# First half-year 2014 Financial Report

# 2014 Semi-Annual Report of the Board of Directors

## 1. Semi-Annual Report on Activities

### Main Events in the first half-year of 2014

For an overview of the main events that occurred during the first half of 2014 and their impact on the Unaudited Condensed IFRS Consolidated Financial Information of Airbus Group for the six-month period ended 30 June 2014 (the "**Semi-Annual Financial Statements**"), please refer to the press release, which will be issued on 30 July 2014, available on Airbus Group's website www.airbusgroup.com.

For further information and detail regarding Airbus Group's activities, finances, financing, risk factors and corporate governance, please refer to Airbus Group's website www.airbusgroup.com and the documents posted thereon.

### Related Party Transactions

Please refer to the notes to the Semi-Annual Financial Statements attached hereto (see Note 12 "Related party transactions").

## 2. Risk Factors

Airbus Group (formerly EADS), long-term development and production lifecycle make Enterprise Risk Management (ERM) a crucial mechanism for both mitigating the risks faced by the company and identifying future opportunities. ERM has become a key management process across the Group, serving to mitigate key risks and increase opportunity. By mapping the material risks, planning how to mitigate them and how to seize related opportunities, ERM is designed to protect the achievement.

For a description of the Enterprise Risk Management system, the main risks and uncertainties please refer to the:

a. EADS N.V. Report of the Board of Directors 2013 (sections 4.5 and 4.6) (http://www.airbusgroup.com/int/en/toolbox/site-search.html?queryStr=board+of+directors+report), and

b. EADS N.V. Registration Document (section "Risk Factors") (http://www.airbusgroup.com/int/en/toolbox/site-search.html?queryStr=registration+document).

# 3. Semi-Annual Financial Statements

The Semi-Annual Financial Statements, including the review report by KPMG Accountants N.V., are attached hereto.

# 4. Statement of the Board of Directors

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

**(i)** the Semi-Annual Financial Statements for the period ended 30 June 2014 give a true and fair view of the assets, liabilities, financial position and profits or losses of Airbus Group and undertakings included in the consolidation taken as a whole; and

**(ii)** this Semi-Annual Board Report (which includes the press release, which will be issued on 30 July 2014) gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the first half of the 2014 financial year and expected course of events of Airbus Group and undertakings included in the consolidation taken as a whole. This Semi-Annual Board Report has paid special attention to investments and circumstances upon which the development of revenues and profitability is dependent, as these have been described herein.

**29 July 2014,**

**The Board of Directors**

Denis Ranque, Chairman

Tom Enders, Chief Executive Officer

Manfred Bischoff, Director

Ralph D. Crosby, 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

# Unaudited Condensed IFRS Consolidated Financial Information of Airbus Group N.V. for the six-month period ended 30 June 2014

## Unaudited Condensed IFRS Consolidated Income Statements

| | 1 January - 30 June 2014 | | 1 January - 30 June 2013 *) | | Deviation |
|---|---|---|---|---|---|
| | M € | % | M € | % | M € |
| **Revenues** | 27 200 | 100 | 25 670 | 100 | 1 530 |
| Cost of sales | -22 758 | -84 | -21 657 | -84 | -1 101 |
| **Gross margin** | **4 442** | **16** | **4 013** | **16** | **429** |
| Selling, administrative & other expenses | -1 371 | -5 | -1 446 | -6 | 75 |
| Research and development expenses | -1 564 | -5 | -1 399 | -5 | -165 |
| Other income | 164 | 1 | 93 | 0 | 71 |
| Share of profit from associates under the equity method and other income from investments | 148 | 0 | 198 | 1 | -50 |
| **Profit before finance result and income taxes** | **1 819** | **7** | **1 459** | **6** | **360** |
| Interest income | 79 | 0 | 84 | 0 | -5 |
| Interest expense | -268 | -1 | -260 | -1 | -8 |
| Other financial result | -63 | 0 | -241 | -1 | 178 |
| **Finance result** | **-252** | **-1** | **-417** | **-2** | **165** |
| Income taxes | -426 | -2 | -283 | -1 | -143 |
| **Profit for the period** | **1 141** | **4** | **759** | **3** | **382** |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity owners of the parent **(Net income)** | **1 135** | **4** | **758** | **3** | **377** |
| Non-controlling interests | 6 | 0 | 1 | 0 | 5 |

