

Report of the Board of Directors

(Issued as of 25 February 2014)

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Dear Shareholders,

This is the Report of the Board of Directors (the “**Board Report**”) on the activities of European Aeronautic Defence and Space Company EADS N.V. (the “**Company**” and together with its subsidiaries the “**Group**”) during the 2013 financial year, prepared in accordance with Dutch regulations. As further described in its press release of 2 January 2014, the Group has been rebranded as Airbus Group as of such date.

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

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

1. General Overview

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

Until 31 December 2013, the Company organised its businesses into the following four operating Divisions: (i) Airbus (including Airbus Commercial and Airbus Military), (ii) Eurocopter, (iii) Astrium, and (iv) Cassidian.

2. Summary 2013

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

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

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

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

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

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

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

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

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

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2013, the Company's issued share capital amounted to € 783,157,635 divided into 783,157,635 shares of a nominal value of € 1 each. The issued share capital of the Company as of such date represents 26.11% of the authorised share capital of € 3,000,000,000 comprising 3,000,000,000 shares. The holder of one issued share has one vote and is entitled to the profit in proportion to his participation in the issued share capital.

Modification of share capital or rights attached to shares

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

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

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

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

Pursuant to the existing shareholders' resolution adopted at the AGM held on 29 May 2013, the powers to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors provided that such powers shall be limited to 0.15% of the Company's authorised share capital. Such powers have been granted for a period expiring at the AGM to be held on 27 May 2014.

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

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

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

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

An additional share repurchase authorisation was adopted by the extraordinary general meeting ("EGM"), pursuant to which the Board of Directors is authorised, for a period of 18 months from the date of such EGM, to repurchase up to 15% of the Company's issued share capital as at the date of the EGM, by any means, including derivative products, on any stock exchange, in a private purchase, by way of a public purchase offer or otherwise, at a price not less than the nominal value and, at most, € 50 per share. This authorisation is in addition, and without prejudice, to the authorisation granted by the AGM held on 29 May 2013 and the AGM to be held on 27 May 2014. For further information related this additional share repurchase authorisation, please refer to the Board Report as prepared for the EGM dated 27 March 2013 (the "EGM Board Report") and the supplement thereto.

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

Securities granting access to the Company's capital

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

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

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

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

Changes in the issued share capital in 2013

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

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

Repurchases of shares in 2013

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

Changes in shareholding structure

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

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

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

61,000,000 Company shares (approximately 7.4% of the outstanding the Company shares). On 17 April 2013, the République Française (the “French State”) sold through Sogepa 12,977,088 Company shares (approximately 1.56% of the outstanding the Company shares) and Daimler sold its remaining 61,100,000 Company shares (approximately 7.5% of the outstanding the Company shares). On 26 April 2013 the French State sold another 17,451,000 Company shares (approximately 2.1% of the outstanding the Company shares). On 31 July 2013 SEPI sold another 2,802,450 Company shares (approximately 0.36% of the outstanding the Company shares). On 30 December 2013 GZBV bought 1,872,072 Company shares (approximately 0.24% of the outstanding the Company shares). The aforementioned transactions ultimately led to the French State holding 11.99% of the outstanding Company shares through Sogepa, the German State holding 10.94% through GZBV and the Spanish State holding 4.13% through SEPI as of 31 December 2013.

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

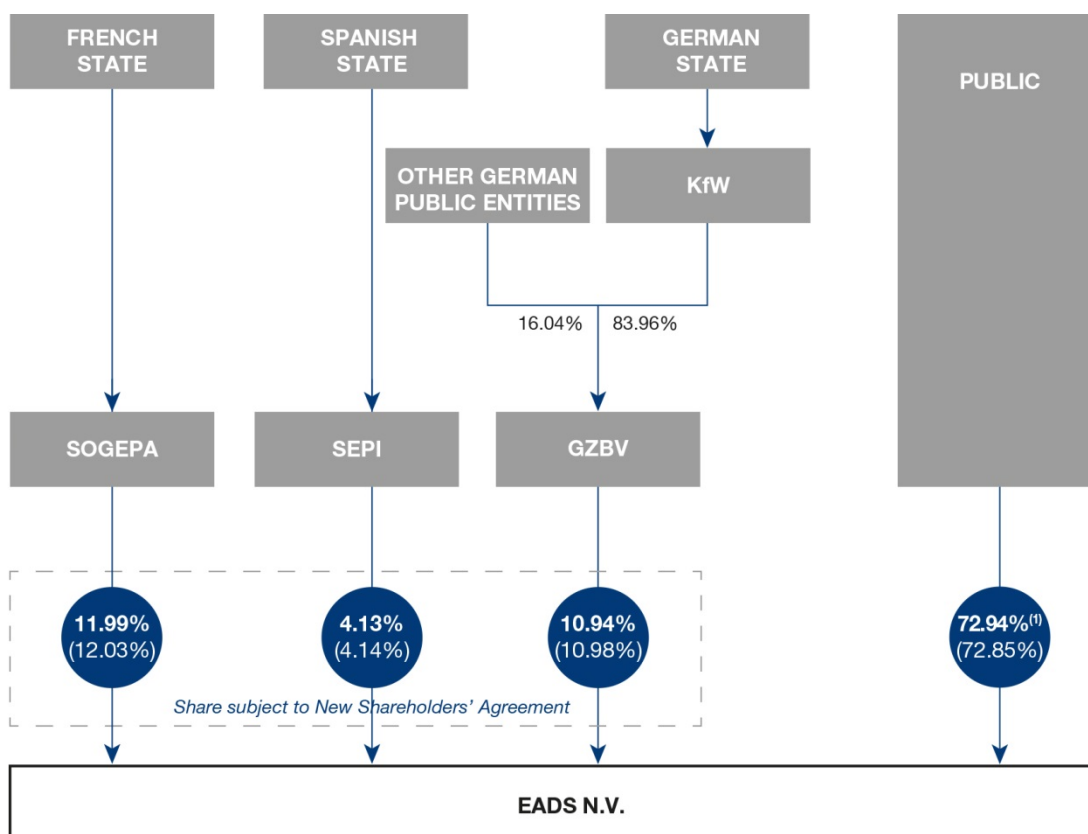
For the number of shares and voting rights held by members of the Board of Directors as of 31 December 2013, see “Notes to the Company Financial Statements – Note 11: Remuneration”.

Shareholding structure at the end of 2013

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

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

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



1) Including warehoused shares of parties to the New Shareholders' Agreement (0.07%) and shares held by the Company itself (0.36%).

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

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

Right to attend shareholders' meetings

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

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

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

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

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

meeting. Ultimately this notice must be received by the Company, or alternatively an entity or person so designated by the Company, on the day mentioned in the convening notice.

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

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

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

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

Mandatory Disposal Threshold Restricting Ownership to 15%

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

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

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

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

percentage with which the foregoing interest exceeds the Mandatory Disposal Threshold; and (b) all shares held by such person or concert.

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

Exemptions from Mandatory Disposal Threshold

The restrictions pursuant to the Mandatory Disposal Threshold under the Articles of Association do not apply to a person who has made a public offer with at least an 80% acceptance (including any Company shares already held by such person).

These restrictions also have certain grandfathering exemptions for the benefit of shareholders and concerts holding interests exceeding the Mandatory Disposal Threshold on the date that the current Articles of Association entered into force (the "**Exemption Date**").

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

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

Mandatory public offer under Dutch law

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

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

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

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

- ▶ Acquires significant control acting in concert with one or more other natural persons, legal entities or companies, in which case the obligation to make a public offer lies with the natural person, legal entity or company that can exercise most of the voting rights in the general meeting of shareholders of the target company; or
- ▶ Acts as a custodian (if and to the extent it cannot exercise any voting rights in its sole discretion).

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

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

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

Amendments to the Articles of Association

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

3.2 Relationship with Principal Shareholders

On 5 December 2012, the Board of Directors and the Former Consortium Members entered into the Multiparty Agreement, which contemplated various changes to the Company's shareholding structure and governance. As part of the Consummation, the Participation Agreement among the Former Consortium Members, the Contractual Partnership Agreement and the related arrangements terminated and were replaced in part by a more limited shareholders' agreement (the "**New Shareholders' Agreement** ") among only Sogepa, GZBV and SEPI (who have agreed to hold, collectively, less than 30% of the voting interests in the Company). The New Shareholders' Agreement does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. Finally, the Multiparty Agreement provided for the entry into state security agreements with each of the French State and German State, which will be described in more detail below, and certain further undertakings of the Company with respect to selected matters that affect the interests of the Current Consortium Members.

3.2.1 NEW CORPORATE GOVERNANCE ARRANGEMENTS

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

3.2.2 NEW SHAREHOLDER ARRANGEMENTS

Grandfathering Agreement

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

Individual Grandfathering Rights

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

Loss of Individual Grandfathering Rights

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

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

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

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

Notification to the Company

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

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

Various provisions

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

Governing law. Laws of the Netherlands.

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

End of Former Consortium and Shareholders' Agreement

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

Governance of the Company

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

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

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

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

Balance of interests

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

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

Mandatory Takeover Threshold

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

Transfer of Securities

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

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

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

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

Various provisions

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

Governing law. Laws of the Netherlands.

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

3.2.3 UNDERTAKINGS WITH RESPECT TO CERTAIN INTERESTS OF CERTAIN STAKEHOLDERS

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

State Security Agreements and Related Undertakings

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

The Company and the German State have entered into an agreement relating to the protection of essential interests to the German State’s security (the “**German State Security Agreement**”). Under the German State Security Agreement, certain sensitive German military assets are held by a Company subsidiary (the “**German Defence Holding Company**”). The German State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the

supervisory board of the German Defence Holding Company (the “**German Defence Outside Directors**”), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board. Two of the German Defence Outside Directors are required to also be Members of the Board. The qualifications to serve as a German Defence Outside Director are comparable to those to serve as a French Defence Outside Director, with the additional requirement that a German Defence Outside Director may not be a civil servant. The Company has agreed to negotiate with the Spanish State in order to reach a special security agreement relating to the protection of the essential security interests of the Spanish State.

Dassault Aviation

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

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

Stock Exchange Listings

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

Specific Rights of the French State

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

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

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

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

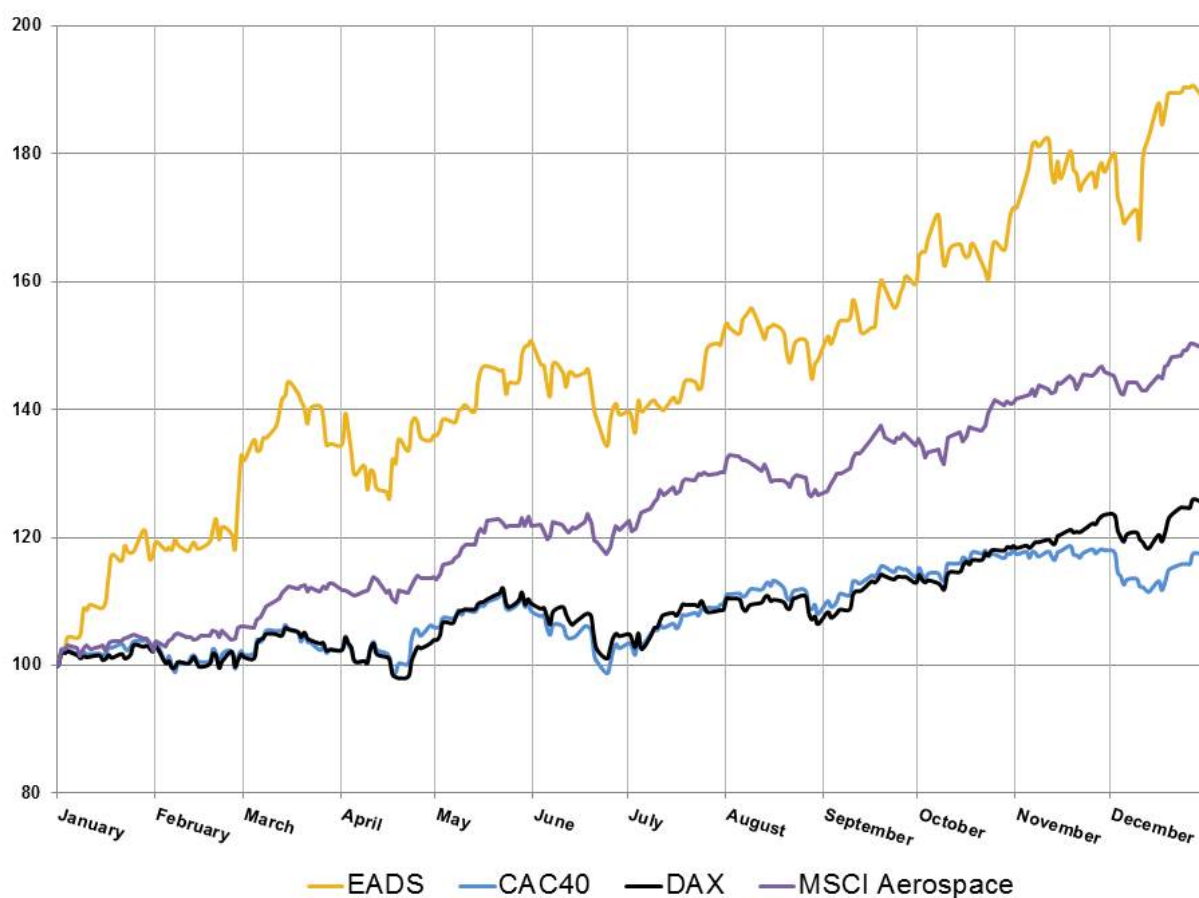
Under ESOP and LTIP, the Board of Directors shall have the discretionary authority to offer shares and grant performance and/or restricted units to employees who, in the sole judgment of the Board of Directors, are eligible thereto and to subject such grant, as the case may be, to performance conditions;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

Elements of ESOP and LTIP (Details)

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

- ▶ Item “4.3.2 Remuneration Policy”.
- ▶ Item “4.3.6 Employee Share Ownership Plan”.

3.4 Share price evolution 2013



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

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

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

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

3.5 Dividend policy

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

Therefore, based on earnings per share (EPS) of € 1.85, the Board of Directors will propose to the Annual General Meeting the payment to shareholders of a dividend of € 0.75 per share on 3 June 2014 (FY 2012: € 0.60 per share). The record date

should be 2 June 2014. This proposed dividend represents a pay-out ratio of 40% and a year-on-year dividend per share growth of 25%.

3.6 Shareholder communication policy

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

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

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

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

4. Corporate Governance

4.1 Management and Control

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

4.1.1 COMPOSITION, POWERS AND RULES

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

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

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

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

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

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

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

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

Powers of the members of the Board of Directors

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

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

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

of the Company (Qualified Majority);

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

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

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

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

Voting and rules

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

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

Executive Committee Nomination and Composition

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

- ▶ The preference for the best candidate for the position;
- ▶ The maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of the Company (in particular among the nationals of the four (4) Member States of the European Union where these main industrial centres are located); and
- ▶ At least 2/3 of the Members of the Executive Committee, including the CEO and the CFO, being EU nationals and residents.

