# Year 2012 Report

## Unaudited Condensed IFRS Consolidated Financial Information of EADS N.V. for the year ended 31 December 2012

## Unaudited Condensed IFRS Consolidated Income Statements

| | 1 January - 31 December 2012 | | 1 January - 31 December 2011 | | Deviation |
|---|---|---|---|---|---|
| | M € | % | M € | % | M € |
| **Revenues** | 56,480 | 100 | 49,128 | 100 | 7,352 |
| Cost of sales | -48,545 | -86 | -42,285 | -86 | -6,260 |
| **Gross margin** | **7,935** | **14** | **6,843** | **14** | **1,092** |
| Selling, administrative & other expenses | -3,093 | -5 | -2,629 | -5 | -464 |
| Research and development expenses | -3,142 | -5 | -3,152 | -7 | 10 |
| Other income | 184 | 0 | 359 | 1 | -175 |
| Share of profit from associates under the equity method and other income from investments | 247 | 0 | 192 | 0 | 55 |
| **Profit before finance result and income taxes** | **2,131** | **4** | **1,613** | **3** | **518** |
| Interest income | 237 | 0 | 377 | 1 | -140 |
| Interest expense | -522 | -1 | -364 | -1 | -158 |
| Other financial result | -168 | 0 | -233 | 0 | 65 |
| **Finance result** | **-453** | **-1** | **-220** | **0** | **-233** |
| Income taxes | -449 | -1 | -356 | -1 | -93 |
| **Profit for the period** | **1,229** | **2** | **1,037** | **2** | **192** |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity owners of the parent **(Net income)** | **1,228** | **2** | **1,033** | **2** | **195** |
| Non-controlling interests | 1 | 0 | 4 | 0 | -3 |
| | | | | | |
| **Earnings per share** | € | | € | | € |
| Basic and diluted | 1.50 | | 1.27 | | 0.23 |

## Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income

| in M € | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|
| **Profit for the period** | **1,229** | **1,037** |
| Foreign currency translation differences for foreign operations | -46 | -25 |
| Net change in fair value of cash flow hedges | 1,964 | -536 |
| Net change in fair value of available-for-sale financial assets | 189 | -20 |
| Actuarial losses on defined benefit plans | -1,031 | -747 |
| Changes in other comprehensive income from investments accounted for using the equity method | -211 | 129 |
| Tax on income and expense recognized directly in equity | -278 | 331 |
| **Other comprehensive income, net of tax** | **587** | **-868** |
| | | |
| **Total comprehensive income of the period** | **1,816** | **169** |
| **Attributable to:** | | |
| Equity owners of the parent | 1,817 | 163 |
| Non-controlling interests | -1 | 6 |
| **Total comprehensive income of the period** | **1,816** | **169** |