| **Earnings per share** | € | € | € |
|---|---|---|---|
| Basic | 1.45 | 0.94 | 0.51 |
| Diluted | 1.45 | 0.94 | 0.51 |

*) Previous year's figures are adjusted due to the application of IFRS 11.

## Unaudited Condensed IFRS Consolidated Income Statements for the second quarter of 2014 and 2013

| | 1 April - 30 June 2014 | | 1 April - 30 June 2013 *) | | Deviation |
|---|---|---|---|---|---|
| | M € | % | M € | % | M € |
| **Revenues** | 14 552 | 100 | 13 576 | 100 | 976 |
| Cost of sales | -12 089 | -83 | -11 236 | -83 | -853 |
| **Gross margin** | **2 463** | **17** | **2 340** | **17** | **123** |
| Selling, administrative & other expenses | -705 | -5 | -782 | -6 | 77 |
| Research and development expenses | -837 | -6 | -782 | -6 | -55 |
| Other income | 112 | 1 | 32 | 0 | 80 |
| Share of profit from associates under the equity method and other income from investments | 77 | 1 | 72 | 1 | 5 |
| **Profit before finance result and income taxes** | **1 110** | **8** | **880** | **6** | **230** |
| Interest income | 43 | 0 | 44 | 0 | -1 |
| Interest expense | -138 | -1 | -134 | -1 | -4 |
| Other financial result | -50 | 0 | -54 | 0 | 4 |
| **Finance result** | **-145** | **-1** | **-144** | **-1** | **-1** |
| Income taxes | -260 | -2 | -206 | -1 | -54 |
| **Profit for the period** | **705** | **5** | **530** | **4** | **175** |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity owners of the parent **(Net income)** | **696** | **5** | **531** | **4** | **165** |
| Non-controlling interests | 9 | 0 | -1 | 0 | 10 |

| **Earnings per share** | € | € | € |
|---|---|---|---|
| Basic | 0.89 | 0.66 | 0.23 |
| Diluted | 0.89 | 0.66 | 0.23 |

*) Previous year's figures are adjusted due to the application of IFRS 11.

## Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income

| in M € | 1 January - 30 June 2014 | 1 January - 30 June 2013 |
|---|---|---|
| **Profit for the period** *) | **1 141** | **759** |
| Items that will not be reclassified to profit or loss: | | |
| Actuarial losses on defined benefit plans *) | -450 | -338 |
| Actuarial losses on defined benefit plans from investments using the equity method *) | 3 | -6 |
| Tax on items that will not be reclassified to profit or loss | 131 | 96 |
| Items that will be reclassified to profit or loss: | | |
| Foreign currency translation differences for foreign operations *) | -14 | 44 |
| Net change in fair value of cash flow hedges *) | -324 | -567 |
| Net change in fair value of available-for-sale financial assets | -30 | -53 |
| Changes in other comprehensive income from investments accounted for using the equity method *) | -27 | 7 |
| Tax on items that will be reclassified to profit or loss *) | 91 | 186 |
| **Other comprehensive income, net of tax *)** | **-620** | **-631** |
| | | |
| **Total comprehensive income of the period *)** | **521** | **128** |
| **Attributable to:** | | |
| Equity owners of the parent *) | 513 | 134 |
| Non-controlling interests | 8 | -6 |
| **Total comprehensive income of the period *)** | **521** | **128** |

*) Previous year’s figures are adjusted due to the application of IFRS 11.

## Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income for the second quarter 2014 and 2013

| in M € | 1 April - 30 June 2014 | 1 April - 30 June 2013 |
|---|---|---|
| **Profit for the period *)** | **705** | **530** |
| Items that will not be reclassified to profit or loss: | | |
| Actuarial losses on defined benefit plans *) | -457 | -338 |
| Actuarial losses on defined benefit plans from investments using the equity method *) | -2 | 2 |
| Tax on items that will not be reclassified to profit or loss | 133 | 96 |
| Items that will be reclassified to profit or loss: | | |
| Foreign currency translation differences for foreign operations *) | 22 | -70 |
| Net change in fair value of cash flow hedges *) | -362 | 1 279 |
| Net change in fair value of available-for-sale financial assets | 34 | -42 |
| Changes in other comprehensive income from investments accounted for using the equity method *) | -14 | -20 |
| Tax on items that will be reclassified to profit or loss *) | 99 | -369 |
| **Other comprehensive income, net of tax *)** | **-547** | **538** |
| | | |
| **Total comprehensive income of the period *)** | **158** | **1 068** |
| **Attributable to:** | | |
| Equity owners of the parent *) | 147 | 1 073 |
| Non-controlling interests | 11 | -5 |
| **Total comprehensive income of the period *)** | **158** | **1 068** |

*) Previous year's figures are adjusted due to the application of IFRS 11.

## Unaudited Condensed IFRS Consolidated Statements of Financial Position

| | 30 June 2014 | | 31 December 2013 *) | | Deviation | |
|---|---|---|---|---|---|---|
| | M € | % | M € | % | M € | % |
| **Non-current assets** | | | | | | |
| Intangible assets | 12 550 | 14 | 12 500 | 14 | 50 | 0 |
| Property, plant and equipment | 15 838 | 17 | 15 654 | 17 | 184 | 1 |
| Investments in associates under the equity method | 3 802 | 4 | 3 858 | 4 | -56 | -1 |
| Other investments and long-term financial assets | 1 723 | 2 | 1 756 | 2 | -33 | -2 |
| Other non-current assets | 3 467 | 4 | 3 727 | 4 | -260 | -7 |
| Deferred tax assets | 3 662 | 4 | 3 733 | 4 | -71 | -2 |
| Non-current securities | 5 364 | 6 | 4 298 | 5 | 1 066 | 25 |
| | 46 406 | 51 | 45 526 | 50 | 880 | 2 |
| **Current assets** | | | | | | |
| Inventories | 26 086 | 29 | 24 023 | 27 | 2 063 | 9 |
| Trade receivables | 6 050 | 7 | 6 628 | 7 | -578 | -9 |
| Other current assets | 4 414 | 4 | 4 311 | 5 | 103 | 2 |
| Current securities | 1 976 | 2 | 2 585 | 3 | -609 | -24 |
| Cash and cash equivalents | 6 145 | 7 | 7 201 | 8 | -1 056 | -15 |
| | 44 671 | 49 | 44 748 | 50 | -77 | 0 |
| Assets of disposal group classified as held for sale | 134 | 0 | 0 | 0 | 134 | |
| **Total assets** | **91 211** | **100** | **90 274** | **100** | **937** | **1** |
| | | | | | | |
| **Total equity** | | | | | | |
| Equity attributable to equity owners of the parent | | | | | | |
| Capital stock | 784 | 1 | 783 | 1 | 1 | 0 |
| Reserves | 7 534 | 8 | 7 202 | 8 | 332 | 5 |
| Accumulated other comprehensive income | 2 623 | 3 | 2 929 | 3 | -306 | -10 |
| Treasury shares | -12 | 0 | -50 | 0 | 38 | -76 |
| | 10 929 | 12 | 10 864 | 12 | 65 | 1 |
| Non-controlling interests | 49 | 0 | 42 | 0 | 7 | 17 |
| | 10 978 | 12 | 10 906 | 12 | 72 | 1 |
| **Non-current liabilities** | | | | | | |
| Non-current provisions | 9 479 | 11 | 9 604 | 11 | -125 | -1 |
| Long-term financing liabilities | 4 827 | 5 | 3 804 | 4 | 1 023 | 27 |
| Deferred tax liabilities | 1 436 | 2 | 1 454 | 2 | -18 | -1 |
| Other non-current liabilities | 18 536 | 20 | 18 155 | 20 | 381 | 2 |
| | 34 278 | 38 | 33 017 | 37 | 1 261 | 4 |
| **Current liabilities** | | | | | | |
| Current provisions | 4 664 | 5 | 5 222 | 6 | -558 | -11 |
| Short-term financing liabilities | 3 297 | 3 | 1 826 | 2 | 1 471 | 81 |
| Trade liabilities | 8 781 | 10 | 9 668 | 11 | -887 | -9 |
| Current tax liabilities | 573 | 1 | 616 | 0 | -43 | -7 |
| Other current liabilities | 28 537 | 31 | 29 019 | 32 | -482 | -2 |
| | 45 852 | 50 | 46 351 | 51 | -499 | -1 |
| Liabilities directly associated with assets classified as held for sale | 103 | 0 | 0 | 0 | 103 | |
| **Total liabilities** | 80 233 | 88 | 79 368 | 88 | 865 | 1 |
| **Total equity and liabilities** | **91 211** | **100** | **90 274** | **100** | **937** | **1** |