The Board of Directors determines, by simple majority vote, whether to approve all of the Members of the Executive Committee taken as a whole as proposed by the CEO.

Role of CEO and Executive Committee

The CEO, supported by an Executive Committee (the "**Executive Committee**"), is responsible for managing the day-to-day operations of the Company. The Executive Committee, chaired by the CEO, also comprises the Heads of the major Functions and Divisions of the Group. The CEO endeavours to reach consensus among the Members of the Executive Committee. In the event a consensus is not reached, the CEO is entitled to decide the matter.

Composition of the Board of Directors until the EGM of March 27, 2013

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

Note: Status as of 1 March 2013. The professional address of all members of the Board of Directors for any matter relating to EADS is Mendelweg 30, 2333 CS Leiden, the Netherlands.

Composition of the Board of Directors after the EGM of March 27, 2013

Name	Age	Term started (as member of the Board of Directors)	Term expires	Principal function	Status
Denis Ranque	62	2013	2016	Chairman of the Board of Directors of EADS NV	Non-Executive
Thomas Enders	55	2005, re-elected in 2013	2016	Chief Executive Officer of EADS NV	Executive
Manfred Bischoff	71	2013	2016	Chairman of the Supervisory Board of Daimler AG	Non-Executive
Ralph D. Crosby	66	2013	2016	Former Member of the Executive Committee of EADS and of Northrop Grumman Corporation	Non-Executive
Hans-Peter Keitel	66	2013	2016	Vice President of the Federation of German Industry (BDI)	Non-Executive
Hermann-Josef Lamberti	58	2007, re-elected in 2013	2016	Former Member of the Management Board of Deutsche Bank AG	Non-Executive
Anne Lauvergeon	54	2013	2016	Partner of Efficiency Capital, Chairman and CEO of A.L.P S.A.	Non-Executive
Lakshmi N. Mittal	63	2007, re-elected in 2013	2016	Chairman and Chief Executive Officer of ArcelorMittal SA	Non-Executive
Sir John Parker	71	2007, re-elected in 2013	2016	Chairman of Anglo American PLC	Non-Executive
Michel Pébereau	72	2007, re-elected in 2013	2016	Honorary President of BNP Paribas S.A.	Non-Executive
Josep Piqué i Camps	59	2012, re-elected in 2013	2016	Vice-Chairman and CEO of Obrascón Huarte Lain (OHL)	Non-Executive
Jean-Claude Trichet	71	2012, re-elected in 2013	2016	Honorary Governor of Banque de France and former President of the European Central Bank	Non-Executive

Note: Status as of 1 March 2014. The professional address of all members of the Board of Directors for any matter relating to EADS is Mendelweg 30, 2333 CS Leiden, the Netherlands.

More details regarding the curriculum vitae and other mandates of all members of the Board of Directors can be found at the Company's website www.airbus-group.com.

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

4.1.2 OPERATION OF THE BOARD OF DIRECTORS IN 2013

Board of Directors meetings

The Board of Directors met 12 times during 2013 and was regularly informed of developments through business reports from the Chief Executive Officer, including strategic and operational plans. Out of these 12 meetings, the former Board met three times with an average attendance rate of 78%, and the current Board met nine times with an average attendance rate of 93%. The lower average attendance rate of the former Board is explained by the fact that some members were excused because of possible conflicts of interest regarding the exit of certain core-shareholders and discussions on the share buyback program.

Throughout 2013, the Board of Directors monitored the technical and commercial progress of significant programmes, such as A400M, A380, and NH90. Witnessing the successful inaugural flight of the A350 XWB in June, the Board was continuously informed on the programme's promising progress. Furthermore, the Board monitored the Superpuma EC 225 retrofit activities, discussed improvements in contract management, launched measures to increase cyber security, and reviewed advancements in corporate social responsibility as well as in health & safety.

Moreover, the Board of Directors focused on the Group's financial results and forecasts, asset management, supply chain challenges, the services business, compliance in key business processes and in major programmes, as well as efficiency and innovation initiatives. It reviewed Enterprise Risk Management ("ERM") results, export control regulations, investor relations, compliance programme, financial communication and dividend policy, litigation and legal risks. The Board approved a free-share plan for all employees along the lines of the similar plan handed out on the Company's 10th anniversary.

Following a review of lessons learned from the abandoned merger project with BAE Systems, the Board supported management to negotiate the renouncement by the principal shareholders of their control rights and the establishment of the new governance ultimately approved by the Extraordinary General Meeting of shareholders on March 27. During the merger evaluation and the governance discussions, the Board protected the integrity of its work by setting up appropriate working groups, subcommittees and information sharing procedures to avoid risks of conflict of interest, and to shelter certain directors from the risk of insider knowledge. Throughout this period, the independent directors composed an ad-hoc Nominations Committee and played an important role in recommending the best possible candidates for the composition of the new Board of Directors. They refused to receive compensation for the work on this committee and their attendance of the numerous meetings held on this occasion.

In line with the Group's priority to 'build EADS 2.0', the Board of Directors repeatedly focussed on the Company's strategy and on supporting management to integrate Airbus Military, Astrium and Cassidian into one Defence and Space Division, and furthermore to enhance integration and cohesion by renaming the Group and its Divisions using the globally recognised Airbus brand. The Board perceives this evolution as the next logical step in the development of the Company. A step which affirms the predominance of commercial aeronautics in the Group and the necessity to restructure and focus the defence and space activities in order to reduce costs, increase profitability and improve competitiveness.

Board evaluation 2013

The evaluation of the Board of Directors was conducted merely ten months into its tenure, with a view to seizing improvement opportunities, based on director interviews by the Corporate Secretary. The interviews covered the board composition, agenda, quality of discussions, board openness and cohesiveness, chairmanship, interactions with management, relations to stakeholders, the work of committees, performance of fiduciary duties, attendance, frequency and length of meetings, documentation. The subsequent discussion of the report by the whole Board was action oriented. The next such report will be entrusted to an external consultant.

Individual and collective attendance are markedly superior since the induction of the current Board, compared to late 2012 and early 2013, and attendance is judged satisfactory (for details, see 4.1.2 "Board of Directors Meetings", and 4.1.3 "Audit Committee" and "Remuneration and Nomination Committee").

Primarily, the Board feels that, while it is too early to determine its main strengths and weaknesses as a body, its composition allows for a good standard of contributions: it is composed of high calibre individuals, with "proven records of success", and relevant skills and experiences are represented, which can "produce the many angles necessary for EADS. The directors noticed that the proportion of gender representation is imbalanced; it also noted that international diversity is a strength that

must be fostered further. Even though the new board underwent a rich induction programme, further familiarity with aerospace and defence must be built over time. To this end, educational sessions and site visits are welcome, even outside of Board meetings.

Board discussions are very open, unconstrained, and there is “good chemistry” among members, irrespective of different cultural backgrounds. In the course of deliberations, the right balance between discipline and spontaneity is progressively being struck, with shorter, to the point, presentations, and more time for focused discussions and exploration of decisive questions.

The Chairman inspires trust, and is recognised for his competency and hard work; he has established a personal relationship with each director separately, which is appreciated, and must be maintained. The involvement and professionalism of the Committee chairmen is also broadly commended.

The Board feels that it is properly equipped to accomplish its fiduciary duties in the interest of the company, and under the new governance, as one director remarked, “the Board senses its independence”. The sharing of roles between the Board and the management works satisfactorily.

There is a shared view that meeting time is scarce, and must be used effectively. Flexibility to address unplanned important matters, as they develop, through short additional meetings, provides adequate relief.

In addition to mandatory items which must be given enough time, and protected in a forward-looking plan of Board meeting agendas through the year, directors are keen to explore long-term strategic issues, and to focus on detailed strategy (segment, product, region, value chain) to shape the future portfolio; they favour a commercially oriented agenda with an emphasis on risks; a list of priority issues for 2014, and beyond, was drawn: it includes strategy, business execution, target and performance management and organisational issues.

The timeliness of documentation delivery is crucial for the level of director preparation ahead of meetings, and by ricochet, for the efficiency of the board meetings. Documentation is well targeted, although sometimes long, and its format is effective. Decision-making matters, as opposed to information, must be better identified, to help channel Board thinking and discussions. A few areas of weaker input are noted and shall be corrected. The format of minutes was discussed, and directors agree that they correctly display the level of interplay and challenge inside the Board, and the breadth of the matters discussed.

In between board meetings, directors ask for updates, selective press clippings with explanation of on-going events, management scorecards and analyst presentations.

The members of the Executive Committee and the top layer of the next management level could be exposed to the Board even more often, through Board presentations, but also during dinners and site visits.

4.1.3 BOARD COMMITTEES

Summary of memberships until the EGM of March 27, 2013

Directors	Audit Committee	Remuneration & Nomination Committee
Arnaud Lagardère (Chairman)		
Thomas Enders (CEO)		
Dominique D'Hinnin	X	X
Hermann-Josef Lamberti	Chairman	X
Lakshmi N. Mittal		
Sir John Parker	X	Chairman
Michel Pébereau		
Josep Piqué i Camps		
Wilfried Porth		X
Jean-Claude Trichet		
Bodo Uebber	X	
Number of meetings in 2013	2	1
Average attendance rate in 2013	75%	50%
Note: Status as of 1 March 2013		

In addition to these two standing Committees, the independent Directors, Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker, and Michel Pébereau composed an ad-hoc Nominations Committee to recommend the best possible candidates for the composition of the new Board of Directors. They refused to receive compensation for the work on this committee and their attendance of the numerous meetings held on this occasion.

Summary of memberships after the EGM of March 27, 2013

Directors	Audit Committee	Remuneration & Nomination Committee
Denis Ranque (Chairman)		
Thomas Enders (CEO)		
Manfred Bischoff		
Ralph D. Crosby		
Hans-Peter Keitel		X
Hermann-Josef Lamberti	Chairman	
Anne Lauvergeon	X	
Lakshmi N. Mittal		X
Sir John Parker		Chairman
Michel Pébereau	X	
Josep Piqué i Camps	X	
Jean-Claude Trichet		X
Number of meetings in 2013	4	3
Average attendance rate in 2013	94%	92%
Note: Status as of 1 March 2014		

The Audit Committee

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

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

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

The Audit Committee is required to meet at least four times a year. In 2013 it fully performed all of the above described duties, and met six times. Out of these six meetings, the two meetings of the former Audit Committee reflected an average attendance rate of 75%, and the four meetings of the current Audit Committee reflected an average attendance rate of 94%. The lower average attendance rate of the former Audit Committee is explained by the fact that some members were excused, because of possible conflicts of interest regarding the exit of certain core-shareholders and the discussion on the share buyback.

The Remuneration and Nomination Committee

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

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

In addition to making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviewed top talents, discussed measures to improve engagement and to promote diversity, reviewed the remuneration of the Group Executive Committee members for 2013, the LTIP, and the variable pay for 2012. It also proposed the terms of the 2014 ESOP plan.

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

The Remuneration and Nomination Committee is required to meet at least twice a year. In 2013, the former RNC met once with an average attendance rate of 50%, the current RNC met three times with an average attendance rate of 92%. The lower average attendance rate of the former RNC is explained by the fact that some members were excused, because of possible conflicts of interest regarding the exit of certain core-shareholders and the discussion on the share buyback.

Aside from the regular Remuneration and Nomination Committee, the Board of Directors established an ad hoc 'Nomination Committee' in December 2012, which had been charged with recommending the names of candidates to be submitted to the EGM in March 2013 for appointment to the current Board. This ad hoc Nomination Committee was composed of the

independent Board members, Sir John Parker, Hermann-Josef Lamberti, Michel Pébereau and Lakshmi Mittal, who met four times, and who renounced to be remunerated for this additional service.

4.1.4 CONFLICT OF INTEREST AND INSIDER TRADING RULES

Conflicts of interest

The Company has a conflict of interest policy which sets out that any potential or actual conflict of interest between the Company and any member of the Board of Directors shall be disclosed and avoided (please refer to the Directors' Charter and to the Code of Ethics both available on the Company's website: www.airbus-group.com). Pursuant to the Articles of Association and the Directors' Charter a conflicted member of the Board of Directors should abstain from participating in the deliberation and decision-making process concerning the matters concerned. The Board of Directors must approve any decision to enter into a transaction where a Director has conflicts of interest that are material to the Company or the individual Director. In 2013, the deliberations and decisions that led to the changes of governance agreed at the EGM, and to the subsequent share buy-back and change of shareholding in the Company, were conducted in full compliance with the Company's conflict of interest policy and the best practice provisions III.6.1-4 inclusive of the Dutch Code, so that inter alia all the Directors potentially exposed to a conflict of interest abstained from participating in such deliberations and decision-making. In 2013, other than the transactions mentioned above, no other transactions were reported where there was a conflict of interest that was material to the Company. There were, however, related-party transactions: for an overview, please see: "Notes to the Consolidated Financial Statements (IFRS) - Note 36: Related Party Transactions".

Insider Trading Rules

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

4.2 Dutch Corporate Governance Code

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

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

For the financial year 2013, the Company states the following:

1. Retirement of Board members

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

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

2. Duration of mandate

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

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

3. Vice-Chairmanship

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

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

4. Termination indemnity

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

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

5. Securities in EADS as long-term investment

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

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

6. Dealings with analysts

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

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

7. Gender diversity

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

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

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

For information on the composition and operation of the Board of Directors and its respective committees, please refer to section 4.1.1 “Composition, power and rules, section, 4.1.2 “Operation of the Board of Directors in 2013”, section 4.1.3 “Board Committees”.

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, please refer to section 3.1 “Shareholding and voting rights – Shareholding structure at the end of 2013”, section 3.2 “Relationships with Principal Shareholders”, section 4.1.1 “Composition, powers and rules”, section 3.1 “Shareholding and voting rights – Amendments to the Articles of Association” and section 3.1 “Shareholding and voting rights – Modifications of share capital or rights attached to shares”.

4.3 Remuneration Report

4.3.1 INTRODUCTION

The Remuneration and Nomination Committee (“**RNC**”) is pleased to present the 2013 Remuneration Report.

The Report comprises the following sections:

- ▶ **4.3.2** presents the Company’s Remuneration Policy (incorporating certain amendments, separately listed in Section 4.3.3, to be adopted by the 2014 AGM).
- ▶ **4.3.3** sets out the changes to the Remuneration Policy that will be proposed for adoption by the 2014 AGM.
- ▶ **4.3.4** illustrates how the Remuneration Policy was applied in 2013 in respect of the CEO, the only executive member of the Board of Directors. (The cumulated remuneration of all Group Executive Committee members is presented in the “Notes to the Consolidated Financial Statements (IFRS) - Note 36: Related Party Transactions”.)
- ▶ **4.3.5** illustrates how the Remuneration Policy was applied in 2013 in respect of the non-executive members of the Board of Directors.
- ▶ **4.3.6** outlines the Employee Share Ownership Plan (“**ESOP**”).
- ▶ **4.3.7** Miscellaneous

4.3.2 REMUNERATION POLICY

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

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

A – Executive Remuneration - applicable to the CEO

a) Remuneration Philosophy

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

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

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

b) Total Direct Compensation and Peer Group

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

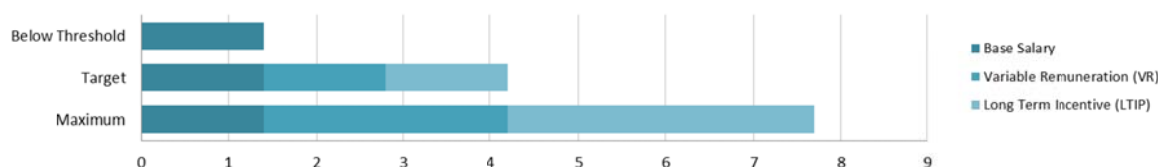
The level of Total Direct Compensation for the CEO is targeted at the median of an extensive peer group. The benchmark is regularly reviewed by the RNC and is based on a peer group which comprises:

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

The elements of the Total Direct Compensation are described below:

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

Scenarios CEO Total Direct Compensation



Indications are in million euro.