## Unaudited Condensed IFRS Consolidated Statements of Financial Position

| | 31 December 2012 | | 31 December 2011 | | Deviation | |
|---|---|---|---|---|---|---|
| | M € | % | M € | % | M € | % |
| **Non-current assets** | | | | | | |
| Intangible assets *) | 13,422 | 15 | 12,786 | 14 | 636 | 5 |
| Property, plant and equipment *) | 15,268 | 16 | 14,220 | 16 | 1,048 | 7 |
| Investments in associates under the equity method | 2,662 | 3 | 2,677 | 3 | -15 | -1 |
| Other investments and long-term financial assets | 2,115 | 2 | 2,352 | 3 | -237 | -10 |
| Other non-current assets *) | 2,801 | 3 | 1,884 | 2 | 917 | 49 |
| Deferred tax assets *) | 4,518 | 5 | 4,318 | 5 | 200 | 5 |
| Non-current securities | 5,987 | 7 | 7,229 | 8 | -1,242 | -17 |
| | 46,773 | 51 | 45,466 | 51 | 1,307 | 3 |
| **Current assets** | | | | | | |
| Inventories | 23,216 | 25 | 22,563 | 26 | 653 | 3 |
| Trade receivables *) | 6,790 | 7 | 6,394 | 7 | 396 | 6 |
| Other current assets | 4,239 | 4 | 4,503 | 5 | -264 | -6 |
| Current securities | 2,328 | 3 | 4,272 | 5 | -1,944 | -46 |
| Cash and cash equivalents | 8,756 | 10 | 5,284 | 6 | 3,472 | 66 |
| | 45,329 | 49 | 43,016 | 49 | 2,313 | 5 |
| **Total assets** | **92,102** | **100** | **88,482** | **100** | **3,620** | **4** |
| **Total equity** | | | | | | |
| Equity attributable to equity owners of the parent | | | | | | |
| Capital stock | 827 | 1 | 820 | 1 | 7 | 1 |
| Reserves | 8,153 | 8 | 7,990 | 9 | 163 | 2 |
| Accumulated other comprehensive income | 1,513 | 2 | 153 | 0 | 1,360 | 889 |
| Treasury shares | -84 | 0 | -113 | 0 | 29 | -26 |
| | 10,409 | 11 | 8,850 | 10 | 1,559 | 18 |
| Non-controlling interests *) | 25 | 0 | 15 | 0 | 10 | 67 |
| | 10,434 | 11 | 8,865 | 10 | 1,569 | 18 |
| **Non-current liabilities** | | | | | | |
| Non-current provisions *) | 9,816 | 11 | 9,144 | 10 | 672 | 7 |
| Long-term financing liabilities | 3,506 | 4 | 3,628 | 4 | -122 | -3 |
| Deferred tax liabilities *) | 1,504 | 2 | 1,043 | 1 | 461 | 44 |
| Other non-current liabilities *) | 18,194 | 19 | 18,300 | 21 | -106 | -1 |
| | 33,020 | 36 | 32,115 | 36 | 905 | 3 |
| **Current liabilities** | | | | | | |
| Current provisions *) | 6,045 | 7 | 5,856 | 7 | 189 | 3 |
| Short-term financing liabilities | 1,273 | 1 | 1,476 | 2 | -203 | -14 |
| Trade liabilities | 9,917 | 11 | 9,630 | 11 | 287 | 3 |
| Current tax liabilities | 458 | 0 | 308 | 0 | 150 | 49 |
| Other current liabilities | 30,955 | 34 | 30,232 | 34 | 723 | 2 |
| | 48,648 | 53 | 47,502 | 54 | 1,146 | 2 |
| **Total liabilities** | 81,668 | 89 | 79,617 | 90 | 2,051 | 3 |
| **Total equity and liabilities** | **92,102** | **100** | **88,482** | **100** | **3,620** | **4** |

*) Please refer to Note 3 ‘Changes in the consolidation perimeter of EADS’. Comparative information is adjusted retrospectively in accordance with IFRS 3.45. Main changes comprise: Intangible assets by +41 M €, property, plant and equipment by -13 M €, other investments and long-term financial assets by -26 M €, non-controlling interest by -5 M € and non-current provisions by +19 M €.

## Unaudited Condensed IFRS Consolidated Statements of Cash Flows

| | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|
| | M € | M € |
| **Profit for the period attributable to equity owners of the parent** (Net income) | **1,228** | **1,033** |
| Profit for the period attributable to non-controlling interests | 1 | 4 |
| *Adjustments to reconcile profit for the period to cash provided by operating activities* | | |
| Depreciation and amortization | 2,053 | 1,884 |
| Valuation adjustments | 607 | -104 |
| Deferred tax expense | 40 | 103 |
| Change in income tax assets, income tax liabilities and provisions for income tax | 33 | -54 |
| Results on disposals of non-current assets | -21 | -29 |
| Results of companies accounted for by the equity method | -241 | -164 |
| Change in current and non-current provisions | 216 | 230 |
| Change in other operating assets and liabilities | -76 | 1,386 |
| **Cash provided by operating activities** | **3,840** | **4,289** |
| *Investments:* | | |
| - Purchases of intangible assets, PPE | -3,270 | -2,197 |
| - Proceeds from disposals of intangible assets, PPE | 73 | 79 |
| - Acquisitions of subsidiaries and joint ventures (net of cash) | -201 | -1,535 |
| - Proceeds from disposals of subsidiaries (net of cash) | 0 | 18 |
| - Payments for investments in associates and other investments and long-term financial assets | -328 | -312 |
| - Proceeds from disposals of associates and other investments and long-term financial assets | 232 | 77 |
| - Dividends paid by companies valued at equity | 46 | 50 |
| Change of securities | 3,422 | -378 |
| **Cash (used for) investing activities** | **-26** | **-4,198** |
| Change in long-term and short-term financing liabilities | -125 | 414 |
| Cash distribution to EADS N.V. shareholders | -369 | -178 |
| Dividends paid to non-controlling interests | -10 | -5 |
| Changes in capital and non-controlling interests | 144 | -65 |
| Change in treasury shares | -5 | -1 |
| **Cash (used for) provided by financing activities** | **-365** | **165** |
| Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents | 23 | -2 |
| **Net increase in cash and cash equivalents** | **3,472** | **254** |
| **Cash and cash equivalents at beginning of period** | **5,284** | **5,030** |
| **Cash and cash equivalents at end of period** | **8,756** | **5,284** |