*) Previous year's figures are adjusted due to the application of IFRS 10 and 11.

## Unaudited Condensed IFRS Consolidated Statements of Cash Flows

| | 1 January - 30 June 2014 | 1 January - 30 June 2013 |
|---|---|---|
| | M € | M € |
| **Profit for the period attributable to equity owners of the parent** (Net income)*) | **1 135** | **758** |
| Profit for the period attributable to non-controlling interests | 6 | 1 |
| *Adjustments to reconcile profit for the period to cash (used for) operating activities* | | |
| Depreciation and amortization*) | 954 | 876 |
| Valuation adjustments*) | 370 | 343 |
| Deferred tax expense | 283 | 144 |
| Change in income tax assets, income tax liabilities and provisions for income tax *) | 40 | -14 |
| Results on disposals of non-current assets | -88 | -1 |
| Results of companies accounted for by the equity method *) | -116 | -163 |
| Change in current and non-current provisions *) | -20 | -209 |
| Reimbursement from / contribution to plan assets | -336 | -24 |
| Change in other operating assets and liabilities *) | -4 024 | -4 363 |
| **Cash (used for) operating activities *)** | **-1 796** | **-2 652** |
| *Investments:* | | |
| - Purchases of intangible assets, PPE *) | -1 056 | -1 394 |
| - Proceeds from disposals of intangible assets, PPE *) | 125 | 24 |
| - Acquisitions of subsidiaries and joint ventures (net of cash) | 0 | -13 |
| - Proceeds from disposals of subsidiaries (net of cash) | -25 | 0 |
| - Payments for investments in associates and other investments and long-term financial assets *) | -72 | -205 |
| - Proceeds from disposals of associates and other investments and long-term financial assets | 135 | 89 |
| - Dividends paid by companies valued at equity | 78 | 54 |
| Change of securities *) | -396 | 770 |
| **Cash (used for) investing activities *)** | **-1 211** | **-675** |
| Change in long-term and short-term financing liabilities *) | 2 404 | 1 978 |
| Cash distribution to Airbus Group N.V. shareholders | -587 | -467 |
| Dividends paid to non-controlling interests | -1 | -1 |
| Changes in capital and non-controlling interests | 29 | 130 |
| Change in treasury shares | 109 | -1 828 |
| **Cash provided by (used for) financing activities *)** | **1 954** | **-188** |
| Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents *) | 35 | -25 |
| **Net decrease of cash and cash equivalents *)** | **-1 018** | **-3 540** |
| **Cash and cash equivalents at beginning of period *)** | **7 201** | **8 171** |
| **Cash and cash equivalents at end of period *)** | **6 183** | **4 631** |
| Thereof presented as cash and cash equivalents | 6 145 | 4 631 |
| Thereof presented as part of disposal groups classified as held for sale | 38 | 0 |

*) Previous year’s figures are adjusted due to the application of IFRS 10 and 11.