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

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

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

c) Base Salary

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

d) Annual Variable Remuneration

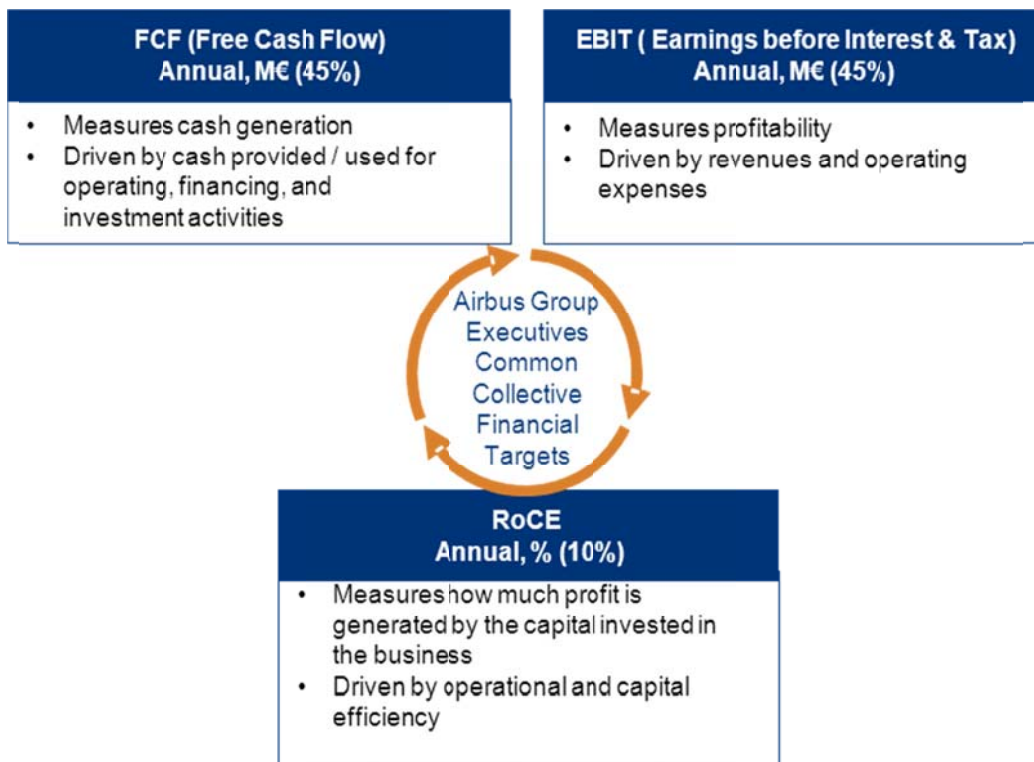
The VR is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of VR for the CEO is targeted at 100% of Base Salary; it is capped at a maximum level of 200% of Base Salary. The entire VR is at-risk, and therefore if performance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

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

COMMON COLLECTIVE COMPONENT

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

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



INDIVIDUAL

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

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

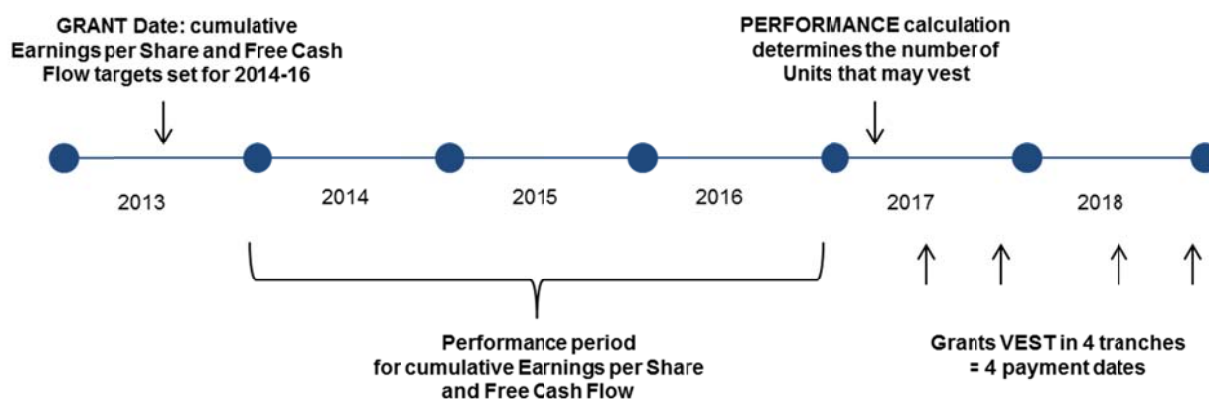
e) Long-Term Incentive Plan

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

The Board of Directors has the discretion, subject to shareholder approval at the 2014 AGM, to replace all or part of future LTIP allocations with substantially similar instruments, such as performance shares or other equity-related allocations. As with the Performance Units, the value of the CEO's LTIP allocation would continue to be capped as a percentage of Base Salary at the date of grant and be subject to comparable performance conditions.

PERFORMANCE UNITS

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



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

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

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

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

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

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

f) Share Ownership Guideline

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

g) Benefits

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

h) Retirement

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

i) Contracts and Severance

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

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

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

j) Clawback

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

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

k) Loans

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

B – Non-Executive Remuneration - applicable to Non-Executive Members of the Board

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

Fees and entitlements

Non-executive members of the Board are entitled to the following:

- ▶ A base fee for membership or chair of the Board.
- ▶ A committee fee for membership or chair on each of the Board's Committees.

- ▶ An attendance fees for the attendance of Board meetings.

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

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

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

Fixed fee for membership of the Board EUR / year

Chairman of the board: 180,000

Member of the board: 80,000

Fixed fee for membership of a Committee EUR / year

Chairman of a Committee: 30,000

Member of a Committee: 20,000

Attendance fees EUR / Board meeting

Chairman: 10,000

Member: 5,000

Committee chairmanship and Committee membership fees are cumulative if the concerned non-executive Director belongs to two different Committees.

4.3.3 PROPOSED AMENDMENTS OF THE REMUNERATION POLICY

At the 2014 AGM, the Board of Directors is proposing that shareholders adopt a number of amendments to the Airbus Group Remuneration Policy.

The following changes are being proposed:

- ▶ Under the current Remuneration Policy, the level of vesting of LTIP awards to the CEO is subject to EPS performance only. The Board proposes to amend this so that vesting will be subject to EPS performance (75%) and Free Cash Flow performance (25%).
- ▶ Under the current Remuneration Policy, the Free Cash Flow performance target used for the calculation of variable remuneration (45%) is an annual Free Cash Flow objective. The Board proposes to amend this so that quarterly Free Cash Flow objectives be implemented in addition to the annual Free Cash Flow objective.
- ▶ For the CEO, the LTIP is currently granted in the form of Performance Units only. It is now proposed that the Board of Directors should have the discretion to replace all or part of future LTIP awards with substantially similar instruments, such as performance shares or other equity-related awards. As with the Performance Units, the CEO's LTIP awards would continue to be capped as a percentage of Base Salary at the date of grant and be subject to comparable performance conditions.

In compliance with Dutch legal changes, the Remuneration Policy also reflects the introduction of claw back mechanisms.

4.3.4 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2013: CEO

a) Benchmarking

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

The last review took place in October 2013, and was completed with the assistance of two independent consultants: Hay Group and Towers Watson. The peer groups that were considered were the Hay Group Top Executive – All Organizations

Market Median and a peer group proposed by Towers Watson, which comprised 124 companies¹ having comparable economic indicators such as revenue, number of employees, and market capitalization. Financial institutions were excluded from the peer group.

Based on this review the RNC concluded that the CEO's Total Direct Compensation was slightly below the median level of the peer group. The RNC was satisfied with this finding, as the RNC is mindful of the potential inflationary effect on executive remuneration that could result from all companies benchmarking at above median levels.

b) Base Salary

For 2013, the Base Salary was set by the Board of Directors at €1,400,004 (unchanged compared to the annualised salary paid in the previous year). The CEO's Base Salary level was set in July 2012, shortly after his appointment. The intention of the Board of Directors is not to review this Base Salary level until 2015. Any review of the CEO's Base Salary will also take into consideration salary increases of employees across the Group.

c) Annual Variable Remuneration

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

For 2013, the Annual Variable Remuneration amounted to an aggregate € 1,470,000, composed of € 595,000 for the Common Collective Component, and € 875,000 for the Individual part.

The **Common Collective Component** results from a composite 85% achievement of EBIT, Free Cash Flow and RoCE objectives.

- ▶ This assessment mainly reflects a significant **Free Cash Flow** shortfall against the budgeted target and, consequently,

1France: Accor, Air Liquide, Alcatel, Alstom, Areva, Danone Essilor International, Faurecia, Lafarge, Michelin, Orange, Pernod Ricard, Peugeot, Renault, Saint-Gobain, Sanofi, Schneider Electric, Solvay, Suez Environment, Technicolor, Thales, Valeo, Vivendi, Sanofi, Total, PSA, GDF Suez, Bouygues.

Germany: BASF, Bayer, BMW, Daimler, Lufthansa, Deutsche Post World Net, Deutsche Telekom, E.ON, Henkel, K+S, MAN, Merck, RWE, SAP, Siemens, Thyssenkrupp.

Spain: Abengoa, Acciona, ACS, Endesa, Ferrovial, Gas Natural, SDG, Iberdrola, Indra Sistemas, Obrascón Huarte Lain, Repsol, YPF, Telefonica.

UK: Anglo American, AstraZeneca, BAE Systems, BG Group, BP, British American Tobacco, BT, Centrica, Diageo, GlaxoSmithKline, Imperial Tobacco, National Grid, Reckitt Benckiser, Rio Tinto, Rolls-Royce, SABMiller, Shell, SSE, Unilever, Vodafone, Weir, Wolseley, WPP Group, Xstrata.

US: 3M, Abbott Laboratories, Alcoa, Altria Group, AT&T, Best Buy, Boeing, Bristol-Myers Squibb, Cardinal Health, Caterpillar, Coca-Cola, Dell, Dow Chemical, Emerson, Express Scripts Holding, Ford, General Dynamics, General Electric, Goodyear Tire & Rubber, Hess, Hewlett-Packard, Honeywell, IBM, Intel, International Paper, ITT Corp, J.C. Penney Company, Johnson & Johnson, Johnson Controls, Lockheed Martin, Microsoft, Northrop Grumman, Raytheon, Sprint, Nextel, Target, Textron, United Parcel Service, United Technologies, Valero Energy, Verizon, Walt Disney.

against the initial guidance given to the market;

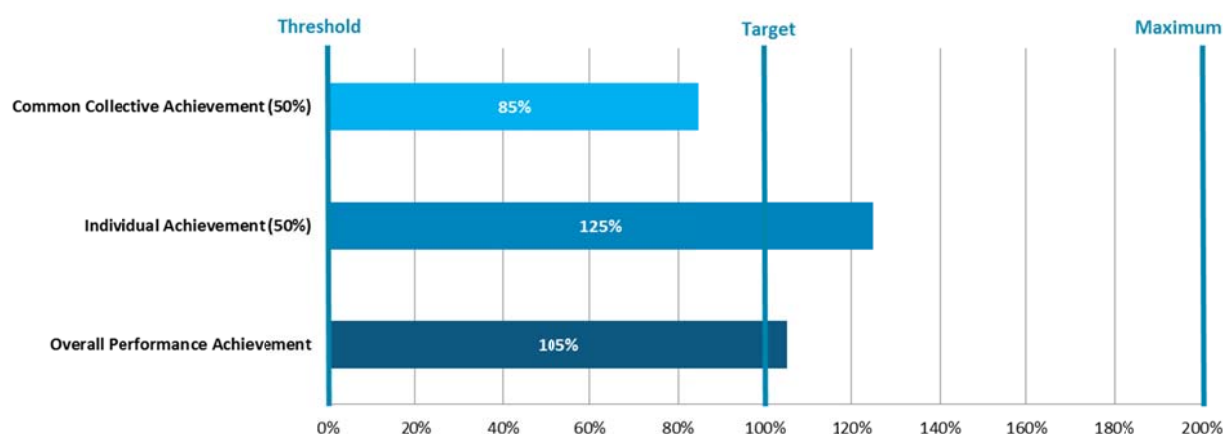
- ▶ **EBIT**, weakened by unplanned restructuring charges and programme provisions, but adjusted for certain pre-agreed factors, also came short of the objective (even though EBIT before one-off exceeded guidance slightly).
- ▶ **RoCE** bore a limited influence.
- ▶ **Normalisation adjustments** of EBIT and Free Cash Flow were mostly driven by currency exchange impacts against an assumed rate and phasing mismatches.

The **Individual** part results from a composite achievement of 125%, assessed by the RNC and by the Board on the basis of the CEO's performance and behaviour, mostly with respect to the 8 Group priorities agreed at the start of the year (see: Chapter 2 - Summary 2013). For each of these, outcomes, leadership and contributions were examined.

The main **positive factors** were: the successful and quick implementation of the new governance, of the share buyback programme, and the overhaul of the shareholder structure; the re-basing of strategy, the identification of the Company's future growth engine, and the setting of a framework to strengthen the Company's resilience and profitability; the start of the restructuring of the Defence and Space businesses of the Company, in the face of adverse home market situations and competitiveness problems; the extraordinary order intake in more than one division; the launching of a quality initiative and of an effort to harmonise processes, and the propagation of ethics and compliance throughout the organisation. The RNC and the Board recognised that the specific impulse of the CEO had been crucial to these successes.

Conversely, certain **operational shortfalls**, including those leading to charges on the A350 programme, as well as the initial under-estimation of certain challenges facing the helicopter business dampened the achievement level; besides, certain 2013 objectives were not completed, and are carried over into 2014 priorities, such as those relating to internationalisation or security of the company. Finally, the RNC and the Board took into account the average outcome of the Executive Committee members' assessments in rating the CEO's performance.

Performance against target 2013



d) Long-Term Incentive Plan

As stipulated in the Company's Remuneration Policy, the CEO is eligible for a Performance Unit award under the Company's LTIP. The value of the Performance Unit award is capped at 100% of Base Salary at the date of grant. During 2013 the CEO was granted 30,300 Performance Units.