As of 31 December 2012, EADS' cash position (stated as cash and cash equivalents in the Unaudited Condensed IFRS Consolidated Statements of Cash Flows) includes 374 M € (710 M € as of 31 December 2011), which represents EADS' share in MBDA's cash and cash equivalents deposited at other shareholders. These funds are available for EADS upon demand.

## Unaudited Condensed IFRS Consolidated Statements of Changes in Equity

| in M € | Equity attributable to equity owners of the parent | Non-controlling interests | total |
|---|---|---|---|
| **Balance at 1 January 2011** | **8,841** | **95** | **8,936** |
| Profit for the period | 1,033 | 4 | 1,037 |
| Other comprehensive income | -870 | 2 | -868 |
| Total comprehensive income | 163 | 6 | 169 |
| Cash distribution to shareholders/ dividends to non-controlling interests | -178 | -5 | -183 |
| Equity transaction (IAS 27) | -46 | -79 | -125 |
| Capital increase / change in non-controlling interests | 63 | 3 | 66 |
| Change in treasury shares | -1 | 0 | -1 |
| Others | 8 | 0 | 8 |
| **Balance at 31 December 2011** | **8,850** | **20** | **8,870** |
| **Balance at 1 January 2012** | **8,850** | **20** | **8,870** |
| Retrospective adjustment *) | 0 | -5 | -5 |
| **Balance at 1 January 2012, adjusted** | **8,850** | **15** | **8,865** |
| Profit for the period | 1,228 | 1 | 1,229 |
| Other comprehensive income | 589 | -2 | 587 |
| Total comprehensive income | 1,817 | -1 | 1,816 |
| Cash distribution to shareholders/ dividends to non-controlling interests | -369 | -10 | -379 |
| Capital increase | 144 | 0 | 144 |
| Equity transactions (IAS 27) | -46 | 14 | -32 |
| Change in treasury shares | -5 | 0 | -5 |
| Others | 18 | 7 | 25 |
| **Balance at 31 December 2012** | **10,409** | **25** | **10,434** |

*) Please refer to Note 3 ‚Changes in the consolidation perimeter of EADS‘.

## Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at 31 December 2012

### 1. The Company

The accompanying Unaudited Condensed IFRS Consolidated Financial Statements present the operations of **European Aeronautic Defence and Space Company EADS N.V.** and its subsidiaries (“EADS” or the “Group”), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands), and are prepared and reported in Euros (“€”). EADS’ core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated

Financial Statements for the year ended 31 December 2012 were authorized for issue by EADS' Board of Directors on 26 February 2013.

## 2. Accounting policies

These Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union (EU) as at 31 December 2012 and Part 9 of Book 2 of the Netherlands Civil Code. They comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the IFRS Interpretations Committee ("IFRIC") or former Standards Interpretation Committee ("SIC").

The IFRS rules applied by EADS for preparing 2012 year-end Consolidated Financial Statements are the same as for the previous financial year except for those following the application of new, revised or amended Standards or Interpretations respectively and changes in accounting policies as detailed below.

### a) New, Revised or Amended Standards

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

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

### b) New or Amended Interpretations

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

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

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2012 and have not been applied in preparing these Consolidated Financial Statements. The potential impacts from the application of those newly issued standards, amendments and interpretations are either described below or not expected to be material or still currently under investigation:

- **IFRS 9** "Financial Instruments" (not yet endorsed);
- **IFRS 10** "Consolidated Financial Statements", **IFRS 11** "Joint Arrangements", **IFRS 12** "Disclosure of Interests in Other Entities" and consequential amendments to **IAS 27** "Separate Financial Statements" and **IAS 28** "Investments in Associates and Joint Ventures". All of the new or amended standards have been endorsed in December 2012;
- Transition Guidance (**Amendments for IFRS 10, IFRS 11 and IFRS 12**) (not yet endorsed);
- **IFRS 13** "Fair Value Measurement" (endorsed in December 2012);

