FINANCIAL STATEMENTS 2013

AIRBUS GROUP

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

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EADS N.V. — Consolidated Income Statements (IFRS) for the years ended 31 December 2013, 2012 and 2011

(In € million)	Note	**2013**	2012	2011
Revenues	5, 6	**59,256**	**56,480**	**49,128**
Cost of sales[1]	7	(50,895)	(48,582)	(42,351)
Gross margin[1]		**8,361**	**7,898**	**6,777**
Selling expenses		(1,217)	(1,192)	(981)
Administrative expenses[1]		(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[1]	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[1]	13	(502)	(438)	(337)
Profit for the period[1]		**1,475**	**1,198**	**984**
Attributable to:				
Equity owners of the parent **(Net income)**[1]		1,465	1,197	980
Non-controlling interests		10	1	4

Earnings per share		€	€	€
Basic[1]	38	1.85	1.46	1.21
Diluted[1]	38	1.84	1.46	1.20

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

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

1

EADS N.V. — 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)(1)	(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(1)	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 recognised 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(1)	2,833	1,817	162
Non-controlling interests	2	(1)	6

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

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

EADS N.V. — Consolidated Statements of Financial Position (IFRS) at 31 December 2013 and 2012

(In € million)	Note	2013	2012
Assets			
Non-current assets			
Intangible assets	14	13,653	13,429(1)
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(1)
Non-current securities	22	4,300	5,987
		46,213	**46,794(1)**
Current assets			
Inventories	18	25,060	23,216
Trade receivables	19	7,239	6,788(1)
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(1)**
Total assets		**93,311**	**92,121(1)**
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(1)
Accumulated other comprehensive income		2,929	1,513
Treasury shares		(50)	(84)
		11,011	**10,403(1)**
Non-controlling interests		43	17(1)
Total equity	23	**11,054**	**10,420(1)**
Non-current liabilities			
Non-current provisions	25	10,046	9,850(1)
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(1)
Non-current deferred income	30	239	212
		33,676	**33,052(1)**
Current liabilities			
Current provisions	25	5,323	6,039(1)
Short-term financing liabilities	26	1,645	1,273
Trade liabilities	29	10,372	9,921(1)
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(1)
		48,581	**48,649(1)**
Total liabilities		**82,257**	**81,701(1)**
Total equity and liabilities		**93,311**	**92,121(1)**

(1) Previous year's figures adjusted due to revised IAS 19 and due to PPA adjustments of prior year's acquisitions (Please refer to "Notes to the Consolidated Financial Statements (IFRS) – Note 2a).

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

1

EADS N.V. — 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]		**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[1]		502	438	337
Income taxes paid		(243)	(219)	(100)
Depreciation and amortisation		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[1]		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 (decrease) increase 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**

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

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

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

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

		Equity attributable to equity holders of the parent								Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings[2]	Accumulated other comprehensive income			Treasury shares	Total		
(In € million)	Note				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[1]				(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[1]				980					980	4	984
Other comprehensive income[1]				(527)	182	(399)	(74)		(818)	2	(816)
Total comprehensive income of the period				453	182	(399)	(74)		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]				1,197					1,197	1	1,198
Other comprehensive income[1]				(738)	(3)	1,356	6		621	(2)	619
Total comprehensive income of the period				459	(3)	1,356	6		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**

(In € million)	Note	Equity attributable to equity holders of the parent								Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings[2]	Accumulated other comprehensive income			Treasury shares	Total		
					Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments				
Balance at 31 December 2012		**827**	**7,253**	**894**	**563**	**(417)**	**1,367**	**(84)**	**10,403**	**25**	**10,428**
Prior year adjustments[1]									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				1,417	31	1,541	(156)		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**

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

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

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Notes to the Consolidated Financial Statements (IFRS)

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2.1 Basis of Presentation

1. The Company

The accompanying Consolidated Financial Statements present the financial position and the result of the operations of **European Aeronautic Defence and Space Company EADS N.V.** and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company *(Naamloze Vennootschap)* legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands). On 2 January 2014, the Group has been rebranded to Airbus Group as part of a wider reorganisation 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 recognised 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 result in an increase of pension liabilities of €45 million and a decrease of retained earnings of €29 million.

Regarding German early retirement programmes, the initial application of the revised standard has no significant effect on the Group's Consolidated Net income. The retrospective adjustments in the opening balance sheet as of 1 January 2011 result 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.

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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 recognise and measure the assets and liabilities (and recognise 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 recognise 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 the 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 shareholders' 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 34b).