The table below gives an overview of the Performance Units granted to the Chief Executive Officer in 2013 pursuant to the LTIP:

	Unit plan: number of Performance Units	
	Granted in 2013	Vesting dates
Thomas Enders	30,300	Vesting schedule is made up of 4 tranches over 2 years: (i) 25% expected in May 2017; (ii) 25% expected in November 2017; (iii) 25% expected in May 2018; (iv) 25% expected in November 2018.

In 2013, the CEO received both cash payments and vested shares in connection with the vesting of 2008 and 2009 LTIP awards:

Cash: The total cash payment to the CEO amounted to €2,008,338.

Shares: In connection with the 2008 LTIP award, the CEO received 5,440 vested shares (20% of the vested award).

Additionally, the CEO had elected that 25% of his 2009 LTIP grant should be deferred into shares. Therefore the vesting of 7,072 Performance Units was delayed, and these will be released in the form of shares on the fourth vesting date for the 2009 LTIP (which will take place in 2014).

Date of grants	Number	Share price at grant date	Value at grant date	(Un)conditional	Performance achievement	Units with performance achievement	Dates of vesting	2013 Share value at vesting dates
2008	40 000	13,50 €	540 000 €	Conditional	136%	54 400	4 vestings in 2012 - 2013	3rd vesting - 30th May 2013: 42,29 EUR 4th vesting - 19th November 2013: 51,17 EUR
2009	46 000	14,50 €	667 000 €	Conditional	123%	56 580	4 vestings in 2013 - 2014	1st vesting - 30th May 2013: 42,29 EUR 2nd vesting - 19th November 2013: 51,17 EUR
2010	54 400	18,40 €	1 000 960 €	Conditional	not yet known	not yet known	4 vestings in 2014 - 2015	not yet known
2011	51 400	21,41 €	1 100 474 €	Conditional	not yet known	not yet known	4 vestings in 2015 - 2016	not yet known
2012	50 300	27,83 €	1 399 849 €	Conditional	not yet known	not yet known	4 vestings in 2016 - 2017	not yet known
2013	30 300	46,17 €	1 398 951 €	Conditional	not yet known	not yet known	4 vestings in 2017 - 2018	not yet known

Calculations may involve rounding to the nearest unit.

e) Stock Options

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

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

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

Any exercise or sale that occurred in 2013 was executed under the Blind Trust framework and related to the Stock Option awards mentioned above. It appears along with the CEO's outstanding Stock Option awards in: "Notes to the Company Financial Statements – Note 11: Remuneration".

f) Benefits

As stipulated in the Company's Remuneration Policy the CEO's benefits comprise a Company car and accident insurance. The monetary value of these benefits for 2013 amounted to € 73,687.

g) Retirement

As of 31 December 2013, the book cash value of the CEO's pension defined benefit obligation amounted to €12,921,270. For fiscal year 2013 the current service and interest costs related to the CEO's pension promise represented an expense of €544,736. This obligation has been accrued in the consolidated financial statements.

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

h) Clawback

The Board has not applied any claw back in 2013.

4.3.5 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2013: NON-EXECUTIVE FEES

The RNC recommended and the Board of Directors decided not to increase non-executive fees in 2013, and therefore the non-executive fees remain unchanged from the level set in October 2007. The CEO is the only member of the Board of Directors who is not entitled to any Board membership fee.

Summary table of the 2013 and 2012 fees of all non-executive members of the Board (current and former):

Current Non Executive Board Members (*)	Directors' remuneration related to 2013 (*)			Directors' remuneration related to 2012 (*)		
	Fixum (in €)	Attendance Fees (in €)	Total (in €)	Fixum (in €)	Attendance Fees (in €)	Total (in €)
Denis Ranque ⁽¹⁾	135,000	60,000	195,000	-	-	
Manfred Bischoff ⁽²⁾	60,000	45,000	105,000	-	-	
Ralph D Crosby Jr ⁽³⁾	60,000	45,000	105,000	-	-	
Hans-Peter Keitel ⁽⁴⁾	75,000	45,000	120,000	-	-	
Hermann-Josef Lamberti ⁽⁵⁾	115,000	60,000	175,000	130,000	50,000	180,000
Anne Lauvergeon ⁽⁶⁾	75,000	45,000	120,000	-	-	
Lakshmi N. Mittal ⁽⁷⁾	95,000	35,000	130,000	80,000	40,000	120,000
Sir John Parker ⁽⁸⁾	115,000	50,000	165,000	130,000	50,000	180,000
Michel Pébereau ⁽⁹⁾	95,000	55,000	150,000	100,000	40,000	140,000
Josep Piqué i Camps ⁽¹⁰⁾	95,000	50,000	145,000	46,667	35,000	81,667
Jean-Claude Trichet ⁽¹¹⁾	95,000	60,000	155,000	46,667	40,000	86,667
Former Non Executive Board Members						
Dominique D'Hinnin ⁽¹²⁾	30,000	10,000	40,000	120,000	55,000	175,000
Arnaud Lagardère ⁽¹³⁾	45,000	20,000	65,000	164,167	80,000	244,167
Wilfried Porth ⁽¹⁴⁾	25,000	10,000	35,000	108,334	35,000	143,334
Bodo Uebber ⁽¹⁵⁾	25,000	5,000	30,000	157,500	55,000	212,500
Former Non Executive Board Members in 2012						
Rolf Bartke	N/A	N/A	N/A	41,667	15,000	56,667
Juan Manuel Eguiagaray Ucelay	N/A	N/A	N/A	33,333	15,000	48,333
TOTAL	1,140,000	595,000	1,735,000	1,158,335	510,000	1,668,335

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

- (1) New Chairman of the Company's Board of Directors as of 01/04/2013 (Only attendance fees until 01/09/2013, application of fixed fee pro rata after 01/09/2013)
- (2) New member of the Company Board of Directors as of 01/04/2013
- (3) New member of the Company Board of Directors as of 01/04/2013
- (4) New member of the Company Board of Directors and RNC as of 01/04/2013
- (5) Member of the Company Board of Directors and Chairman of the Audit Committee for the entire year 2013, Member of the RNC until 31/03/2013
- (6) New member of the Company Board of Directors and Audit Committee as of 01/04/2013
- (7) Member of the Company Board of Directors for the entire year 2013, new member of the RNC as of 01/04/2013
- (8) Member of the Company Board of Directors and Chairman of the RNC for the entire year 2013, member of the Audit Committee until 31/03/2013
- (9) Member of the Company Board of Directors for the entire year 2013, new member of the Audit Committee as of 01/04/2013

- (10) Member of the Company Board of Directors for the entire year 2013, new member of the Audit Committee as of 01/04/2013
- (11) Member of the Company Board of Directors for the entire year 2013, new member of the RNC as of 01/04/2013
- (12) Member of the Company Board of Directors, Audit committee and RNC until 31/03/2013
- (13) Chairman of the Company Board of Directors until 31/03/2013
- (14) Member of the Company Board of Directors and RNC until 31/03/2013
- (15) Member of the Company Board of Directors and Audit Committee until 31/03/2013

4.3.6 EMPLOYEE SHARE OWNERSHIP PLAN

The Company supports employee share ownership. Since its creation, the Company has regularly offered qualifying employees the opportunity to purchase shares on favourable terms through the ESOP.

In June 2013, the Company has invited employees of the Group to subscribe for shares matched with free shares based on a defined ratio. This ratio varied depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 50% for 10 shares acquired and a minimum of 21% discount for 400 shares acquired. The maximum number of shares an employee could acquire was fixed by the Board of Directors at 400 leading to 507 shares received by the employee. The discount percentage calculation refers to the share price reduction considering the number of shares acquired versus the initial investment. In France employees could subscribe their shares through a mutual fund ("FCPE") forming part of the Group Savings plan.

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

Following the AGM on 29 May 2013, 10 Free Shares were granted to all eligible employees of the Group, to reward them for their engagement and commitment to the Company, with an effective date November 15, 2013.

Executive Committee Members, non-Executive Members of the Board, all Executives of the Group were not eligible to receive these 10 Free Shares.

Future ESOP

The Company intends to implement an ESOP in 2014, subject to approval by the Board of Directors. The 2014 ESOP is expected to be a share matching plan whereby the Company would match a certain number of directly acquired shares with a grant of free shares. The total offering would be up to approximately 3.2 million shares of the Company, i.e. up to 0.45% of its issued share capital, open to all qualifying employees (including the CEO). Under the umbrella of ESOP 2014, a dedicated UK tax saving plan (Share Incentive Plan – SIP) has been deployed in December 2013 subject to the decision of the Board of Directors in May 2014.

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

4.3.7 MISCELLANEOUS

Policy for loans and guarantees granted

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

4.4 Ethics and Compliance Organisation

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

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

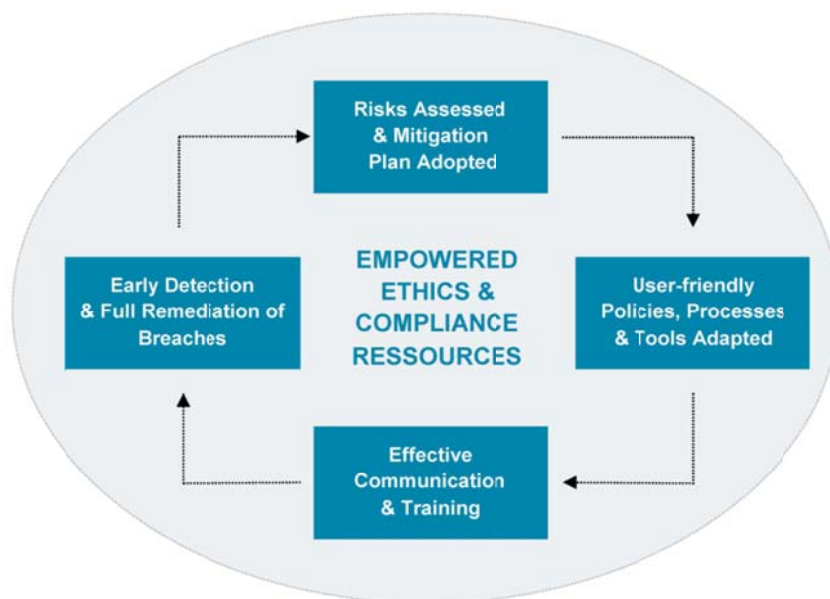
The Airbus Group E&C Organisation balances proximity to day-to-day business activities with the necessary independence. Hence, the Group's Ethics & Compliance Officer ("ECO"), who is appointed by the Board of Directors, reports both to the Group's Chief Executive Officer and the Audit Committee of the Company's Board of Directors, while the Divisions' E&C Officers report both to their Division CEO and the Group ECO. Each Division E&C Officer runs a Divisional E&C Organisation that is embedded in the business through a network of E&C representatives. In 2013, the Company enlarged the footprint of E&C representatives and they are now present in all functions and locations of our business. They are the voice and the face of the E&C Programme to help us build an E&C culture. In 2013, the Company also extended the breadth of the Airbus Group E&C Programme by appointing E&C Managers in four key Countries: Brazil, Russia, India, and Saudi Arabia. Furthermore, an E&C Manager is to be hired in China in 2014. The various Country E&C Managers report to the ECO.

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

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

Similar to previous years, E&C was defined as a top priority for the Group in 2013, resulting in a number of specific objectives for the E&C Organisation as well as for each Executives of the Company.

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



Employees, customers, suppliers, and third-party intermediaries are encouraged to freely share their E&C concerns with management or with E&C Resources. While we do have a non-retaliation principle, we recognise that a confidential channel for reporting may be useful. The Company's alert system is called OpenLine. Subject to local legal restrictions, OpenLine is available to employees of controlled entities in France, Germany, Spain, and UK. In 2013, it was extended to Australia, Brazil, and Canada. It will be further extended to China, Mexico, and Saudi Arabia in 2014. It has been available in the US since 2008.

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

In 2013, the Company was audited by an external verification company called ETHIC Intelligence on its anti-corruption programme and was certified.

Similar to previous years, in 2013 the Company participated to various collective actions on E&C and anti-corruption in forums such as the 'Global Compact 10th Principle' and the 'International Forum for Business Ethical Conduct'. The latter is a sectorial association that develops global E&C standards in the Aerospace and Defence industry and has been chaired by the Company in 2013.

4.5 Enterprise Risk Management System

Risk and opportunity management is of paramount importance to the Company, given the complex and volatile business environment in which the Company operates. A comprehensive set of risk and opportunity management procedures and activities across the Company makes up the Airbus Group Enterprise Risk Management ("ERM") system.

The objective of the ERM system is to create and preserve value for the Company's stakeholders. It is designed and operated to effectively identify potential events that may affect the Company, manage risk to be within the defined risk tolerance, identify and manage opportunities, and provide reasonable assurance regarding the achievement of targets. To achieve this, the Company seeks to have one integrated, consistent, comprehensive, efficient and transparent ERM system, using the same understanding, practice and language. It seeks to embed the risk management philosophy into the Company culture, in order to make risk and opportunity management a regular and everyday process for employees.

The Board of Directors and the Company's top management regard ERM as a key management process to steer the Company and enable management to effectively deal with risks and opportunities. The advanced ERM capabilities and

organisation that the Company is seeking to progressively implement can provide a competitive advantage to the extent they successfully achieve the following:

- ▶ Strategy: the selection of high level strategic objectives, supporting the Company's vision and consistent with risk appetite;
- ▶ Operations: the effectiveness and efficiency of operations and resource allocation; the delivery of products on time and in accordance with cost and quality objectives; the capability to achieve performance and financial targets; the implementation of risk-enabled decisions and managerial processes;
- ▶ Reporting: reliability of reporting, in particular financial reporting; and
- ▶ Compliance: compliance with applicable laws and regulations.

ERM process

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

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

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

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

For a discussion of the main risks to which the Group is exposed, see: Chapter 4.6 (Risk Factors) of this document.

ERM governance and responsibility

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

- ▶ The Board of Directors supervises the design and effectiveness of the ERM system including management actions to mitigate the risks inherent in the Company's business activities. It discusses the major risks at least quarterly based on ERM reporting or as required depending on development of business risks. It is supported by the Audit Committee, which discusses at least yearly the activities with respect to the operation, design and effectiveness of the ERM system, as well as any significant changes and planned improvements prior to presentation to the full Board of Directors;
- ▶ The Group's Chief Executive Officer, backed by the Group Executive Committee, is responsible for an effective ERM system, the related internal environment (i.e. values, culture) and risk philosophy. He is supported by the Group's Chief

Financial Officer, who supervises the Group's Chief Risk Officer and the ERM system design and process implementation;

- ▶ The Group's Chief Risk Officer has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation on Group and Division level, which actively seeks to reduce overall risk criticality. This risk management organisation is networked with the risk owners on the different organisational levels and pushes for a proactive risk management culture; and
- ▶ The executive management of the Divisions, Business Units and Headquarters' departments assume responsibility for the operation and monitoring of the ERM system in their respective area of responsibility. They seek to ensure transparency and effectiveness of the ERM system and adherence to its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate responses to increase probability and impact of opportunities.

ERM effectiveness

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

- ▶ ERM process: needs to be present and functioning throughout the Company without any material weaknesses and needs to fulfil the Company's ERM Policy requirements;
- ▶ risk appetite: needs to be in accordance with the Company's risk environment;
- ▶ ERM IC system: needs to have an effective IC system for the ERM process in place.