- Amended version of **IAS 19** “Employee Benefits” (endorsed in June 2012). Under the amendment, full recognition of actuarial gains and losses directly in equity, a method already used by EADS, will become mandatory. Furthermore, the standard will introduce a net interest approach, under which both plan assets and the defined benefit obligation are discounted using a single interest rate, and it will require past service costs to be fully recognized in the period of the related plan amendment. Also, the amendments will henceforth require EADS to recognize the additional compensation payable under certain German early retirement programs (‘Altersteilzeitprogramme’) rateably over the active service period of such programs. Initially applying the amended standard in 2013, EADS’ consolidated profit before finance cost and income taxes will be reduced by approximately 48 M €.
- Amendments to **IAS 1** “Presentation of Financial Statements” (endorsed in June 2012);
- In December 2010, the IASB issued amendments to **IAS 12** “Income Taxes” (endorsed in December 2012) providing practical guidance for the measurement for deferred tax relating to an asset by introducing the presumption that recovery of the carrying amount of an asset will normally be through sale. Respective amendments supersede SIC 21 “Income Taxes – Recovery of Revalued Non Depreciable Assets”. The amendments are applicable for annual periods beginning 1 January 2013.
- Amendments to **IAS 32** “Financial Instruments: Presentation” (endorsed in December 2012); and
- **Annual Improvements 2009-2011** Cycle (not yet endorsed). The amendments refer to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

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

## 3. Changes in the consolidation perimeter of EADS

For some M&A transactions recognized during 2011, EADS received new information about facts and circumstances that existed at the respective acquisition dates of the companies concerned. According to IFRS 3.45, comparative information is adjusted retrospectively.

The following individually insignificant M&A activities of EADS’ divisions were finalised during the business year 2012 resulting in a total investment of 314 M € and a total goodwill of 199 M €. All acquired companies contributed a total amount of 65 M € to EADS’ group revenues 2012.

On 3 April 2012, Astrium acquired 66.8% of Space Engineering SpA, Rome (Italy), a specialist in digital telecommunications, RF and antenna equipment engineering for both space and ground based applications.

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

On 1 July 2012, Cassidian acquired 51% of Rheinmetall Airborne System GmbH, Bremen (Germany), to pursue Rheinmetall’s activities related to Unmanned Aerial Systems (UAS) as well as cargo loading systems (CLS) together with Rheinmetall within a new entity.

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

On 16 November 2012, Cassidian acquired 99.8 % of Netasq, Villeneuve d'Ascq (France), a leading expert and pioneer in the IT security market.

On 20 November 2012, EADS acquired Eltra Holdings Pte Ltd., Singapore (Singapore), an aerospace group involved in various aerospace supply chain and MRO activities.

Finally, Vector Aerospace Corp., Toronto (Canada), expanded its MRO engine business via several asset deals in the first half year 2012, primarily in the Asia-Pacific region.

## 4. Segment information

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

- *Airbus Commercial* — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services.
- *Airbus Military* — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

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

- *Eurocopter* — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- *Astrium* — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services.
- *Cassidian* — Development, manufacturing, marketing and sale of missiles systems, military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communications solutions and logistics; training, testing, engineering and other related services.

The following table presents information with respect to the Group's business segments. "Other Businesses" mainly comprises the development, manufacturing, marketing and sale of regional turboprop aircraft, aircraft components as well as the Group's activities managed in the US. Consolidation effects, the holding function of EADS Headquarters and other activities not allocable to the reportable segments are disclosed in the column "HQ / Conso.".

| in M € | Airbus Commer-cial | Airbus Military | Euro-copter | Astrium | Cassidian | Other Busines-ses | Total segments | HQ/ Conso. | **Consoli-dated** |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2012** | | | | | | | | | |
| Revenues | 36,943 | 2,131 | 6,264 | 5,817 | 5,740 | 1,524 | 58,419 | -1,939 | **56,480** |
| Research and development expenses | -2,431 | -11 | -297 | -128 | -234 | -12 | -3,113 | -29 | **-3,142** |
| Profit before finance result and income taxes | 1,100 | 92 | 310 | 308 | 136 | 32 | 1,978 | 153 | **2,131** |
| EBIT pre-goodwill imp. and exceptionals (see definition below) | 1,125 | 93 | 311 | 312 | 142 | 49 | 2,032 | 154 | **2,186** |
| **Year ended 31 December 2011** | | | | | | | | | |
| Revenues | 31,159 | 2,504 | 5,415 | 4,964 | 5,803 | 1,252 | 51,097 | -1,969 | **49,128** |
| Research and development expenses | -2,467 | -14 | -235 | -109 | -275 | -10 | -3,110 | -42 | **-3,152** |
| Profit before finance result and income taxes | 517 | 48 | 258 | 263 | 312 | 29 | 1,427 | 186 | **1,613** |
| EBIT pre-goodwill imp. and exceptionals (see definition below) | 543 | 49 | 259 | 267 | 331 | 59 | 1,508 | 188 | **1,696** |