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 categorised 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 34d).

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

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

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

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

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

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

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

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

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

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

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

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

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best estimates. Estimates and judgements are subject to change based on new information as contracts and related programmes progress. Furthermore, the complex design and manufacturing processes of the Group's industry require challenging integration and coordination along the supply chain including an on-going assessment of 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".

2

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 finalised 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.

2.2 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	Eurocopter	Astrium	Cassidian	Total Segments	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

(In € million)	Airbus Commercial[4]	Airbus Military	Eurocopter	Astrium	Cassidian	Total Segments	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 2a).
(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.

2

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 programmes, 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 XWB programme support cost, negative currency one-offs at Airbus Commercial compared to 2012 and an update of the A350 XWB 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 programme. 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 XWB 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 recognised 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 programmes 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 capitalised.

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 recognised 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:

	1 January 2013		Other movements		Movement through income statement		**31 December 2013**	
(In € million)	Deferred Tax assets	Deferred Tax liabilities	OCI / IAS 19	Others(1)	R&D tax credits	Deferred tax benefit (expense)	**Deferred Tax assets**	**Deferred Tax liabilities**
Intangible assets	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:

	1 January 2012		Other movements		Movement through income statement		31 December 2012	
(In € million)	Deferred Tax assets	Deferred Tax liabilities	OCI / IAS 19	Others(1)	R&D tax credits	Deferred tax benefit (expense)	Deferred Tax assets	Deferred Tax liabilities
Intangible assets	27	(350)	0	1	0	52	153	(423)
Property, plant and equipment	242	(1,011)	0	(1)	0	12	381	(1,139)
Investments and other long-term financial assets	257	(99)	(34)	(1)	0	85	313	(105)
Inventories	1,192	(74)	0	1	0	596	1,752	(37)
Receivables and other assets	229	(1,900)	786	0	0	(1,341)	102	(2,328)
Prepaid expenses	2	(5)	0	0	0	(5)	1	(9)
Provision for retirement plans(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 NOLs 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[1]	**410**	**1,101**

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

2.3 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	Reclassification	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	Reclassification	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**

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

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.

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

Cost

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

Net Book Value

(In € million)	Balance at 1 January 2012	Balance at 31 December 2012
Goodwill[(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**

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

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

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 summarised in the following schedule on segment level:

(In € million)	Airbus Commercial	Airbus Military	Eurocopter	Astrium	Cassidian	Others / HQ / Conso.	**Consolidated**
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, 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 A350 XWB programme. The amortisation for the A380 programme development costs is performed on a unit of production basis. Capitalisation for development costs of the A350 XWB programme started in the second quarter 2012 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	Reclassification	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	Reclassification	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	Reclassification	Disposals	Balance at 31 December 2012
Land, leasehold improvements and buildings including buildings on land owned by others	8,044	14	321	44	149	(30)	8,542
Technical equipment and machinery	13,376	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	Reclassification	Disposals	Balance at 31 December 2012
Land, leasehold improvements and buildings including buildings on land owned by others	(3,547)	(3)	(339)	0	(30)	10	(3,909)
Technical equipment and machinery	(8,145)	(54)	(883)	0	(456)	116	(9,422)
Other equipment, factory and office equipment	(2,475)	10	(399)	0	79	190	(2,595)
Construction in progress	0	0	0	0	0	0	0
Total	**(14,167)**	**(47)**	**(1,621)**	**0**	**(407)**	**316**	**(15,926)**

Net Book Value

(In € million)	Balance at 1 January 2012	Balance at 31 December 2012
Land, leasehold improvements and buildings including buildings on land owned by others	4,497	4,633
Technical equipment and machinery	5,231	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:

(In € million)	31 December **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 unrecognised 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:

	31 December	
(In € million)	**2013**	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:

	31 December	
(In € million)	**2013**	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 authorised 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 programme.

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 A350 XWB 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 year's 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**

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(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 recognised 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 salariés)* 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 derived 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		31 December		31 December		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 the 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					
	2013			2012		
(In € million)	**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 recognised 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
(In € million)	Germany	France	UK	Others		
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 statement 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 statement of financial position as of 31 December 2013	**3,773**	**1,391**	**47**	**32**	**895**	**6,138**

(1) Previous year's 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(1)	**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	Reclassification / 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 year's figures are adjusted due to revised IAS 19.
(2) Previous year's 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 XWB 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 XWB programme to reflect mainly the higher level of recurring costs. After two 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 programme (€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 XWB 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 (2012: €165 million). The programme has been set up in 2003, maximum size increased in 2013 to €3 billion from €2 billion previously. 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) 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

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

(1) Previous year's 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).