For the coverage of all of its activities, the Company has defined 20 high level business processes. In order to achieve ERM effectiveness, the ERM process as an overlaying process must be an integral part of these business processes. ERM effectiveness is assured if the achievement of the ERM process objectives is secured by adequate ERM controls which are operating effectively throughout the organisation and are within the respective risk appetite level.

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

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

Organisation	ERM control with explanations
Board of Directors/Audit Committee	<p>Regular monitoring</p> <p>The Board of Directors and the Audit Committee review, monitor and supervise the ERM system.</p>
Top Management	<p>ERM as part of the regular divisional business reviews</p> <p>This control is an important step of the ERM compliance process. All results of the operational risk management process, self-assessment and confirmation procedures are presented by the Divisions or Business Units to top management and discussed and challenged at the Company's CEO/CFO level.</p>
Management	<p>ERM confirmation letter procedure</p> <p>Entities and processes/department heads that participate in the annual ERM compliance</p>

	procedures need to sign ERM confirmation letters, especially on internal control effectiveness and deficiencies or weaknesses. The scope of participants is determined by aligning coverage of EADS business with management's risk appetite.
	ERM effectiveness measurement
ERM department	Assess ERM effectiveness by performing operational risk management for the ERM process, benchmarks, etc.
	Audits on ERM
Corporate Audit	Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.
	Alert System
Compliance	Provide evidence for deficiencies of the ERM system.

Developments in 2013 and outlook

Today, companies are operating in a more volatile risk environment than ever before. Mature risk management capabilities are therefore more critical, more strategic and overall more valuable. The Company seeks to deploy its ERM system effectively across the Group in order to mitigate risk and drive competitive advantage, and invests accordingly. The design of its ERM system has evolved towards a more homogeneous and performance-oriented management tool that is integrated into the business, with the following major achievements in 2013:

- ▶ Regular monitoring took place by Board of Directors/Audit Committee: Board of Directors – four times per year monitoring of the top Risks/Opportunities; AC - each January monitoring of the ERM System.
- ▶ Strengthening of ERM foundations, with a progressive appreciation of ERM processes and development of a true risk culture;
- ▶ Further roll-out of a dedicated Group-wide ERM IT tool;
- ▶ Strong ERM contribution to improvement initiatives launched across the Group; and
- ▶ Successful finalisation of year-end ERM compliance process, i.e. ERM confirmation letters were received from all relevant risk owners in Divisions, Business Units and Business Functions.

Generally, the Company seeks to continuously evaluate and improve the operating effectiveness of the ERM system. The Company will continue to use the recommendations from the internal audit department, which regularly reviews risk management of selected departments and business processes, to further strengthen its ERM system.

Board declaration - limitations

The Board of Directors believes to the best of its knowledge that the internal risk management and control system over financial reporting has worked properly in 2013 and provides reasonable assurance that the financial reporting does not contain any errors of material importance.

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

4.6 Risk Factors

The Company is subject to many risks and uncertainties that may affect its financial performance. The business, results of operation or financial condition of the Company could be materially adversely affected by the risks described below. These

are not the only risks the Company faces. Additional risks and uncertainties not presently known to the Company or that it currently considers immaterial may also impair its business and operations. For further information on these risks, please refer to the Company's Registration Document available on the Company's website: www.airbus-group.com.

4.6.1 Financial market risks

Global economic and sovereign debt concerns

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

European financial markets have experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro-zone to reduce their budget deficits and refinance or repay their sovereign debt obligations as they come due. The European Central Bank and Eurozone policy makers have so far succeeded to stabilise the Eurozone and the European banks, decrease the volatility of the Euro against other major currencies thanks to improvements in the governance of the Eurozone banking system. However, the asset quality of European banks remains a risk for the financial system and the EU sovereign debt crisis remains a drag on near term economic prospects despite signs of a slow recovery.

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

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

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

Foreign currency exposure

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

Sales financing arrangements

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

Counterparty credit

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

Equity investment portfolio

The Company holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. The Company is exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies.

Pension commitments

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

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

Tax issues

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

4.6.2 Business-related risks

Commercial aircraft market cyclicalities

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

Terrorism, pandemics and other catastrophic events

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

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

Dependence on key suppliers and subcontractors

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

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

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

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

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

Industrial ramp-up

As a result of the large number of new orders for aircraft recorded in recent years, the Company intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft (including helicopters). As it nears full capacity, the Company's ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given high demand by the Company and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, in particular at Airbus, which carry their own resource demands. Therefore, the failure of any or all of these factors could lead to missed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders. Good progress has been made in 2013 and the supply chain is in general more stable. Specific areas of risk with suppliers of cabin equipment need to be carefully managed.

Technologically advanced products and services

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

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

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

Dependence on public spending and certain markets

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

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

Availability of government and other sources of financing

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

Competition and market access

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

Major research and development programmes

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

Restructuring, transformation and cost saving programmes

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

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

Acquisitions, joint ventures & strategic alliances

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

Public-private partnerships and private finance initiatives

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

Programme-specific risks

In addition to the risk factors mentioned above, the Company also faces the following programme-specific risks (while this list does not purport to be comprehensive, it highlights the current risks believed to be material by management):

- ▶ A350 XWB programme. In connection with the A350 XWB programme, after a successful initial flight test campaign, the Company faces the following main challenges: ensuring aircraft performance and flight tests completion, certification and first deliveries before the end of 2014; maintaining supply chain performance and production ramp-up; managing production overcosts of the early aircraft and recurring costs beyond the initial ramp-up phase; maintaining customisation and heads of versions ramp-up; and maintaining the development schedule of A350-1000 to ensure entry in service as planned.
- ▶ A380 programme. In connection with the A380 programme, the Company faces the following main challenges: management of stress in the supply chain as a result of the steep ramp-up in production in coming years; making continued improvements to lower the resources and costs associated with designing each customised “head of version” aircraft for new customers, in order to allow a higher number of heads of version to be completed each year; and managing maturity in service. The wing rib feet issues are now well understood and fixes are in place. The impact will be closely managed with customers over the next two years. However, in case of such a large and complex aircraft, risk that we could run into further technical issues in the future remains.
- ▶ A400M programme. In connection with the A400M programme, the Company faces the following main challenges: finalising the development, tests and associated documentation to enable progressively enhanced aircraft capabilities (enhanced IOC and standard operational clearance (SOC1 to 3); completing the final development of a full set of in-service support goods and services, and providing high levels of service for integrated logistic support that deliver mission success to programme customers; pursuing further aircraft development (engine, cargo systems, military systems); continuing the production ramp-up; managing the contractual retrofit campaign; increasing export orders; and meeting the contractual time schedule for the next programme milestones.
- ▶ A320neo programme. In connection with the A320neo programme, the Company faces the following main challenges: management of stress in the supply chain as a result of the industrial ramp-up; meeting the engine development status, including performance targets, and its schedule; and ensuring the availability of skilled personnel for the programme. The programme progresses as planned and no new challenges emerged in 2013. The main focus will be the transition in 2017 and 2018 from A320ceo to A320neo.
- ▶ A330 programme. The long range programme presents no new challenges. However, managing the order book beyond 2016 becomes more challenging due to competition from A350XWB and Boeing 787.
- ▶ NH90 and Tiger programmes. In connection with the NH90 and Tiger programmes, the Company faces the following main challenges: continuing to proceed with the industrial ramp-up on the NH90 programme including retrofits; mastering the contract renegotiations with governments and addressing requests to reduce contractually binding orders; and assuring support readiness in connection with multiple fleets entering into service.
- ▶ EC225 programme. In connection with the EC225 programme, the Company faces the following main challenges: after the approval of safety measures by EASA permitting return to service of EC225 fleet, the Company is now finalising the development and certification of the re-designed main gear box shaft failure. The retrofit of the whole 225 fleet will start mid-2014 and finish end 2015.
- ▶ Lead systems integration. In connection with lead systems integration projects (in particular Saudi border surveillance contract and National Security Shield Qatar), the Company faces the following main challenges: meeting the schedule

and cost objectives with a high number of sites with complex local infrastructure to deliver and the integration of COTS products (radars, cameras, sensors) with their interfaces into the system; assuring an efficient project and staffing ramp-up; and managing the rollout including subcontractors as well as training and organisational adaptation of the customer. In relation to a Command and Control System for the UAE, which was under development by Emiraje Systems LLC (in which the Company has a 49% shareholding), the customer has indicated its willingness to terminate the contract amicably. Settlement negotiations are underway and activities terminated.

4.6.3 Legal risks

Dependence on joint ventures and minority holdings

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

Product liability and warranty claims

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

Intellectual property

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

Export controls and other laws and regulations

The export market is a significant market for the Company. There can be no assurance (i) that the export controls to which the Company is subject will not become more restrictive, (ii) that new generations of the Company products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain the Company's ability to perform under previously signed contracts. The Company is also subject to a variety of other laws and regulations, including among others, those relating to commercial relationships, the use of its products and anti-bribery provisions. Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in administrative, civil or criminal liabilities resulting in significant fines and penalties or result in the suspension or debarment of the Company from government contracts for some period of time or suspension of the Company's export privileges.

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

Legal and regulatory proceedings

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

4.6.4 Industrial and environmental risks

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

5. Financial Performances and other Corporate Activities

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

5.1 Consolidated Financial Statements ("IFRS")

5.1.1 CONSOLIDATED INCOME STATEMENT ("IFRS")

Table 1 – Consolidated Income Statement (IFRS)

in millions of €	2013	2012
Revenues	59,256	56,480
Cost of sales *)	(50,895)	(48,582)
Gross margin *)	8,361	7,898
Selling expenses	(1,217)	(1,192)
Administrative expenses *)	(1,696)	(1,677)
Research and development expenses	(3,160)	(3,142)
Other income	236	184
Other expenses	(263)	(229)
Share of profit from associates under the equity method	295	241
Other income from investments	51	6
Profit before finance costs and income taxes *)	2,607	2,089
Total finance costs	(630)	(453)
Income taxes *)	(502)	(438)
Profit for the period *)	1,475	1,198
Attributable to:		
Equity owners of the parent (Net income *)	1,465	1,197
Non-controlling interests	10	1

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

5.1.2 REVENUES

In 2013, revenues increased 5% to € 59.3 billion (FY 2012: € 56.5 billion), mainly reflecting higher commercial aircraft deliveries and the A400M ramp-up. Defence revenues were stable and reflected the portfolio mix of development and long-term defence contracts.

5.1.3 EBIT AND FINANCIAL RESULT

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

Table 2 – Reconciliation Profit before finance costs and income taxes to EBIT* (IFRS)

(in millions of €)	2013	2012
Profit before finance costs and income taxes *)	2,607	2,089
Disposal and impairment of goodwill	15	17
Exceptional depreciation and disposal	39	38
EBIT pre goodwill impairment and exceptionals *)	2,661	2,144

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

Reported EBIT* increased to € 2,661 million (FY 2012 adjusted: € 2,144 million) despite € 913 million in total one-off charges for the year. The fourth quarter of 2013 included a € 434 million net charge to reflect the higher level of costs on the A350 XWB programme as well as a € 292 million provision related to the restructuring of the Airbus Defence and Space Division and Headquarters.

Group EBIT* before one-off – an indicator capturing the underlying business margin by excluding material non-recurring charges or profits caused by movements in provisions related to programmes and restructurings or foreign exchange impacts – increased to € 3.6 billion (FY 2012: € 3.0 billion) and to € 2.3 billion for Airbus (FY 2012: € 1.8 billion).

The overall improvement was driven by Airbus, which achieved good margin evolution despite the ramp up in A350 XWB support costs while the transformation efforts launched at the former Cassidian and Astrium Divisions have started to deliver results. The Group EBIT* before one-off margin increased to 6.0%.

The finance result was € -630 million (FY 2012: € -453 million) while net income increased to € 1,465 million (FY 2012 adjusted: € 1,197 million), or earnings per share of € 1.85 (earnings per share FY 2012 adjusted: € 1.46). Self-financed research & development (R&D) expenses were stable at € 3,160 million (FY 2012: € 3,142 million).

Table 3 – EBIT* and Revenues by Division

by Division	EBIT*			Revenues		
	(Amounts in millions of Euro)	FY 2013	FY 2012	Change	FY 2013	FY 2012
Airbus Division ⁽¹⁾	1,710	1,252 ^{(2),(3)}	+37%	42,012	39,273 ⁽³⁾	+7%
Airbus Commercial	1,595	1,147 ^{(2),(3)}	+39%	39,889	37,624 ⁽³⁾	+6%
Airbus Military	166	93	+78%	2,893	2,131	+36%
Eurocopter	397	309 ⁽²⁾	+28%	6,297	6,264	+1%
Astrium	347	311 ⁽²⁾	+12%	5,784	5,817	-1%
Cassidian	432	128 ⁽²⁾	+238%	5,976	5,740	+4%
Headquarters / Consolidation	-218	142	-	-1,222	-1,200 ⁽³⁾	-
Other Businesses	-7	2 ⁽³⁾	-	409	586 ⁽³⁾	-30%
Total	2,661	2,144 ⁽²⁾	+24%	59,256	56,480	+5%

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals

1) The reportable segments Airbus Commercial and Airbus Military form the Airbus Division. Eliminations are treated at the Division level.

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

3) Previous year's figures are adjusted due to the inclusion of ATR group and Sogerma group into Airbus Commercial (formerly in Other Businesses).

5.1.4 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (“IFRS”)

Table 4 – Consolidated Statements of Financial Position (IFRS)

in millions of €	December 31		Change
	2013	2012	
Intangible Assets *)	13,653	13,429	224
Property, Plant and Equipment	15,925	15,268	657
Investments in associates under the equity method	2,902	2,662	240
Other investments and other long-term financial assets	1,864	2,115	-251
Other non-current assets	3,729	2,801	928
Deferred tax assets*)	3,840	4,532	-692
Non-current securities	4,300	5,987	-1,687
Non-current assets	46,213	46,794	-581
Inventories	25,060	23,216	1,844
Trade receivables*)	7,239	6,788	451
Other current assets	4,444	4,239	205
Current securities	2,590	2,328	262
Cash and cash equivalents	7,765	8,756	-991
Current assets	47,098	45,327	1,771
Total assets	93,311	92,121	1,190
Equity attributable to equity owners of the parent*)	11,011	10,403	608
Non-controlling interests*)	43	17	26
Total equity	11,054	10,420	634
Non-current provisions*)	10,046	9,850	196
Long-term financing liabilities	3,956	3,506	450
Deferred tax liabilities*)	1,487	1,502	-15
Other non-current liabilities	18,187	18,194	-7
Non-current liabilities	33,676	33,052	624
Current provisions*)	5,323	6,039	-716
Short-term financing liabilities	1,645	1,273	372
Trade liabilities*)	10,372	9,921	451
Current tax liabilities	616	458	158
Other current liabilities*)	30,625	30,958	-333
Current liabilities	48,581	48,649	-68
Total equity and liabilities	93,311	92,121	1,190

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

Non-current assets

Intangible assets of € 13,653 million (prior year-end adjusted: € 13,429 million) include € 10,962 million (prior year-end adjusted: € 11,017 million) of goodwill. This mainly relates to Airbus Commercial (€ 6,680 million), Cassidian (€ 2,720 million), Astrium (€ 1,235 million) and Eurocopter (€ 302 million). The annual impairment tests, which were performed in the fourth quarter, led to an impairment charge of € 15 million in Other Businesses. Capitalisation for development costs of the A350 XWB programme started in the second quarter 2012. In 2013, an amount of € 354 million has been capitalised resulting in a total amount of € 720 million.