## 5. EBIT pre-goodwill impairment and exceptionals

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

The reconciliation from profit before finance result and income taxes to EBIT pre-goodwill impairment and exceptionals is set forth in the following table (in M €):

| in M € | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|
| **Profit before finance result and income taxes** | **2,131** | **1,613** |
| **Goodwill and exceptionals:** | | |
| Impairment and disposal of goodwill | 17 | 42 |
| Exceptional depreciation/ disposal (fixed assets in cost of sales) | 38 | 41 |
| **EBIT pre-goodwill impairment and exceptionals** | **2,186** | **1,696** |

## 6. Significant income statement items

**Revenues** of 56,480 M € (2011: 49,128 M €) increase by +7,352 M €, mainly at Airbus Commercial (+5,784 M €), Astrium (+853 M €) and Eurocopter (+849 M €). Except for Airbus Military and Cassidian, all segments contributed positively to the increase of revenues. Companies, which were acquired in 2011, contributed to the revenues by 1,552 M € and 455 M €, respectively.

The **Gross margin** increases by +1,092 M € to 7,935 M € compared to 6,843 M € in 2011. This improvement is mainly related to better performance of the long range and single aisle programs in Airbus Commercial and the contribution of governmental helicopter programmes and service activities in Eurocopter and to Astrium.

Based on an updated technical solution concept to fix permanently the retrofit of the A380 wing rib issue, an additional amount of -251 M € was recognized in 2012 for the repair costs on delivered aircraft. Contractually, Airbus Commercial is not liable versus airlines for loss of use, revenue or profit or for any other direct, incidental or consequential damages related to wing ribs issue. However, in view of overall commercial relationships, contracts adjustments may occur, and be considered on a case by case basis. As disclosed in the half-year 2012 notes, the A350 XWB Entry Into Service has moved into the second half of 2014. Airbus Commercial booked in the first half-year 2012 a charge of -124 M €, which accounts for an actual delay incurred of around three months. In relation to the end of the Hawker 900 business jet programme where Airbus Commercial was a subcontractor, a charge of -76 M € was recorded in the third quarter 2012. Eurocopter is continuing its high stake discussions with several NH90 and Tiger customers, whereby a charge of -101 M € for expected impacts of the renegotiation of governmental programs is included. Cassidian recognized a restructuring charge (in total) of -98 M €, of which -49 M € are allocated to cost of sales, and an additional expense of -100 M € for impairment charges.

**Research and development expenses** decrease by +10 M € to -3,142 M € (2011: -3,152 M €) mainly reflecting programs of Airbus Commercial. The main contribution to the expenses comes from the A350 XWB programme.

**Share of profit from associates under the equity method and other income from investments** of 247 M € (2011: 192 M €) mainly comprises the share of the result of Dassault Aviation, which includes a catch-up on 2011 results. Since for the second half-year 2012 no published financial information is yet available from Dassault Aviation at the date of authorization for issue of 2012 financial statements, EADS uses a best estimate for the net income of Dassault Aviation.

**Other income** decreases by -175 M € to 184 M € (2011: 359 M €) mainly due to a release of refundable advances of +192 M € in 2011 in Airbus Commercial, which were related to the termination of the A340 programme.

**Finance result** amounts to -453 M € (2011: -220 M €) comprising interest result of -285 M € (2011: +13 M €). Last year it included a positive impact of +120 M € related to a release of refundable advances following the termination of the A340 programme. Other financial result amounts to -168 M € (2011: -233 M €) and mainly includes charges from the unwinding of discounted provisions (-180 M €, 2011: -172 M €), the negative revaluation of financial instruments (-11 M €, 2011: -94 M €), compensated by the positive impact from foreign exchange valuation of monetary items (+41 M €, 2011: +109 M €).