2.4 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 or 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).

	31 December		
(In € million)	**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:

	31 December		
(In € million)	**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.

	31 December		
(In € million)	**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)**

2.5 Other Notes to the Consolidated Financial Statements

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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**

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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**

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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
31 December 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)**
31 December 2012								
Non-derivative financial liabilities	(15,697)	(16,430)	(11,574)	(708)	(426)	(1,599)	(416)	(1,707)
Derivative financial liabilities	(2,011)	(2,168)	(753)	(678)	(514)	(126)	(28)	(69)
Total	**(17,708)**	**(18,598)**	**(12,327)**	**(1,386)**	**(940)**	**(1,725)**	**(444)**	**(1,776)**

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 stabilised 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's figures adjusted due to PPA adjustments of prior year's acquisitions.

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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	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities at amortised cost		Other[3]	**Financial Instruments Total**	
(In € million)	Held for trading	Designated	Fair value	Book value	Fair Value	Amortised Cost	Fair Value		**Book Value**	**Fair Value**
Assets										
Other investments and other long-term financial assets										
¬ Equity investments[1]	-	-	-	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 programmes approach the end of production.
(6) This includes credit value adjustments of €(37) million, of which €(25) million is recognised in OCI.
(7) This includes debit value adjustments of €14 million, of which €7 million is recognised in OCI.

31 December 2012	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities at amortised cost		Other[3]	Financial Instruments Total	
(In € million)	Held for trading	Designated	Fair value	Book value	Fair Value	Amortised Cost	Fair Value		Book Value	Fair Value
Assets										
Other investments and other long-term financial assets										
¬ 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]	-	-	-	-	-	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]	-	-	-	-	-	(9,921)	(9,921)	-	(9,921)	(9,921)
Total	**(278)**	**-**	**(1,787)**	**-**	**-**	**(21,627)**	**(21,921)**	**(181)**	**(23,873)**	**(24,167)**

(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 2012, the aggregate carrying amount of these investments was €341 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 €6,112 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.
(6) This includes credit value adjustments of €(65) million, which is recognised in OCI.
(7) This includes debit value adjustments of €40 million, which is recognised in OCI.
(8) 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 recognised 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 profit or loss	Total gains or losses in other comprehensive income	Purchases	Issues	Settlements	Reclassification	**Balance at 31 December 2013**
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	Reclassification	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 parameters 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 €844 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				Related amounts not set off in the statement of financial position		
(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	Financial instruments	Cash Collateral received	Net amount
Derivative instruments	2,627	0	2,627	(953)	(9)	1,665

31 December 2013				Related amounts not set off in the statement of financial position		
(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	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				Related amounts not set off in the statement of financial position		
(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	Financial instruments	Cash Collateral received	Net amount
Derivative instruments	1,518	0	1,518	(1,518)	0	0

31 December 2012				Related amounts not set off in the statement of financial position		
(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	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	Remaining period								**Total**
(In € million)	2014	2015	2016	2017	2018	2019	2020	2021+	
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	Remaining period								**Total**
(In € million)	2013	2014	2015	2016	2017	2018	2019	2020+	
Foreign Exchange Contracts:									
Net forward sales contracts	16,034	16,201	13,680	9,422	4,663	1,079	(118)	1	**60,962**
Foreign Exchange Options:									
Purchased USD call options	407	0	0	0	0	0	0	0	**407**
Purchased USD put options	880	0	0	0	0	0	0	0	**880**
Written USD call options	881	0	0	0	0	0	0	0	**881**
Other Purchased call options	5	0	0	0	0	0	0	0	**5**
FX swap contracts	1,689	211	0	172	0	0	0	0	**2,072**

The notional amounts of interest rate contracts are as follows:

Year ended 31 December 2013	Remaining period								**Total**
(In € million)	2014	2015	2016	2017	2018	2019	2020	2021+	
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**

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

Please also refer to Note 26 “Financing Liabilities”.