## 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 2013** | **10 403** | **25** | **10 428** |
| Retrospective adjustment *) | -143 | -1 | -144 |
| **Balance at 1 January 2013, adjusted** | **10 260** | **24** | **10 284** |
| Profit for the period *) | 758 | 1 | 759 |
| Other comprehensive income *) | -624 | -7 | -631 |
| Total comprehensive income | 134 | -6 | 128 |
| Cash distribution to shareholders/ dividends to non-controlling interests | -467 | -1 | -468 |
| Capital increase | 157 | 3 | 160 |
| Equity transactions (IAS 27) | -117 | 26 | -91 |
| Change in treasury shares | -1 828 | 0 | -1 828 |
| Others | 1 | 0 | 1 |
| **Balance at 30 June 2013, adjusted** | **8 140** | **46** | **8 186** |
| **Balance at 1 January 2014** | **11 011** | **43** | **11 054** |
| Retrospective adjustment *) | -147 | -1 | -148 |
| **Balance at 1 January 2014, adjusted** | **10 864** | **42** | **10 906** |
| Profit for the period | 1 135 | 6 | 1 141 |
| Other comprehensive income | -622 | 2 | -620 |
| Total comprehensive income | 513 | 8 | 521 |
| Cash distribution to shareholders/ dividends to non-controlling interests | -587 | -1 | -588 |
| Capital increase | 29 | 0 | 29 |
| Change in treasury shares | 109 | 0 | 109 |
| Others | 1 | 0 | 1 |
| **Balance at 30 June 2014** | **10 929** | **49** | **10 978** |

*) Previous year’s figures are adjusted due to the application of IFRS 11.

# Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at 30 June 2014

## 1. The Company

The accompanying Unaudited Condensed IFRS Consolidated Financial Statements present the operations of **Airbus Group N.V.** (formerly European Aeronautic Defence and Space Company EADS N.V.) and its subsidiaries (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 ("€"). On 2 January 2014, the Group has been rebranded from EADS to Airbus Group as part of a wider reorganization including integration of the Group's space and defence activities with associated restructuring measures. The Group's core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated Financial Statements for the six-month period ended 30 June 2014 were authorized for issue by the Airbus Group Board of Directors on 29 July 2014.

## 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") as endorsed by the European Union (EU) as at 30 June 2014 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").

These Unaudited Condensed IFRS Interim Consolidated Financial Statements are prepared in compliance with IAS 34 and should be read in conjunction with Airbus Group's (previously EADS) Consolidated Financial Statements as of 31 December 2013. Except for the amended Standards to be applied for the first time in the first six months 2014 (mentioned below in the next section), Airbus Group's accounting policies and techniques are unchanged compared to 31 December 2013.

Financial reporting rules applied for the first time in the first six months 2014:

The following new or amended Standards were applied for the first time in the first six months 2014 and are effective for Airbus Group as of 1 January 2014. If not otherwise stated, their first application has not had a material impact on Airbus Group's Consolidated Financial Statements as well as its basic and diluted earnings per share.

The IASB issued 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 amendments to IAS 28 "Investments in Associates and Joint Ventures" as well as the Transition Guidance (Amendments for IFRS 10, IFRS 11 and IFRS 12). IFRS 10 supersedes the requirements related to Consolidated Financial Statements in IAS 27 "Consolidated and Separate Financial Statements" (amended 2008) as well as SIC 12 "Consolidation – Special Purpose Entities". IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" (amended 2008) and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 12 replaces disclosure requirements in IAS 27, IAS 28 and IAS 31.