Property, plant and equipment increase by € +657 million to € 15,925 million (prior year-end: € 15,268 million), including leased assets of € 422 million (prior year-end: € 576 million). The increase is mainly driven by the A350 programme. Property, plant and equipment also comprise “Investment property” amounting to € 69 million (prior year-end: € 72 million).

Investments in associates under the equity method of € 2,902 million (prior year-end: € 2,662 million) mainly include the equity investment in Dassault Aviation. The equity investment in Dassault Aviation includes an IFRS catch-up adjustment for income and other comprehensive income relating to prior period. The 30 June 2013 equity components have been used to estimate the 2013 year-end consolidated equity position of Dassault Aviation.

Other investments and other long-term financial assets of € 1,864 million (prior year-end: € 2,115 million) are related to Airbus for an amount of € 1,083 million (prior year-end: € 1,288 million), mainly concerning the non-current portion of aircraft financing activities.

Other non-current assets mainly comprise non-current derivative financial instruments and non-current prepaid expenses. The increase by € +928 million to € 3,729 million (prior year-end: € 2,801 million) is mainly caused by the positive variation of the non-current portion of fair values of derivative financial instruments (€ +796 million) and by higher prepaid expenses (€ +257 million).

Deferred tax assets decrease by € -692 million to € 3,840 million (prior year-end adjusted: € 4,532 million) mainly in relation with the changes in fair value of financial instruments recorded in OCI.

The fair values of derivative financial instruments are included in other non-current assets (€ 1,993 million, prior year-end: € 1,197 million), in other current assets (€ 717 million, prior year-end: € 321 million), in other non-current liabilities (€ 671 million, prior year-end: € 1,159 million) and in other current liabilities (€ 303 million, prior year-end: € 852 million) which corresponds to a total net fair value of € +1,736 million (prior year-end: € -493 million). The volume of hedged US dollar-contracts decreases from US dollar 83.6 billion as at 31 December 2012 to US dollar 75.9 billion as at 31 December 2013. The US dollar spot rate is USD/ € 1.38 at 31 December 2013 vs. 1.32 at 31 December 2012. The average US dollar hedge rate for the hedge portfolio of the Group improves from USD/ € 1.35 as at 31 December 2012 to USD/ € 1.34 as at 31 December 2013.

Non-current securities with a remaining maturity of more than one year decrease by € -1,687 million to € 4,300 million (prior end: € 5,987 million). The movement is related to the cash management policy of the Group.

Current assets

Inventories of € 25,060 million (prior year-end: € 23,216 million) increase by € +1,844 million. This is mainly driven by higher unfinished goods and services at Airbus (€ +1,148 million, net of the related portion of provisions mainly for the A400M and A350) and Eurocopter (€ +154 million), higher advance payments made at Airbus (€ +262 million) as well as higher raw materials at Airbus (€ +158 million) and Eurocopter (€ +74 million).

Trade receivables increase by € +451 million to € 7,239 million (prior year-end adjusted: € 6,788 million), mainly caused by Airbus (€ +479 million), partly offset by Cassidian (€ -50 million).

Other current assets include "Current portion of other long-term financial assets", "Current other financial assets", "Current other assets" and "Current tax assets". The increase of € +205 million to € 4,444 million (prior year-end: € 4,239 million) comprises among others a positive variation of the current portion of fair values of derivative financial instruments (€ +396 million) and an increase of VAT receivables (€ +150 million), mostly offset by a decrease of receivables from related companies (€ -199 million) and of prepaid expenses (€ -144 million).

Current securities with a remaining maturity of one year or less correspond to € 2,590 million (prior year-end: € 2,328 million) and increase by € +262 million. (Please refer to "non-current securities").

Cash and cash equivalents decrease from € 8,756 million to € 7,765 million.

Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 11,011 million (prior year-end adjusted: € 10,403 million). The increase is mainly due to a net income of € +1,465 million and other comprehensive income of € +1,416 million, partly compensated by purchase of treasury shares of € -1,915 million following the implementation of the announced share buy-back programme and a cash distribution to shareholders of € -467 million (corresponding to € 0.60 per share).

Non-controlling interests increase to € 43 million (prior year-end adjusted: € 17 million), mainly due to the EFW transaction.

Non-current liabilities

Non-current provisions of € 10,046 million (prior year-end adjusted: € 9,850 million) include the non-current portion of pension provisions which increases by € +50 million to € 6,209 million (prior year-end adjusted: € 6,159 million).

Moreover, other provisions are included in non-current provisions, which increase by € +146 million to € 3,837 million (prior year-end adjusted: € 3,691 million). Included in the other provisions are additions for restructuring measures defined for the Group's Defence and Space business in order to improve competitiveness by reducing costs, create synergies in the operations and product portfolio and better focus Research and Development efforts. Accordingly, a plan including temporary

contract termination, non-replacement of attrition, redeployment, partial and early retirement as well as voluntary leaves in Germany, France, the UK and Spain has been communicated to the Group's employees and the European Works Council in December 2013. As a result the Group has increased non-current and current restructuring provisions by € 292 million in total.

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

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions increase by € +450 million to € 3,956 million (prior year-end: € 3,506 million). This increase is mainly due to the issuance of an inaugural US dollar 1 billion bond with a 10-year maturity placed on the U.S. institutional market on 9 April 2013. The bonds will pay a fixed coupon of 2.7%. This increase is partly compensated by lower liabilities to financial institutions (€ -165 million).

Other non-current liabilities, comprising "Non-current other financial liabilities", "Non-current other liabilities" and "Non-current deferred income", decrease in total by € -7 million to € 18,187 million (prior year-end: € 18,194 million). The negative fair values of financial instruments decrease by € -488 million whereas advance payments received increase by € +344 million and government refundable advances by € +157 million, particularly in Airbus (€ +114 million) and Eurocopter (€ +43 million).

Current liabilities

Current provisions decrease by € -716 million to € 5,323 million (prior year-end adjusted: € 6,039 million) and comprise the current portions of pensions (€ 406 million) and of other provisions (€ 4,917 million) including € 85 million of restructuring provisions (see above). The decrease is mainly linked to the A400M Program on which inventories are presented net of the respective portion of the contract loss provision.

Short-term financing liabilities increase by € +372 million to € 1,645 million (prior year-end: € 1,273 million), mainly due to transactions related to repo agreements (short-term cash collection) and to financial institutions partly compensated by lower liabilities from the commercial paper programme.

Trade liabilities increase by € +451 million to € 10,372 million (prior year-end adjusted: € 9,921 million), mainly at Airbus (€ +476 million).

Other current liabilities include "Current other financial liabilities", "Current other liabilities" and "Current deferred income". They decrease by € -333 million to € 30,625 million (prior year-end adjusted: € 30,958 million), mainly due to a decrease of the current portion of negative fair values of financial instruments (€ -549 million).

5.1.5 NET CASH

The net cash position at the end of 2013 was € 9.1 billion (year-end 2012: € 12.3 billion) after taking into account the € 1.9 billion invested in the share buyback programme and a dividend payment of € 469 million. The gross cash balance at the end of 2013 was € 14.7 billion, providing financial flexibility and security.

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

Free cash flow before acquisitions amounted to € -818 million (FY 2012: € 1,449 million) and reflected the increased investment required to support programmes in production and development. The last quarter of 2013 benefited from a very strong cash performance.

Capital expenditure of € 2.9 billion was mainly driven by progress on A350 XWB development aircraft and includes development costs capitalised under IAS 38 of € 354 million for the A350 XWB.

5.1.6 ORDER INTAKE AND ORDER BOOK

Group order intake in 2013 rose sharply to € 218.7 billion (FY 2012: € 102.5 billion), reflecting strong commercial momentum at Airbus and major contracts in the space business. As of 31 December 2013, the order book was worth € 686.7 billion (year-end 2012: € 566.5 billion). The defence order book was worth € 47.3 billion (year-end 2012: € 49.6 billion).

Table 5 – Order Intake and Order Book by Division

by Division (Amounts in millions of Euro)	Order Intake ⁽²⁾			Order Book ⁽²⁾		
	FY 2013	FY 2012	Change	31 st Dec 2013	31 st Dec 2012	Change
Airbus Division ⁽¹⁾	202,260	88,909 ⁽³⁾	+127%	647,410	525,482 ⁽³⁾	+23%
Airbus Commercial	199,867	87,283 ⁽³⁾	+129%	627,113	505,333 ⁽³⁾	+24%
Airbus Military	2,592	1,901	+36%	20,814	21,139	-2%
Eurocopter	5,775	5,392	+7%	12,420	12,942	-4%
Astrium	6,169	3,761	+64%	13,077	12,734	+3%
Cassidian	4,974	5,040	-1%	14,296	15,611	-8%
Headquarters / Consolidation	-785	-1,103 ⁽³⁾	-	-823	-770 ⁽³⁾	-
Other Businesses	288	472 ⁽³⁾	-39%	354	494 ⁽³⁾	-28%
Total	218,681	102,471	+113%	686,734	566,493	+21%

(1) The reportable segments Airbus Commercial and Airbus Military form the Airbus Division. Eliminations are treated at the Division level.

(2) Contributions from commercial aircraft activities to EADS Order Intake and Order Book are based on list prices.

(3) Previous year's figures are adjusted due to the inclusion of ATR group and Sogerma group into Airbus Commercial (formerly in Other Businesses).

5.1.7 EADS DIVISION DETAILS

In 2013, **Airbus** achieved a new industry record of 1,619 gross commercial orders (FY 2012: 914 gross orders) with net orders of 1,503 aircraft (FY 2012: 833 net orders), excluding ATR. Gross orders comprised 1,253 A320 Family aircraft, 77 A330s, 239 A350 XWBs and 50 A380s. Fourth-quarter orders included Emirates Airline's agreement for 50 A380s and Etihad Airways' order for 50 A350 XWBs, 36 A320neos and one A330-200F. **Airbus Military (now part of Airbus Defence and Space)** received 17 net orders (FY 2012: 32 net orders).

Airbus' net order intake increased sharply to € 202.3 billion (FY 2012 adjusted: € 88.9 billion). At the end of 2013, Airbus' consolidated order book was valued at € 647.4 billion (year-end 2012 adjusted: € 525.5 billion). The Airbus Commercial backlog was worth € 627.1 billion (year-end 2012 adjusted: € 505.3 billion), comprising 5,559 Airbus aircraft (year-end 2012: 4,682 units) and representing over eight years of production. Airbus Military's order book was worth € 20.8 billion (year-end 2012: € 21.1 billion). Airbus series aircraft deliveries increased to 626 aircraft (FY 2012: 588 aircraft, including three A330s without revenue recognition). Airbus Military delivered 31 aircraft (FY 2012: 29 aircraft).

The strong on-going market demand for the A320ceo (current engine option) and the long-term demand for the A320neo (new engine option) triggered a decision to increase single-aisle aircraft production to 46 aircraft a month in 2016.

The A350 XWB programme is progressing towards certification, with more than 1,000 flight test hours accumulated. The ultimate load test of the wing has now been completed and the programme remains on track to achieve entry-into-service by the end of 2014. Airbus is now in the most critical phase of the A350 XWB programme. The fourth quarter charge of € 434 million reflects a re-assessment of actual and estimated unit cost. Improvement actions have been launched to converge on cost targets. The industrial ramp-up preparation is underway and associated risks will continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customers' commitments.

The initial two A400Ms were delivered to the French Air Force during 2013 while the third aircraft, for Turkey, is awaiting acceptance in the delivery centre. The industrial ramp-up is well underway. Progressive enhancement of military capability will follow with upgrades to be agreed and concluded with customers.

Airbus' consolidated revenues increased 7% to € 42,012 million (FY 2012 adjusted: € 39,273 million), reflecting higher commercial and military aircraft deliveries. The Division's consolidated EBIT* rose to € 1,710 million (FY 2012 adjusted: € 1,252 million). Airbus Commercial's revenues rose to € 39,889 million (FY 2012 adjusted: € 37,624 million). The Airbus Commercial reported EBIT* was € 1,595 million (FY 2012 adjusted: € 1,147 million) with the EBIT* before one-off at € 2,216 million (FY 2012 adjusted: € 1,669 million). Airbus Commercial's EBIT* before one-off benefitted from the improved operational performance, including favourable volume, some better pricing and an improvement in A380 losses. It also included higher A350 XWB programme support costs. Revenues at Airbus Military rose to € 2,893 million (FY 2012: € 2,131 million), driven by the A400M ramp-up and higher volumes from both light and medium transport planes and tankers. The EBIT* at Airbus Military was € 166 million (FY 2012: € 93 million).

Order intake at **Eurocopter (now Airbus Helicopters)** rose 7% to € 5,775 million (FY 2012: € 5,392 million) with the number of net bookings declining to 422 units (FY 2012: 469 units). As of 31 December 2013, the Eurocopter order book was worth € 12.4 billion (year-end 2012: € 12.9 billion), comprising 995 helicopters (year-end 2012: 1,070 helicopters).

Deliveries during 2013 rose to 497 helicopters (FY 2012: 475 helicopters). The EC225 returned to service with all operators worldwide. In January 2014, certification was received from the European Aviation Safety Agency for the new EC175 model, allowing entry-into-service to follow later in 2014.

Eurocopter's revenues were stable at € 6,297 million (FY 2012: € 6,264 million) while EBIT* increased to € 397 million (FY 2012 adjusted: € 309 million), with the year-earlier figure including a € 100 million charge for governmental programme renegotiations. EBIT* before one-off was broadly stable. A transformation plan has been launched to improve profitability and competitiveness, customer satisfaction, productivity, quality and safety.

Order intake at **Astrium (now part of Airbus Defence and Space)** rose significantly in 2013 to € 6.2 billion (FY 2012: € 3.8 billion) with the order book worth € 13.1 billion as of December 31, 2013 (year-end 2012: € 12.7 billion). The book-to-bill ratio was above 1. In the final quarter of 2013, Astrium received a frame contract from Arianespace for 18 higher capacity Ariane 5 ECA launchers, while the European Space Agency awarded a contract related to operating and maintaining the International Space Station (ISS). Four Ariane 5 launches were conducted in 2013, bringing the number of successful consecutive launches to 57. Six Astrium-built satellites were successfully delivered during the year with fourth-quarter satellite launches including the Gaia space telescope and the Swarm constellation. The fourth Automated Transfer Vehicle completed its mission to service the ISS.

Astrium's revenues were € 5,784 million (FY 2012: € 5,817 million) with an EBIT* of € 347 million (FY 2012 adjusted: € 311 million), reaching a 6% return on sales for the first time. The EBIT* improvement was driven by volume and productivity in the launchers, defence and satellites businesses as well as margin improvement from the early deployment of the AGILE transformation programme. These positive factors mitigated lower services activity.