Notional amounts of commodity contracts:

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

Year ended 31 December 2012	Remaining period					**Total**
(In € million)	2013	2014	2015	2016	2017	
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	EUR	USD	GBP
Interest rate in %			
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	EUR	USD	GBP
Interest rate in %			
6 months	0.16	0.52	0.62
1 year	0.47	0.88	0.96
5 years	0.63	0.82	1.02
10 years	1.45	1.74	1.86

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 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 summarised 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 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[1]	2,821,644	756,050

(1) 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(1)	2,697,740	928,660
Number of units outstanding(2)	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

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of the Group) during the performance period, the Board can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).
(2) 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(1)	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

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

		Thirteenth tranche
Grant date		9 November 2011
	Performance and Restricted Unit plan	
	Performance Units	Restricted Units
Number of units granted(1)	2,588,950	877,750
Number of units outstanding	2,532,050	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

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

		Fourteenth tranche
Grant date		13 December 2012
	Performance and Restricted Unit plan	
	Performance Units	Restricted Units
Number of units granted[1], [2]	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

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of the Group) during the performance period, the Board can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).
(2) Apart from the 150% performance achievement level, the share price at the vesting dates will be limited for performance as well as Restricted Units to €55.66, 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[3]
	Performance and Restricted Unit plan	
	Performance Units	Restricted Units
Number of units granted[1], [2]	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	-	-

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of the Group) during the performance period, the Board can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).
(2) Apart from the 150% performance achievement level, the share price at the vesting dates will be limited for performance as well as Restricted Units to €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.
(3) Date, when the vesting conditions were determined.

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

	Number of Options				
Fifth Tranche	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2003	7,563,980	-	-	-	7,563,980
2004	-	7,563,980	(9,600)	(97,940)	7,456,440
2005	-	7,456,440	(875,525)	(87,910)	6,493,005
2006	-	6,493,005	(1,231,420)	(31,620)	5,229,965
2007	-	5,229,965	(386,878)	(24,214)	4,818,873
2008	-	4,818,873	(14,200)	(75,080)	4,729,593
2009	-	4,729,593	-	(113,740)	4,615,853
2010	-	4,615,853	(208,780)	(168,120)	4,238,953
2011	-	4,238,953	(1,044,665)	(28,300)	3,165,988
2012	-	3,165,988	(1,632,503)	(30,650)	1,502,835
2013	-	1,502,835	(1,398,685)	(104,150)	0

	Number of Options				
Sixth Tranche	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2004	7,777,280	-	-	-	7,777,280
2005	-	7,777,280	-	(78,220)	7,699,060
2006	-	7,699,060	(2,400)	(96,960)	7,599,700
2007	-	7,599,700	-	(1,358,714)	6,240,986
2008	-	6,240,986	-	(183,220)	6,057,766
2009	-	6,057,766	-	(41,060)	6,016,706
2010	-	6,016,706	-	(419,680)	5,597,026
2011	-	5,597,026	(3,500)	(324,526)	5,269,000
2012	-	5,269,000	(1,903,845)	(48,542)	3,316,613
2013	-	3,316,613	(2,148,520)	(10,100)	1,157,993

	Number of Options				
Seventh Tranche	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

	Number of Options				
Eighth Tranche	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**

2

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:

	Number of Units					
Tenth Tranche	Units granted	Balance at 1 January	Vested	Forfeited	Re-evaluation(1)	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**

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

	Number of Units					
Eleventh Tranche	Units granted	Balance at 1 January	Vested	Forfeited	Re-evaluation(1)	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**

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

	Number of Units				
Twelfth Tranche	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**

	Number of Units					
Thirteenth Tranche	Units granted	Additional Grant(1)	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**

(1) Corresponding to additional Performance and Restricted Units granted for the plan 2011.

	Number of Units				
Fourteenth Tranche	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance Units in 2012	2,119,160(1)	-	-	-	2,119,160
Performance Units in 2013	-	2,119,160	(1,000)	(12,000)	2,106,160
Restricted Units in 2012	621,980(2)	-	-	-	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**

(1) Cancellation of 2,640 Performance Units from 2012 units granted.
(2) 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 of € 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 authorise 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 authorisation 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 N.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	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 Plans ("LTIPs") 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 authorised 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 Chief Executive Officer, are entitled to an indemnity equal to 1.5 times the Total Annual Income (defined as Base Salary and target Annual Variable remuneration). This rule does however not apply if the contractor mandate is terminated for cause or if the Executive Committee Member has reached retirement age.

In 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 Itävuori, former Head of Human Resources 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.

2

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 reorganisation 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 authorised for issuance by the Board of Directors on 25 February 2014.

2.6 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.	Mobile, 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)

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.

2013	%	2012	%	Company	Head office
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)
		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	Brasov (Romania)

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* Regarding associated investments, only the parent company is stated in this list.

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2013	%	2012	%	Company	Head office
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					
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					
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)

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2013	%	2012	%	Company	Head office
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)
		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)

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* Regarding associated investments, only the parent company is stated in this list.