IFRS 10 defines the principle of control and establishes control as the sole basis for determining which entity should be consolidated in the Consolidated Financial Statements: An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides additional guidance to determine control in cases difficult to assess such as in situations where an investor holds less than a majority of voting rights, but has the practical ability to direct the relevant activities of the investee unilaterally by other means as well as in cases of agency relationships which were neither addressed by IAS 27 nor by SIC 12.

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

IFRS 12 provides disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, structured entities (formerly referred to as “special purpose entities”) and off-balance sheet vehicles in one single standard. The standard requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

The first time application of IFRS 10 and IFRS 11 has an impact on Airbus Group’s consolidation scope: The application of the new control concept as defined by IFRS 10 resulted in the exclusion of three special purpose entities which were previously fully consolidated under IAS 27 and SIC 12 from the consolidation scope and the consolidation of two special purpose entities formerly not consolidated. Additionally, twelve entities which were previously classified as joint ventures under IAS 31 and consolidated by using the proportional consolidation method in accordance with the Airbus Group accounting policy choice under IAS 28 are now accounted for using the equity method as described above under IFRS 11. This had a material impact on the Group’s financial statement. The first time application of IFRS 11 did not result in any reassessment regarding the classification of Airbus Group entities as joint ventures under IAS 31.

The following tables summarise the impacts on the comparative information on the Group’s financial position, income statement and statement of cash flows resulting from the change in consolidation scope:

## Condensed consolidated statement of financial position as at 31 December 2013

| in M € | As previously reported | IFRS 10 and 11 | As restated |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 13 653 | -1 153 | 12 500 |
| Property, plant & equipment | 15 925 | -271 | 15 654 |
| Investment in associates | 2 902 | 956 | 3 858 |
| Other non-current assets | 13 733 | -219 | 13 514 |
| | 46 213 | -687 | 45 526 |
| **Current assets** | | | |
| Inventories | 25 060 | -1 037 | 24 023 |
| Trade receivables | 7 239 | -611 | 6 628 |
| Other current assets | 7 034 | -138 | 6 896 |
| Cash and cash equivalents | 7 765 | -564 | 7 201 |
| | 47 098 | -2 350 | 44 748 |
| **Total assets** | 93 311 | -3 037 | 90 274 |
| | | | |
| **Total equity** | 11 054 | -148 | 10 906 |
| **Non-current liabilities** | | | |
| Non-current provisions | 10 046 | -442 | 9 604 |
| Other non-current liabilities | 23 630 | -217 | 23 413 |
| | 33 676 | -659 | 33 017 |
| **Current liabilities** | | | |
| Current provisions | 5 323 | -101 | 5 222 |
| Trade liabilities | 10 372 | -704 | 9 668 |
| Other current liabilities | 32 886 | -1 425 | 31 461 |
| | 48 581 | -2 230 | 46 351 |
| **Total equity and liabilities** | 93 311 | -3 037 | 90 274 |

**Condensed consolidated income statement for the first six months ended 30 June 2013**

| In M € | As previously reported | IFRS 10 and 11 | As restated |
|---|---|---|---|
| **Revenues** | 26 332 | -662 | 25 670 |
| Cost of sales | -22 169 | 512 | -21 657 |
| **Gross Margin** | **4 163** | **-150** | **4 013** |
| Selling, administrative & other expenses | -1 523 | 77 | -1 446 |
| Research and development expenses | -1 414 | 15 | -1 399 |
| Other income | 84 | 9 | 93 |
| Share of profit from associates and other income from investments | 154 | 44 | 198 |
| **Profit before finance result and income taxes** | **1 464** | **-5** | **1 459** |
| Interest result | -172 | -4 | -176 |
| Other financial result | -235 | -6 | -241 |
| **Finance result** | **-407** | **-10** | **-417** |
| Income taxes | -297 | 14 | -283 |
| **Profit for the period** | **760** | **-1** | **759** |

**Condensed consolidated statement of cash flow as of 30 June 2013**

| in M € | As previously reported | IFRS 10 and 11 | As restated |
|---|---|---|---|
| Cash (used for) operating activities | -2 670 | 18 | -2 652 |
| Cash (used for) investing activities | -739 | 64 | -675 |
| Cash (used for) financing activities | -164 | -24 | -188 |
| Others | -35 | 10 | -25 |
| **Net decrease of cash and cash equivalents** | **-3 608** | **68** | **-3 540** |

As of 1 January 2013, the impacts resulting from the change in consolidation scope on the Group's financial position are in the same order of magnitude and restated on a consistent basis as presented above for December 31, 2013.