Net order intake at **Cassidian (now part of Airbus Defence and Space)** was stable at € 5.0 billion (FY 2012: € 5.0 billion) while at the end of December 2013, its order book was worth € 14.3 billion (year-end 2012: € 15.6 billion). During the fourth quarter, the 400th aircraft in the Eurofighter Typhoon programme was delivered to the German Air Force while Austria placed an order for six Tracker mini unmanned aerial systems. In addition, MBDA received an important contract for a new anti-tank weapon from France and secured further business in the Middle East. Revenues increased to € 5,976 million (FY 2012: € 5,740 million) with an EBIT* of € 432 million (FY 2012 adjusted: € 128 million), representing more than a 7% return on sales. The operational performance at Cassidian reflected a strong increase in underlying profitability driven by volume, productivity and the transformation efforts launched in December 2012. The 2012 EBIT* included € 198 million in charges linked to restructuring and portfolio de-risking.

5.2 EADS N.V. Company financial statements

Table 6 – Balance sheet EADS N.V.

(in millions of €)	2013	2012
Goodwill	4,354	4,354
Financial fixed assets ²⁾	14,107	11,331
Non-current securities	4,179	5,786
Fixed assets ²⁾	22,640	21,471
Receivables and other assets	10,073	8,654
Current securities	2,430	2,228
Cash and cash equivalents	6,126	6,962
Non-fixed assets	18,629	17,844
Total assets ²⁾	41,269	39,315
Stockholders' equity ^{1), 2)}	11,011	10,403
Non-current financing liabilities	3,514	3,078
Non-current liabilities	3,514	3,078
Current financing liabilities	914	0
Other current liabilities	25,830	25,834
Current liabilities	26,744	25,834
Total liabilities and stockholders' equity ²⁾	41,269	39,315

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

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

Table 7 – Income Statement EADS N.V.

(in millions of €)	2013	2012
Income from investments ¹⁾	1,466	1,137
Other results	(1)	60
Net result	1,465	1,197

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

5.3 Information on statutory accountants

	Date of First Appointment	Expiration of Current Term of Office*
KPMG Accountants N.V. Laan van Langerhuize 1 – 1186 DS Amstelveen — the Netherlands Represented by A.A. van Eimeren	10 May 2000	27 May 2014
Ernst & Young Accountants LLP Antonio Vivaldistraat 150 — 1083 HP Amsterdam — the Netherlands Represented by C.T. Reckers	24 July 2002	27 May 2014

* A resolution will be submitted to the General Meeting of Shareholders called for 27 May 2014, in order to appoint KPMG Accountants N.V. as the Company's auditors for the 2014 financial year.

KPMG Accountants N.V., Ernst & Young Accountants LLP and their respective representatives are registered with the NBA (Nederlandse Beroepsorganisatie van Accountants; formerly Royal NIVRA).

5.4 Human Resources

5.4.1 WORKFORCE INFORMATION

In 2013, 8,823 employees worldwide (thereof 4,881 in the core-division perimeter, i.e. Airbus, Airbus Defence and Space, and Airbus Helicopters) were welcomed into the Company (11,080 in 2012), while 4,160 employees left the Group including partial retirements. At year-end the Group's workforce increased to 144,061 (year-end 2012: 140,405). The increase in active workforce was mainly driven by the ramp-up in the Group's business activities. In terms of nationalities, 37.1% of the Company's employees are from France, 33.4% from Germany, 9.2% from the UK and 8.4% are from Spain. US nationals account for 1.7% of employees. The remaining 10.1% are employees coming from a total of 131 other countries.

With our recent business success and continued strong order levels for commercial aircraft, production and delivery ramp-ups, the need for highly qualified staff across business areas continued in 2013. The Group's capacity to attract and retain the right talent is a key asset for now and in the future.

To ensure success, the Company developed a long-term Group Employment Marketing Strategy in 2013 that includes five key visions for the coming 5-10 years mainly around making our company and the engineering function in general more attractive. An important part of our strategy involves working in a more targeted way with higher education institutions around the world, developing partnerships with universities, and we have been further focussing this effort through the creation of the Airbus Group University Board. This new initiative will allow the Company targeted and managed university relationships for future skill development, candidate attraction, influence and trend monitoring.

In 2013, several independent surveys recognised the Company with its divisions once more as 'Employers of Choice' in the Group's core countries in Europe. Universum and Trendence named the Group the No.1 employer for engineering students in France, No.6 in Europe and No.8 in Germany. Airbus moved into fifth place in Germany according to Focus magazine's Top Employer survey. In the UK Airbus was among the Times Top 100, and Randstat ranked the Group No.1 in Spain, No.3 in Germany, as well as Eurocopter No.2 in France. Several other specialised rankings awarded the Group top marks. Airbus Group is going to continue its efforts to become a Global Employer of Choice.

In December 2013, the Board of Directors decided the integration of Cassidian, Astrium and Airbus Military into Airbus Defence and Space. The respective divisional and corporate functions reshaping will result in a headcount reduction of around 5800 positions, including temporary positions, and a consolidation of sites. There will be several social measures in the affected areas aiming at mitigating the impact of the reorganisation on employment numbers. These social measures will include internal redeployment to Airbus and Airbus Helicopters, non-replacement of attrition, hiring freeze, voluntary leaves and early retirement. The Company has entered into a constructive dialogue with the social partners on the detailed implementation.

5.4.2 ORGANISATION OF HUMAN RESOURCES MANAGEMENT

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

Since June 2012, the Company's and Airbus' HR have been integrated under the same leadership role: Chief Human Resources Officer Airbus & Airbus Group. The Company is moving forward with the deployment of the new group strategy 2.0 and HR adapt with the new division set-up (creation of Airbus Defence and Space). Therefore in 2013, the HR organisation laid the foundations for a collaborative platform model to support the group evolution and maintain a high quality of delivery. The Airbus Group Corporate HR governing team (HRDC) will be composed of divisional and Group HR directors with a double operational reporting line from the Divisions to the Group Head of HR. This structure fosters full coherence and alignment in the Group's HR operational governance. The main principles of this new setup will be:

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

Corporate HQ HR will mainly be focused on defining state of the art long term HR policies that participate to set and support Group Strategy. Transversal integrated Centres of Competences will be in charge of defining group policies and associated processes. They will also advise management and HR in the divisions in their respective domain of expertise (e.g. Talent and Executive Development, Compensation and Benefits as well as Social Policy and Industrial Relations).

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

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

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

5.4.3 2013 KEY ACHIEVEMENTS IN HUMAN RESOURCES

The ESOP 2013 campaign has been a great success. 32,260 employees (22.4%) invested in the Company, which represents an increase of 11% compared to 2012.

With regard to gender diversity, the main focus remained on talent management and on building an internal pool of talented women, supported by a specific development program for women on level 5 (Manager) named "GROW".

In 2013, more than 22% of new recruits to the company were women (21.4% in 2012) and women made up 17.2% of the active workforce (17.3% in 2012). The Company aims to increase the overall share of female employees to 25% and the share of women within the senior manager and executive community to 20%.

Since 2009, the Company runs a group wide engagement initiative towards all employees. The regularly conducted survey helps to identify the strong drivers for engagement as well as areas for improvement. Since the commencement of the initiative, a comprehensive action plan has been rolled out focussing on employee recognition, reinforcement of leadership, communication inside and across teams, proximity of managers and HR support to the Company's employees. The next engagement survey will be launched in Q4 2014.

Mobility of employees within or across divisions continues to be one of the main priorities for the overall benefit of both Airbus Group employees and the Group itself. In 2013, approximately 10,000 employees changed jobs and the Company has kept the challenging 10% target for 2014.

The Company managed to move 842 talents, of which 28% were women, into challenging new positions. It perceives the development of new competences, the creation of new ideas and the further intensification of professional networks as crucial for any successful advancement. Consequently, it is deploying significant efforts towards the analysis and development of all competences across the Group, in diversifying skills, gap-bridging development actions, and in a robust and customised training plan.

5.5 Environmental matters

The Company's prominence in aerospace makes it a central player of the sustainable mobility issue and more broadly, of the evolution towards a "green economy". Following the creation of the Company's Environmental networks, the Group's first environmental policy was published in 2008. In 2011, the Company created a Corporate Environmental Affairs department to help divisions to identify and anticipate trends, define the strategy for the Group, coordinate common positions. In 2013, the Company continued to dedicate itself towards eco-efficiency by launching promising initiatives and realising innovative achievements.

5.5.1 MANAGING ENVIRONMENTAL IMPACT OF ACTIVITIES AND PRODUCTS THROUGHOUT THE LIFE CYCLE

Environmental Management System ("EMS")

ISO 14001 is an internationally recognised standard of EMS efficiency for businesses and organisations. The Company encourages not only the environmental certification of its operations, but also the development of a full life cycle orientation for its products and services, as this remains the most cost-efficient and practical way to effectively reduce environmental impacts. Robust certified EMS standards have been progressively implemented across the Company's manufacturing sites and over 90% of the Company's employees operate under an ISO 14001 certification. The site and product life cycle orientation of EMS strives to create economic value by reducing environmental costs and exposure at each stage of the product life. In 2013, when Airbus successfully completed the ISO 14001 recertification process, it was the first aeronautical manufacturer to be certified for all its sites, products and services. Subsequently, Eurocopter achieved the prestigious certification in Germany, in Spain, and more recently at sites in Singapore, Canada and in the USA.

At the research and development stage

The Company's main focus is to enable the whole aviation sector to meet ambitious 2020 and 2050 targets for reducing noise and emissions. Airbus is committed to Flightpath 2050 targets of 75% of CO₂ emission reduction per passenger per kilometre, 90% of nitrogen oxide (NOX) emissions reduction and 65% of noise reduction by 2050.

Five of the seven research and technology groups within the Group's corporate research network address topics related to eco-efficiency.

In 2013, the Group launched the 'E-aircraft' project, developing and building an electric general aviation training aircraft in cooperation with Aero Composites Saintonge (ACS), called E-Fan, engineering together with Diamond Aircraft and Siemens an updated hybrid electric motor glider, the Diamond Aircraft DA36 E-Star 2, but also cooperating with Rolls Royce on a smarter future distributed system concept.

In 2010, the Company created a Working Group called Design for Environment to share best practices and enable synergies between the Group's divisions to support the implementation of consistent life cycle analysis & ecodesign approaches.

At the extended enterprise level

The Company strives to keep the environmental impact of its entire supply chain under control, and it helps its suppliers to improve, notably for compliance with regulatory requirements (or emerging regulations, e.g. "conflict minerals") regarding various substances content in products. To mitigate non-trivial business risks, a large mobilisation is underway to support the Company's supply chain on complex substances related regulations such as REACh (Registration, Evaluation, Authorisation and Restriction of Chemicals). The Company is also working with its suppliers and service providers to reduce its overall environmental footprint. In 2013, Eurocopter signed an agreement with SDV, their transport provider, to commit reducing CO₂ emissions by extending their Save Program charter to Eurocopter's production and administrative facilities in Marignane and La Courneuve, in France. This initiative built on an earlier agreement, signed in 2011, that set a voluntary 20% reduction in CO₂ emissions over a three-year period at Eurocopter's plant in Donauwörth, Germany.

The Company strives to develop joint initiatives throughout the industry, particularly to improve the overall environmental performance of the aerospace and defence industry in the most effective, consistent and cost-efficient manner possible. The Company supported the creation of the IAEG (International Aerospace Environmental Group) in order to harmonise industry

responses to existing and emerging environmental regulations, align aerospace environmental standards and work on a common approach and expectations for the supply chain.

The Company leads or participates in various European and international environmental working groups such as ICAO, ATAG, ICCAIA, ASD, CAEP, WEF and in environmental working groups of national industry organisations such as GIFAS in France, TEDAE in Spain, BDLI in Germany and ADS in the UK.

At the manufacturing level

Investment processes are being reviewed in order to include environment criteria to better integrate environment into business and move towards an eco-efficient enterprise.

In 2013, numerous initiatives were launched at the Division and site level to reduce the Group's environmental footprint by 2020. An "Energy Award" competition has in particular been launched to highlight projects which strive to achieve the Group's objectives on reducing our energy consumption by 30% and our CO₂ emissions by 50%. The Energy Award Ceremony took place during the 2nd Energy Network Event in October 2013 in Toulouse, awarding the best project throughout the Group in five categories: low carbon energy generation, innovation, employees awareness, energy efficiency in facility management and energy efficiency in manufacturing or IT:

- ▶ Airbus Toulouse and Astrium Les Mureaux were rewarded in the "low carbon energy generation" category, with the wood boilers implemented on each site. In Toulouse, a 12MW wood boilerhouse has been built to cover 60% of Clement Ader district heating needs: the neutral CO₂ impact of PEFC wood chips burned allows 12,000 CO₂ tons saving per year.
- ▶ Airbus Toulouse was rewarded in the "innovation" category, with the Solar cooling system project, which consists in installing a solar heat pump to produce both chilled water and hot water to cool iron bird hydraulic motors & to pre-heat air intake in spring and autumn times in a specific building on site.
- ▶ Eurocopter Marignane was rewarded in the category "Employees awareness": people and head of manufacturing units, or FAL, were made aware of wasting energy, especially on Sundays, non-working days. Industrial means not used are switched off whenever possible to try to reduce at minimum the electrical consumption, and reach the electrical baseload consumption.
- ▶ Cassidian Ulm was rewarded in the category "Energy efficiency in Facility Management" for their ISO 50001 certification, highlighting their effort to systematically analyse energy consumption and implement energy consumption reduction measures. 60 measures were identified in Ulm, leading over the last two years to a reduction of 20% of the energy consumption, ensuring a net saving of €700,000 per year.
- ▶ Astrium Toulouse and Eurocopter Marignane were rewarded in the category "Energy efficiency in Manufacturing and IT", for their work to improve the efficiency of their data centres.
- ▶ In addition to numerous facility management improvements, the Company has sought to integrate eco-efficiency firmly within its industrial strategy. Workshops have been conducted to identify Group best practices and to benchmark other enterprises and sectors. Best in class eco-efficient industrial practices and processes will be listed to become standards and applicable references for the Group.

To monitor progress, and to comply with reporting obligations, Company-wide environmental reporting has been well implemented and is applied around clear guidelines through a data collection tool and a structured network. Both the reporting process and the consolidated data have been externally audited since 2010. 14 environmental indicators have been verified in 2013, covering themes such as energy consumption, CO₂ emissions, waste production and water consumption. Results of last year's audit have shown the relevancy, maturity and reliability of the Company's environmental reporting.

Aircraft operations

Over the last 40-50 years, the aviation sector has been able to reduce noise by 75% and CO₂ by 70%. Yet, environmental performance is mandated to improve further and is a major focus of industrial endeavours.

While its fuel saving technology is a compelling argument for airlines, the A380's fuel efficiency (less than 3 litres fuel consumption per passenger per 100km vs. 5 litres average for the worldwide fleet) remains unsurpassed for its category. Furthermore, the aircraft generates less than half the noise on departure compared to its nearest competitor and three to four times less noise on landing. At the end of 2013 the global fleet of A380 aircraft had grown to 122.

