategy of the Company has been focused on Vision 2020 since the end of 2007. Now, more than five years later the overall strategy needs to be adapted to the changing environment. While commercial aviation continues on a long term growth path, the defence and space businesses in the Company's core markets will, at best, stay flat. The new Strategy 2.0 is not a revolution, but rather a natural evolution from Vision 2020. The overarching objectives are to actively shape our portfolio of businesses for profitability and value creation.

Internally, the Group needs to consolidate and adapt the way it works. Due to the current budget downturn, it is imperative to secure the profitability and competitive position of our defence and space business by improving the cost base and gaining access beyond home markets. Hence, the pooling of the Group's scattered defence activities and a restructuring of the space and defence assets within Cassidian, Astrium and Airbus Military into the new Airbus Defence and Space division has been a necessary step.

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

The 7 strategic paths of the Airbus Group Strategy 2.0 are as follows:

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

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

2. Preserve leading position in European defence and space and government markets

Defence can no longer be a tool to manage and hedge against commercial cycles, but we aim to remain strong and actively shape our defence, space and government business. The focus will involve (i) Developing high-performing, low-equity businesses such as missiles, launchers and combat aircraft, entering into new growth areas when they are backed by government-funding, and (ii) focusing on productivity improvements both through internal means and in the context of European optimisation to enable efficiencies and improve the Group's positioning on export markets.

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

After many new product developments in recent years, the majority of the Group's revenues are generated today in segments where we have competitive, mature products that are far from the end of their lifecycle. Innovation will therefore focus on maintaining, expanding and continually leveraging the competitiveness of the current products. Focus will be to incrementally introduce innovations that differentiate the Group's current offering, preparing next generation game changers in areas that will shape the market and our future, while aligning R&T maps on Group level to ensure our long-term leadership more efficiently.

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

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

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

Airbus Group is already the most multicultural company in our industry and we will continue to build on this competitive advantage. Most products today, and those foreseen for tomorrow, are single products for global markets competing with local ones. Locally, products may need to be adapted and definitely serviced, but the main logic going forward is that the industry will retain its "global products for local markets" dynamic. The Group will focus on a key set of countries and Group Group Executive Committee members have been appointed for the coordination lead for such key countries. Greenfield approaches have proven to ensure us a controlled entry and real citizenship, whilst partnerships and acquisitions will be complementary tools.

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

The strategy going forward is to focus on services where the Group can differentiate and add value for its customers according to the motto "no one knows our products better then we". The Group will aim at developing long-term customer intimacy and bring competitive advantage to its customers. As services are executed locally, the portfolio will be adapted to the increasingly global customer base.

7. Strengthen the value chain position

The Group's core capability is to master program management and architect/integrator capabilities in order to market, develop and manufacture large-scale aeronautics/space platforms, integrated systems and related services. As the Group is much based on a strong platform prime role, managing the supplier base and ensure control of the value-add when delivering to the final customer, will be key. We aim to strengthen and optimize selected strategic value chain areas to protect our intellectual property, manage risks, increase profit, access services and differentiate our offerings. Therefore the approach will be pragmatic and flexible and could lead to investing into vertical integration or divestments during the next years.

Airbus Group Strategy 2.0 will be translated into actions through internal processes in a less public way than EADS' Vision 2020. Key Performance Indicators will be more decentralized and pragmatic, with no "one size fits all" category. Therefore, communication of the above directions will be made more selectively, more targeted and more internal. The external stakeholders will take part in the larger steps, such as restructuring and branding, or future acquisitions. Conversely incremental innovation, the way we see services, the building of a global footprint, and changes in the way we manage the value chain, will be executed from the inside with little external communication, but with regular updates to the Board of Directors. This will ensure that the Group remains in charge of its own destiny.

7.2 Divisions outlook

Airbus

As of 2014, the Airbus Military business is integrated within the new Airbus Defence & Space Division, while Airbus remains fully focused on the commercial aircraft business. In 2014, Airbus is targeting commercial aircraft deliveries at a similar level to 2013. Underlying profitability (EBIT before one-off) should continue to improve.

Within the challenging A350 XWB programme, management continues to focus its utmost attention on achieving certification, preparing an efficient series production ramp-up and securing first deliveries starting in the fourth quarter of 2014.

Airbus expects gross commercial aircraft orders during the year to be above the level of deliveries.

Airbus Helicopters

A key priority in 2014 will be to achieve successful entry into service of the new EC175 and the EC145 T2 helicopters. As of February 2014, 15 EC175s were in production, with the three launch customers scheduled to receive delivery later in the year. An upswing in order bookings for this helicopter is anticipated in 2014.

Increased production rates will be implemented for the military NH90, Tiger and EC725 helicopters during 2014.

The Division's strategy will drive improvement initiatives related to its transformation plan, which aims at placing customer satisfaction and quality at the core of operations as well as improving industrial competitiveness, all while ensuring the highest levels of aircraft safety. Airbus Helicopters has also implemented plans to reduce costs, optimise cash and create value.

Airbus Defence and Space

Going forward, Airbus Defence & Space expects to generate revenues above €13 billion, with increasing A400M deliveries. Due to a change in accounting rules, the MBDA participation will be accounted for at equity.

Supported by the restructuring programme, Airbus Defence & Space is targeting a return on sales of 8% in 2015 moving towards 10% beyond.

The information contained in this Board Report will enable you to form an opinion on the situation of the Company and the operations, which are submitted to you for approval.
For further information and detail regarding the Company's activities, finances, corporate governance, and in particular risk factors, the reader should refer to the Company's website **www.airbus-group.com.**

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

- The financial statements for the year ended 31 December 2013 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company and undertakings included in the consolidation taken as a whole; and
- This Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2013 financial year of the Company and undertakings included in the consolidation taken as a whole, and the principal risks facing the Company have been described herein.

The Board of Directors

Denis Ranque, Chairman

Tom Enders, Chief Executive Officer

Manfred Bischoff, Director

Ralph Dozier Crosby, Jr., Director

Hans-Peter Keitel, Director

Hermann-Josef Lamberti, Director

Anne Lauvergeon, Director

Lakshmi N. Mittal, Director

Sir John Parker, Director

Michel Pébereau, Director

Josep Piqué i Camps, Director

Jean-Claude Trichet, Director

Leiden, 25 February 2014