The **income tax** expense of -449 M € (2011: -356 M €) corresponds to an effective income tax rate of 27% (2011: 26%).

## 7. Significant items of the statement of financial position

### Non-current assets

**Intangible assets** of 13,422 M € (prior year-end, adjusted: 12,786 M €) include 11,003 M € (prior year-end, adjusted: 10,812 M €) of goodwill. This mainly relates to Airbus Commercial (6,670 M €), Cassidian (2,711 M €), Astrium (1,236 M €) and Eurocopter (323 M €). The annual impairment tests, which were performed in the fourth quarter, led to an impairment charge of 17 M € in Other Businesses. Capitalization for development costs of the A350 XWB programme started in the second quarter 2012. Since 1 April 2012, a total amount of 366 M € was capitalized.

Eliminating foreign exchange-rate effects of +44 M €, **property, plant and equipment** increase by +1,004 M € to 15,268 M € (prior year-end, adjusted: 14,220 M €), including leased assets of 576 M € (prior year-end: 574 M €). The increase is mainly driven by the A350 programme. Property, plant and equipment also comprise “Investment property” amounting to 72 M € (prior year-end: 74 M €).

**Investments in associates under the equity method** of 2,662 M € (prior year-end: 2,677 M €) mainly include the equity investment in Dassault Aviation. The equity investment in Dassault Aviation includes an IFRS catch-up adjustment for income and other comprehensive income relating to prior period. The 30 June 2012 equity components have been used to estimate the 2012 year-end consolidated equity position of Dassault Aviation.

**Other investments and other long-term financial assets** of 2,115 M € (prior year-end, adjusted: 2,352 M €) are related to Airbus for an amount of 1,273 M € (prior year-end: 1,659 M €), mainly concerning the non-current portion of aircraft financing activities.

**Other non-current assets** mainly comprise non-current derivative financial instruments and non-current prepaid expenses. The increase by +917 M € to 2,801 M € (prior year-end: 1,884 M €) is mainly caused by the positive variation of the non-current portion of fair values of derivative financial instruments (+711 M €).

**Deferred tax assets** increase by +200 M € to 4,518 M € (prior year-end, adjusted: 4,318 M €).

The fair values of **derivative financial instruments** are included in other non-current assets (1,197 M €, prior year-end: 486 M €), in other current assets (321 M €, prior year-end: 404 M €), in other non-current liabilities (1,159 M €, prior year-end: 2,140 M €) and in other current liabilities

(852 M €, prior year-end: 995 M €) which corresponds to a total net fair value of -493 M € (prior year-end: -2,245 M €). The volume of hedged US dollar-contracts increases from 75.1 billion US dollar as at 31 December 2011 to 83.6 billion US dollar as at 31 December 2012. The US dollar spot rate is USD/ € 1.32 at 31 December 2012 vs. 1.29 at 31 December 2011. The average US dollar hedge rate for the hedge portfolio of the Group improves from 1.37 USD/ € as at 31 December 2011 to 1.35 USD/ € as at 31 December 2012.

**Current assets**

**Inventories** of 23,216 M € (prior year-end: 22,563 M €) increase by +653 M €. This is mainly driven by higher unfinished goods and services at Airbus (+724 M €) and Eurocopter (+195 M €) programmes, partly offset by Cassidian (-131 M €) and Astrium (-75 M €).

**Trade receivables** increase by +396 M € to 6,790 M € (prior year-end, adjusted: 6,394 M €), mainly caused by Airbus (+214 M €), Eurocopter (+145 M €) and Astrium (+60 M €).

**Other current assets** include “Current portion of other long-term financial assets”, “Current other financial assets”, “Current other assets” and “Current tax assets”. The decrease of -264 M € to 4,239 M € (prior year-end: 4,503 M €) comprises among others a decrease of VAT receivables (-129 M €) and of receivables from related parties (-114 M €).

**Cash and cash equivalents** increase from 5,284 M € to 8,756 M € (see also note 8 “Significant cash flow items”).

**Total equity**

**Equity** attributable to equity owners of the parent (including purchased treasury shares) amounts to 10,409 M € (prior year-end: 8,850 M €). The increase is mainly due to a net income of +1,228 M € and other comprehensive income of +589 M €, partly compensated by a cash distribution to shareholders of -369 M €.