In line with the ambitious ACARE targets, some Top Level Aircraft Requirements were set for the environmental performance of the A320neo (due for delivery in 2015). For instance, based on realistic airline operations assumptions, the fuel burn target, of -15% aircraft level fuel burn relative to today's A320, translates into a saving of around 3,600 tonnes of CO₂ per year.

Built-in fuel efficiency is beyond any doubt the greatest contributor to the environmental performance of the A350 XWB. Due to enter into service in the fourth quarter of 2014, the A350 XWB burns 25% less fuel than its previous generation competitor. The A350 XWB has been designed to be eco-efficient from gate to gate, which means lower levels of noise and emissions and greater fuel efficiency at every stage of the journey. Advanced materials have been favoured throughout the design of the A350 XWB, including fully recyclable titanium and advanced aluminium alloys. Each part of the aircraft has been optimised for increased eco-efficiency.

On a different yet related matter, the Company is working on advanced technologies regarding alternative sources of power for aircraft. In 2013, the Company's research into the use of fuel cells won the prestigious 'GreenTec Award' in the aviation category. Fuel cells produce electricity through the combination of hydrogen and oxygen and enable emission-free and noise reduced aircraft operation on the ground and efficiency advantages in the air. Integration and use of fuel cell by-products such as water, inert gas and waste heat reduce the total weight and allow for improved energy efficiency.

Beyond aircraft development, the Company is assuming a leading role in developing integrated solutions for enhanced environmental performance including the modernisation of Air Traffic Management ("ATM") and the development of sustainable fuels. In view of the latter, the Company pioneers the development of sustainable fuels made from biomass feedstock, which, throughout their total lifecycle, produce lower CO₂ emissions than conventional fossil fuels. The Company has been working with a broad range of universities, farmers, airlines and refineries as well as standard-setting organisations to develop "drop-in" sustainable fuels that can be used in current aircraft without modification. Airbus has set up a number of development partnership projects in Romania, Spain, Qatar, Brazil, Australia and China. It formed alliances focusing on the development and commercialisation of sustainable fuels for aviation in countries such as Canada and Russia. Airbus also supports airlines with their commercial operations using sustainable fuels and is co-leading a key project with the European Union to establish a feasibility study and roadmap to ensure two million tonnes of sustainable fuel availability for aviation in the European Union by 2020.

Through Airbus' involvement 50/50 blend sustainable fuels are now certified for commercial flights (Fischer-Tropsch and HEFA processes). Over 1,500 commercial flights have been flown with such sustainable fuels worldwide. Airbus' sustainable fuels strategy is based on being the catalyst in the search for affordable alternative fuels in sufficient commercial quantities.

The Company is furthermore dedicated to the development and support of modern Air Traffic Management, in order to ensure sustainable growth of air transport. In that respect the Company is interacting with and helping to develop ATM programmes such as "Single European Sky ATM Research" (SESAR) in Europe, as well as NextGen in the US. The Group subsidiary "Airbus ProSky", which supplies ATM performance improvement solutions, has been awarded a contract to study cost effective ways of reducing fuel consumption in the Asia-Pacific region.

End of life and recycling of aircraft

This process deserves consideration: about 14,000 commercial transport aircraft will be removed from service over the next 20 years, as they are replaced by more fuel and CO₂ efficient aircraft. Airbus has developed sustainable dismantling and recycling techniques that comply with environmental, health and safety requirements, and it is increasingly incorporating this knowledge upstream into aircraft design.

5.5.2 EADS: A WAREHOUSE OF TECHNOLOGY, CONTRIBUTING TO THE ENVIRONMENTAL OFFER

The Company's evolving technology portfolio, arising from aerospace and defence research, has applications inside and outside its core business, contributing to environmental innovation across other sectors.

In this respect, Airbus Defence and Space, the newly constituted division formed out of Cassidian, Astrium and Airbus Military, is positioning its observation, navigation, telecom satellites and services as enablers of three component solutions to earth's environmental challenges: Monitoring (to provide policy makers with solid data for decisions), Mitigation (of the negative impact of human activities), and Adaptation (to environmental degradation). Airbus Defense and Space is the prime

contractor for four of the six ESA Earth Explorer missions: Cryosat 2, Swarm, Aeolus, and EarthCARE. In 2013, the Swarm satellites have been launched into orbit, from where they are surveying the Earth's magnetic field. In November 2013, Astrium's greenhouse gas emissions measurement service was among business initiatives, which were presented during the Caring for Climate Business Forum in Warsaw. This new monitoring service is allowing governments, cities and local authorities to directly measure the effectiveness of their emission reduction policies. It has already initiated its emissions mapping in Paris and Rotterdam.

5.6 Research and Technology, Quality and Systems Engineering

During 2013, the Corporate Technical Office ("CTO") organisation continued to support the Company's research and technology activities, working directly with the business units, while also enhancing the capabilities of the Company's Innovation Works ("IW") research and development arm. Additionally, the CTO reinforced its responsibility for overseeing the Company's cyber security developments, by implementing the Company's Cyber Security Improvement Plan through three clusters: Information Communication Technology, Product Security and Industrial Control System Security. The total budget amounts to 416M€. The Cyber initiative has been successfully initiated in over 150 projects, and reflects a major boost in Cyber awareness and an improvement in the protection level of the entire Group. These activities complement information technology and quality initiatives which are also under the responsibility of the CTO. Furthermore, the CTO directed the company-wide implementation of systems engineering, the interdisciplinary approach to mastering large and complex systems in meeting a set of business and technical requirements.

The CTO's 2013 developments included the introduction of an all-electric aircraft technology platform known as E-FAN. The Company's and Airbus' Innovation Works co-developed a 'stealthy' new airport building modification that can bring runways and structures closer together, without fear of landing systems being adversely affected. The IW biological electronic sensor known as E-nose that was delivered to the International Space Station in 2012 successfully received data and samples to the IW bio lab in May 2013.

A number of cooperation agreements were signed in the context of the electrical aircraft roadmap with companies including Siemens and Rolls Royce. Increased cooperation in international markets included Russia with the introduction of technology licensing initiative and a cooperation agreement with TsAGI – one of Russia's leading research institutes.

The CTO Innovation Nursery, a group internal incubator, supports promising new concepts and value generating innovations with funding and elaboration of winning business models. In 2013, it formed 2 start-up companies: SPEETECT for developing and marketing a disruptive rapid bacteria detection system and APWORKS, a company to market advanced manufacturing engineering services and tools to non-aviation sectors (like metallic 3D printing, DeltaN friction stir welding, etc.). Further applications were initiated such as an indoor-positioning system, a bird repellent system for ground and aircraft application and MIRA, an augmented reality tool to improve and speed up integration quality control.

The Datadvance joint venture between the Company and Russian investors gained new momentum for its MACROS software tool, dedicated to simulation and optimisation. Created by Russia's International Research Institute of Advanced Systems and the Institute for Information Transmission Problems, with validation performed by the Company's IW, MACROS is now largely deployed within all of the Company's divisions, but also sold outside the Group. Datadvance recently achieved a very challenging multi-objective optimisation of aircraft families for Airbus Commercial Aircraft.

With the CTO's involvement, a unique campus at an industrial site through the joining of universities, research institutions and industry is being established at the Company's Ottobrunn facility in Germany. The ground breaking for the 'Ludwig Bölkow Campus' took place in July 2013 and joint project between the Company and six founding partners with the support from the State of Bavaria. The Ludwig Bölkow Campus will focus on three pillars that involve research projects, scientific equipment as well as teaching and study programs.

Also under the CTO responsibility is the company-wide project to harmonise the Company's information technology infrastructure across all divisions and operations, called 'Lean EGIMS' (EADS Global Information Management Services). In 2013, Lean EGIMS surpassed its cost-savings target through the implementation of unified infrastructure for computers, networks and telephones, along with common support services.

6. Financial Targets for 2014

As the basis for its 2014 guidance, Airbus Group expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes no major disruptions.

In 2014, Airbus deliveries should be about the same level as in 2013, including the first A350 XWB delivery. Gross commercial aircraft orders should be above the level of deliveries.

Assuming an exchange rate of € 1 = \$ 1.35, Airbus Group revenues should be stable compared to 2013.

In 2014, using EBIT* before one-off, Airbus Group expects moderate return on sales growth and confirms its 2015 return on sales target of 7-8%** . The EBIT* and EPS* performance of Airbus Group will depend on the Group's ability to limit "one-off" charges.

Going forward, from today's point of view, the one-offs should be limited to potential charges on the A350 XWB programme and foreign exchange effects linked to the pre-delivery payment mismatch and balance sheet revaluation.

The A350 XWB programme remains challenging. Any change to the schedule and cost assumptions could lead to an increasingly higher impact on provisions.

Airbus Group is targeting breakeven free cash flow before acquisitions in 2014.

[* Airbus Group uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the EADS merger, the Airbus Combination and the formation of MBDA, as well as impairment charges thereon.]

[**Return on sales for EBIT* before one-off, including A350 XWB dilution with a €/€ exchange rate of 1.35.]

7. Airbus Group Strategy 2.0

7.1 Commercial leadership, defence and space optimisation and value creation

The strategy of the Company has been focused on Vision 2020 since the end of 2007. Now, more than five years later the overall strategy needs to be adapted to the changing environment. While commercial aviation continues on a long term growth path, the defence and space businesses in the Company's core markets will, at best, stay flat. The new Strategy 2.0 is not a revolution, but rather a natural evolution from Vision 2020. The overarching objectives are to actively shape our portfolio of businesses for profitability and value creation.

Internally, the Group needs to consolidate and adapt the way it works. Due to the current budget downturn, it is imperative to secure the profitability and competitive position of our defence and space business by improving the cost base and gaining access beyond home markets. Hence, the pooling of the Group's scattered defence activities and a restructuring of the space and defence assets within Cassidian, Astrium and Airbus Military into the new Airbus Defence and Space division has been a necessary step.

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

The 7 strategic paths of the Airbus Group Strategy 2.0 are as follows:

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

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

2. Preserve leading position in European defence and space and government markets

Defence can no longer be a tool to manage and hedge against commercial cycles, but we aim to remain strong and actively shape our defence, space and government business. The focus will involve (i) Developing high-performing, low-equity businesses such as missiles, launchers and combat aircraft, entering into new growth areas when they are backed by government-funding, and (ii) focusing on productivity improvements both through internal means and in the context of European optimisation to enable efficiencies and improve the Group's positioning on export markets.

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

After many new product developments in recent years, the majority of the Group's revenues are generated today in segments where we have competitive, mature products that are far from the end of their lifecycle. Innovation will therefore focus on maintaining, expanding and continually leveraging the competitiveness of the current products. Focus will be to incrementally introduce innovations that differentiate the Group's current offering, preparing next generation game changers in areas that will shape the market and our future, while aligning R&T maps on Group level to ensure our long-term leadership more efficiently.

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

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

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

Airbus Group is already the most multicultural company in our industry and we will continue to build on this competitive advantage. Most products today, and those foreseen for tomorrow, are single products for global markets competing with local ones. Locally, products may need to be adapted and definitely serviced, but the main logic going forward is that the industry will retain its "global products for local markets" dynamic. The Group will focus on a key set of countries and Group Executive Committee members have been appointed for the coordination lead for such key countries. Greenfield approaches have proven to ensure us a controlled entry and real citizenship, whilst partnerships and acquisitions will be complementary tools.

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

The strategy going forward is to focus on services where the Group can differentiate and add value for its customers according to the motto "no one knows our products better than we". The Group will aim at developing long-term customer intimacy and bring competitive advantage to its customers. As services are executed locally, the portfolio will be adapted to the increasingly global customer base.

7. Strengthen the value chain position

The Group's core capability is to master program management and architect/integrator capabilities in order to market, develop and manufacture large-scale aeronautics/space platforms, integrated systems and related services. As the Group is much based on a strong platform prime role, managing the supplier base and ensure control of the value-add when delivering to the final customer, will be key. We aim to strengthen and optimise selected strategic value chain areas to protect our intellectual property, manage risks, increase profit, access services and differentiate our offerings. Therefore the approach will be pragmatic and flexible and could lead to investing into vertical integration or divestments during the next years.

Airbus Group Strategy 2.0 will be translated into actions through internal processes in a less public way than EADS' Vision 2020. Key Performance Indicators will be more decentralised and pragmatic, with no "one size fits all" category. Therefore, communication of the above directions will be made more selectively, more targeted and more internal. The external stakeholders will take part in the larger steps, such as restructuring and branding, or future acquisitions. Conversely incremental innovation, the way we see services, the building of a global footprint, and changes in the way we manage the value chain, will be executed from the inside with little external communication, but with regular updates to the Board of Directors. This will ensure that the Group remains in charge of its own destiny.

7.2 Divisions outlook

Airbus

As of 2014, the Airbus Military business is integrated within the new Airbus Defence & Space Division, while Airbus remains fully focused on the commercial aircraft business. In 2014, Airbus is targeting commercial aircraft deliveries at a similar level to 2013. Underlying profitability (EBIT before one-off) should continue to improve.

Within the challenging A350 XWB programme, management continues to focus its utmost attention on achieving certification, preparing an efficient series production ramp-up and securing first deliveries starting in the fourth quarter of 2014.

Airbus expects gross commercial aircraft orders during the year to be above the level of deliveries.

Airbus Helicopters

A key priority in 2014 will be to achieve successful entry into service of the new EC175 and the EC145 T2 helicopters. As of February 2014, 15 EC175s were in production, with the three launch customers scheduled to receive delivery later in the year. An upswing in order bookings for this helicopter is anticipated in 2014.

Increased production rates will be implemented for the military NH90, Tiger and EC725 helicopters during 2014.

The Division's strategy will drive improvement initiatives related to its transformation plan, which aims at placing customer satisfaction and quality at the core of operations as well as improving industrial competitiveness, all while ensuring the highest levels of aircraft safety. Airbus Helicopters has also implemented plans to reduce costs, optimise cash and create value.

Airbus Defence and Space

Going forward, Airbus Defence & Space expects to generate revenues above €13 billion, with increasing A400M deliveries. Due to a change in accounting rules, the MBDA participation will be accounted for at equity.

Supported by the restructuring programme, Airbus Defence & Space is targeting a return on sales of 8% in 2015 moving towards 10% beyond.

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

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

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

- ▶ The financial statements for the year ended 31 December 2013 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company and undertakings included in the consolidation taken as a whole; and
- ▶ This Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2013 financial year of the Company and undertakings included in the consolidation taken as a whole, and the principal risks facing the Company have been described herein.

The Board of Directors

Denis Ranque, Chairman

Tom Enders, Chief Executive Officer

Manfred Bischoff, Director

Ralph Dozier Crosby, Jr., Director

Hans-Peter Keitel, Director

Hermann-Josef Lamberti, Director

Anne Lauvergeon, Director

Lakshmi N. Mittal, Director

Sir John Parker, Director

Michel Pébereau, Director

Josep Piqué i Camps, Director

Jean-Claude Trichet, Director

Leiden, 25 February 2014