Amendments to IAS 32 "Financial Instruments: Presentation" clarify the IASB's requirements for offsetting financial instruments.

Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" provide an exception to the requirement for the discontinuation of hedge accounting in IAS 39 and IFRS 9 in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations.

## 3. Acquisitions and other M&A transactions

On 28 February 2014, EADS North America, Inc., Herndon (VA, USA) sold 100% of the assets and liabilities of its Test and Services division to Astronics Corp., East Aurora (NY, USA), for a total consideration of 51 M €.

On 1 March 2014, Astrium Services GmbH, Ottobrunn (Germany) disposed of 100% of the shares of ND Satcom GmbH, Immenstaad (Germany) to Quantum Industries S.à.r.l., Luxembourg (Luxembourg), leading to a negative consideration of 9 M €.

Other acquisitions and disposals are considered to have no material impact on the Group's consolidated financial statements.

## 4. Segment information

In order to improve competitiveness and better adapt to shrinking traditional markets, the Group's defence and space businesses are combined within one Division from 1 January 2014 onwards. Improving access to international customers, creating synergies in the Group's operations and product portfolio and better focus the Group's research and development activities are among the goals of this reorganization. Having conducted a strategy review, the Group decided pooling their defence and space businesses into one Division. This structural change shall provide optimized market access, cost and market synergies and improved competitiveness overall. The Group operates in three reportable segments which reflect the internal organizational and management structure according to the nature of the products and services provided.

- *Airbus (before 1 January 2014: Airbus Commercial) —* Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.
- *Airbus Helicopters (before 1 January 2014: Eurocopter) —* Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- *Airbus Defence & Space —* 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; development, manufacturing, marketing and sale of missiles systems; development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services; development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

The former reportable segments Cassidian, Astrium and Airbus Military form the new reportable segment Airbus Defence & Space.

The following table presents information with respect to the Group's business segments. As a rule, inter-segment transfers are carried out on an arm's length basis. The Group's activities managed in the US, the holding function of the Group's Headquarters and other activities not allocable to the reportable segments, combined together with consolidation effects, are disclosed in the column "Others/ HQ / Conso.". The corresponding prior period information has been restated.

| in M € | Airbus | Airbus Helicopters | Airbus Defence & Space | Total segments | Others/ HQ/ Conso. | **Consolidated** |
|---|---|---|---|---|---|---|
| **Six-month period ended 30 June 2014** | | | | | | |
| Total revenues | 19 429 | 2 801 | 5 516 | 27 746 | 232 | 27 978 |
| Internal revenues | -405 | -234 | -130 | -769 | -9 | -778 |
| **Revenues** | **19 024** | **2 567** | **5 386** | **26 977** | **223** | **27 200** |
| Research and development expenses | -1 225 | -164 | -163 | -1 552 | -12 | **-1 564** |
| Profit before finance result and income taxes | 1 345 | 150 | 217 | 1 712 | 107 | **1 819** |
| EBIT pre-goodwill imp. and exceptionals (see definition below) | 1 357 | 150 | 223 | 1 730 | 109 | **1 839** |
| Finance result | | | | | | -252 |
| Income taxes | | | | | | -426 |
| **Profit for the period** | | | | | | **1 141** |
| **Six-month period ended 30 June 2013** | | | | | | |
| Total revenues *) | 18 102 | 2 584 | 5 564 | 26 250 | 241 | 26 491 |
| Internal revenues *) | -413 | -245 | -149 | -807 | -14 | -821 |
| **Revenues *)** | **17 689** | **2 339** | **5 415** | **25 443** | **227** | **25 670** |
| Research and development expenses *) | -1 095 | -143 | -158 | -1 396 | -3 | **-1 399** |
| Profit before finance result and income taxes *) | 1 082 | 127 | 210 | 1 419 | 40 | **1 459** |
| EBIT pre-goodwill imp. and exceptionals (see definition below) *) | 1 095 | 128 | 216 | 1 439 | 39 | **1 478** |
| Finance result *) | | | | | | -417 |
| Income taxes *) | | | | | | -283 |
| **Profit for the period *)** | | | | | | **759** |