2013	%	2012	%	Company	Head office
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'Œuvre 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	Rome (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'Ascq (France)
E	26.80	E	26.80	Patria Oyj	Helsinki (Finland)
F	80.00	F	80.00	Pentastar S.A.	Paris (France)
F	100.00	F	100.00	Plant Holdings, Inc.	Temecula, CA (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.

2013	%	2012	%	Company	Head office
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 Mureaux (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 Mureaux (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	Cologne (Germany)
F	100.00	F	100.00	Astrium Services BC KK	Tokyo (Japan)
F	65.00	F	65.00	Astrium Services BC Ltd.	Dar es Salaam (Tanzania)
F	100.00	F	100.00	Astrium Services BC MEPE	Athens (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)

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2013	%	2012	%	Company	Head office
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	Hanover (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	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

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2013	%	2012	%	Company	Head office
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	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)

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* Regarding associated investments, only the parent company is stated in this list.

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

Independent Auditors' report **112**

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	Rotterdam, 25 February 2014
KPMG Accountants N.V.	Ernst & Young Accountants LLP
A.A. van Eimeren RA	C.T. Reckers RA

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Company Financial Statements

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Balance Sheet of the Company Financial Statements

	Note	At 31 December	
(In € million)		**2013**	2012
Assets			
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(2)		**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(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.

Income Statement of the Company Financial Statements

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

(1) Previous year's figures adjusted due to revised IAS 19.

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Notes to the Company Financial Statements

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1. Basis of presentation

1.1 General

EADS N.V., having its legal seat in Amsterdam, the Netherlands, is engaged in the holding, coordinating and managing of participations or other interests in and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities, partnerships, business associations and undertakings that are involved in the aeronautic, defence, space and/or communication industry or activities that are complementary, supportive or ancillary thereto.

The Company Financial Statements are part of the 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 unrealised.

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

2. Fixed assets

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

The movements in financial fixed assets are detailed as follows:

(In € million)	Subsidiaries	Participations	Loans	**Total**
Balance at 31 December 2011	**6,126**	**149**	**3,527**	**9,802**
Prior Years' Adjustment[1]	(7)	-	-	(7)
Balance at 31 December 2011[1]	**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[1]	1,119	18		1,137
Actuarial gains / losses IAS 19[1]	(739)			(739)
Dividends received	(240)	(12)		(252)
Translation differences / other changes[1]	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**

(1) 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 € million)	**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 € million)	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[1]	-	-	-	-	-	46	(53)	(7)
Balance at 31 December 2011[1]	**820**	**7,519**	**(1,207)**	**3,544**	**(113)**	**(2,700)**	**980**	**8,843**
Capital increase	7	137						144
Net income[1]							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[1]			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[1]						1,197	(1,197)	0
Balance at 31 December 2013	**783**	**5,049**	**1,718**	**4,462**	**(50)**	**(2,416)**	**1,465**	**11,011**

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

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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 unrealised 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 capitalised 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 exists 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, unrealised 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 capitalised 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 US$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 € million)	**2013**	2012
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 summarised 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 recognised 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:

	Directors' remuneration related to 2013*		Directors' remuneration related to 2012*	
	Fixum ***(in €)***	**Attendance Fees** ***(in €)***	Fixum *(in €)*	Attendance Fees *(in €)*
Current Non-Executive Board Members*				
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 related 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:

	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 €)*
Executive Board Members						
Tom Enders (1 June to 31 December 2012)	816,669	1,278,083	1,000,769	548,549	27,845	6,347
Louis Gallois (1 January to 31 May 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	9 Oct. 2013
2004	50,000	37,500	-	37,500	0	24.32	7 Oct. 2014
2005	135,000	67,500	-	67,500	0	33.91	8 Dec. 2015
2006	67,500	67,500	-	16,875	50,625	25.65	16 Dec. 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(2)

	Granted in 2008	Vested in 2013
Tom Enders	40,000	27,200(1) (Re-evaluation of Performance Units based on 136% performance achievement)

(1) 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(1) (Re-evaluation of Performance Units based on 123% performance achievement) 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

(1) 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.

	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.

(2) Vesting of all Performance Units granted to the Chief Executive Officer is subject to performance conditions.

	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 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 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 settled in shares at the last vesting date.

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 Notes 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(1)	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**

(1) 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, 25 February 2014	Rotterdam, 25 February 2014
KPMG Accountants N.V.	Ernst & Young Accountants LLP
A.A. van Eimeren RA	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.

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