**Non-controlling interests** increase to 25 M € (prior year-end, adjusted: 15 M €).

**Non-current liabilities**

**Non-current provisions** of 9,816 M € (prior year-end, adjusted: 9,144 M €) include the non-current portion of pension provisions with an increase of +493 M € to 6,121 M € (prior year-end: 5,628 M €), which is partly offset by additional funding to plan assets. Compared to year-end 2011, the discount rates applied to the calculation of pension provisions decrease from 4.5 % to 3.7 % (Germany), from 4.75 % to 3.5 % (France) and from 4.8 % to 4.5 % (UK), leading to an increase of the pension provision with a corresponding effect in deferred tax assets and actuarial losses in equity.

Moreover, other provisions are included in non-current provisions, which increase by +179 M € to 3,695 M € (prior year-end, adjusted: 3,516 M €). This mainly reflects the increase of the onerous contract provision for the A350 XWB, where a charge of 124 M € has been recorded in the first half-year 2012.

**Long-term financing liabilities**, mainly comprising bonds and liabilities to financial institutions, decrease by -122 M € to 3,506 M € (prior year-end: 3,628 M €).

**Other non-current liabilities**, comprising "Non-current other financial liabilities", "Non-current other liabilities" and "Non-current deferred income", decrease in total by -106 M € to 18,194 M € (prior year-end, adjusted: 18,300 M €), mainly due to a decrease of fair values for financial instruments (-981 M €), mostly offset by higher advance payments received (+625 M €) and an increase in refundable government advances (+228 M €).

**Current liabilities**

**Current provisions** increase by +189 M € to 6,045 M € (prior year-end, adjusted: 5,856 M €) and comprise the current portions of pensions (312 M €) and of other provisions (5,733 M €).

**Trade liabilities** increase by +287 M € to 9,917 M € (prior year-end: 9,630 M €), mainly at Airbus (+599 M €) and at Eurocopter (+336 M €), partly offset by Astrium (-410 M €) and Cassidian (-259 M €).

**Other current liabilities** include "Current other financial liabilities", "Current other liabilities" and "Current deferred income". They increase by +723 M € to 30,955 M € (prior year-end: 30,232 M €). Other current liabilities mainly comprise current customer advance payments of 25,333 M € (prior year-end: 25,006 M €), increasing by +327 M €.

## 8. Significant cash flow items

**Cash provided by operating activities** decreases by -449 M € to +3,840 M € (2011: +4,289 M €). Gross cash flow from operations (before changes in other operating assets and liabilities) of +3,916 M € improves compared to the prior period's level (2011: +2,903 M €). Changes in other operating assets and liabilities amount to -76 M € (2011: +1,386 M €), reflecting a ramp-up and thus an increase in inventories at Airbus and Eurocopter, which are nearly offset by customer advance payments received at Airbus and Astrium.

**Cash (used for) investing activities** amounts to -26 M € (2011: -4,198 M €). This mainly comprises purchases of intangible assets and property, plant and equipment of -3,270 M € (2011: -2,197 M €) (mainly in Airbus) and payments for investments in associates and other investments and long-term financial assets of -328 M € (2011: -312 M €), nearly balanced out by a change in securities of +3,422 M € (2011: -378 M €). Compared to prior year, investing activities are also affected by lower volume of business acquisitions in 2012 (-201 M € versus -1,535 M € in 2011).

**Cash (used for) provided by financing activities** decreases by -530 M € to -365 M € (2011: +165 M €). The cash distribution to shareholders of -369 M € (2011: -178 M €) and changes in long-term and short-term financing liabilities of -125 M € (2011: +414 M €) are partly offset by changes in capital and non-controlling interests of +144 M € (2011: -65 M €) mainly related to the issuance of new shares due to the exercise of stock options and due to the 2012 Employee Stock Ownership Plan.

## 9. Number of shares

The total number of shares outstanding is 827,367,945 and 814,896,511 as of 31 December 2012 and 2011, respectively. EADS' shares are exclusively ordinary shares with a par value of 1.00 €.

During the year 2012, the number of treasury shares held by EADS decreased from 5,585,780 as of 31 December 2011 to 5,226,305 as of 31 December 2012.

In 2012, EADS issued 5,261,784 new shares (in 2011: 1,712,892 new shares) as a result of the exercise of stock options in compliance with the implemented stock option plans. Under the 2012 Employee Stock Ownership Plan, which was granted in June 2012, 2,177,103 shares were issued in July 2012. For the 2011 Employee Stock Ownership Plan 2,445,527 shares were issued.

## 10. Earnings per share

**Basic earnings per share** are calculated by dividing profit for the period attributable to equity owners of the parent (Net income) by the weighted average number of issued ordinary shares during the period, excluding ordinary shares purchased by the Group and held as treasury shares:

| | 1 January to 31 December 2012 | 1 January to 31 December 2011 |
|---|---|---|
| Net income attributable to equity owners of the parent | 1,228 M € | 1,033 M € |
| Weighted average number of ordinary shares outstanding | 819,378,264 | 812,507,288 |
| Basic earnings per share | 1.50 € | 1.27 € |

For calculation of the **diluted earnings per share**, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's only category of dilutive potential ordinary shares is stock options. Since in 2012 the average price of EADS shares exceeded the exercise price of the 5th, 6th and 8th stock option plan (in 2011: the 4th and the 5th stock option plan), 1,173,667 potential shares (in 2011: 1,194,624 shares) were considered in the calculation of diluted earnings per share.

| | 1 January to 31 December 2012 | 1 January to 31 December 2011 |
|---|---|---|
| Net income attributable to equity owners of the parent | 1,228 M € | 1,033 M € |
| Weighted average number of ordinary shares outstanding (diluted) | 820,551,931 | 813,701,912 |
| Diluted earnings per share | 1.50 € | 1.27 € |

## 11. Related party transactions

The Group has entered into various transactions with related companies in 2012 and 2011 that have all been carried out in the normal course of business. As it is the Group's policy, related party transactions have to be carried out at arm's length. Transactions with related parties include the French government, Daimler AG, Lagardère group and the Spanish government (SEPI) and its related entities. Except for the transactions with the French and Spanish government, such transactions are not considered material to the Group either individually or on aggregate. The transactions with the French government include mainly sales from Eurocopter, Astrium, Cassidian and Airbus Military. The transactions with the Spanish government include mainly sales from Airbus Military and Cassidian. The French and Spanish government are also customers of the A400M programme.

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

## 12. Number of employees

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

## 13. Litigation and claims

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

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

### WTO

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing.

On 1 June 2011, the WTO adopted the Appellate Body's final report in the case brought by the US assessing funding to Airbus from European governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its

WTO obligations, and to comply with the WTO's recommendations and rulings. Because the US did not agree, the matter is now under WTO panel review pursuant to WTO rules.

On 23 March 2012, the WTO adopted the Appellate Body's final report in the case brought by the EU assessing funding to Boeing from the US. The EU has cited the failure by the US to implement the findings prior to the due date of 23 September 2012 in commencing a new proceeding on the adequacy of US compliance.

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

**Securities Litigation**

Following the dismissal of charges brought by the French Autorité des marchés financiers for alleged breaches of market regulations and insider trading rules with respect primarily to the A380 delays announced in 2006, proceedings initiated in other jurisdictions have also been terminated. Nevertheless, following criminal complaints filed by several shareholders in 2006 (including civil claims for damages), a French investigating judge is still carrying out an investigation based on the same facts. It is expected that the investigating judge will decide later in 2013 on whether to close the file (*ordonnance de non-lieu*) or to bring the case to trial (*renvoi devant le tribunal correctionnel*).

**CNIM**

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

**GPT**

Prompted by a whistleblower's allegations concerning GPT Special Project Management Ltd. ("GPT"), an EADS subsidiary, and certain aspects of the conduct of its business in Saudi Arabia, EADS conducted comprehensive internal audits in 2010 which did not detect any violations of law. To enable further investigation of the case, EADS engaged PricewaterhouseCoopers ("PwC"), which conducted an independent review into certain allegations made about GPT, the scope of which was agreed with the UK Serious Fraud Office ("SFO"). In the period under review and based on the work it undertook, nothing came to PwC's attention to suggest that improper payments were made by GPT: "Further, the review did not find evidence to suggest that GPT or through GPT, any other EADS Group company, asked specific third parties to make improper payments on their behalves." The PwC review was conducted between November 2011 and March 2012, and a copy of its report was provided by EADS to the SFO in March 2012. Separately, in August 2012, the SFO announced that it had opened a formal criminal investigation into the matter. EADS is cooperating fully with this investigation.

**Eurofighter Austria**

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

## 14. Subsequent events

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