*) Previous year's figures are adjusted due to the application of IFRS 11.

## 5. EBIT pre-goodwill impairment and exceptionals

Airbus Group uses EBIT pre-goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses of fair value adjustments relating to the former 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 - 30 June 2014 | 1 January - 30 June 2013 |
|---|---|---|
| **Profit before finance result and income taxes *)** | **1 819** | **1 459** |
| **Goodwill and exceptionals:** | | |
| Exceptional depreciation (fixed assets in cost of sales) | 20 | 19 |
| **EBIT pre-goodwill impairment and exceptionals*)** | **1 839** | **1 478** |

*) Previous year's figures are adjusted due to the application of IFRS 11.

## 6. Significant income statement items

**Revenues** of 27,200 M € (first half-year 2013 adjusted: 25,670 M €) increase by +1,530 M €, mainly at Airbus (+1,327 M €) and at Airbus Helicopter (+217 M €), reflecting higher deliveries, while revenues at Airbus Defence & Space remain stable.

The **Gross margin** increases by +429 M € to 4,442 M € compared to 4,013 M € (adjusted) in the first half-year of 2013. This improvement is mainly related a) to Airbus reflecting operational improvement, higher deliveries and a positive balance sheet revaluation and mismatch and b) to a lesser extent at Airbus Helicopters. The improvement is partly compensated by higher A350 support costs at Airbus. The A350 XWB Entry into service is scheduled for the end of 2014. Airbus continues to make significant progress on A350 XWB program. Since the first flight in June 2013 significant flight and static tests have been performed. Airbus is in the most critical phase of the A350 program. 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 customer's commitment.

**Research and development expenses** increase by -165 M € to -1,564 M € (first half-year 2013 adjusted: -1,399 M €) mainly reflecting higher R&D expenses on the A350 program.

**Other income** increases by +71 M € to 164 M € (first half-year 2013 adjusted: 93 M €) mainly due to the sale of the Paris Headquarters building (France).

**Share of profit from associates under the equity method and other income from investments** of 148 M € (first half-year 2013 adjusted: 198 M €) mainly consists of the share of the result of Dassault Aviation of 67 M € (first half-year 2013: 101 M €) and of MBDA of 17 M €

(first half-year 2013 adjusted: 39 M €). The Dassault Aviation at equity result in the first half-year 2014 includes a positive catch-up on 2013 results.

**Finance result** amounts to -252 M € (first half-year 2013 adjusted: -417 M €) comprising interest result of -189 M € (first half-year 2013 adjusted: -176 M €). Other financial result amounts to -63 M € (first half-year 2013 adjusted: -241 M €) and mainly includes the negative impact from unwinding of discounted provisions (-92 M €, first half-year 2013: -69 M €) partly compensated by the positive impact from foreign exchange valuation of monetary items (+56 M €, first half-year 2013: -117 M €).

The **income tax** expense of -426 M € (first half-year 2013 adjusted: -283 M €) corresponds to an effective income tax rate of 27% (first half-year 2013 adjusted: 27%).

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

### Non-current assets

**Intangible assets** of 12,550 M € (prior year-end adjusted: 12,500 M €) include 9,880 M € (prior year-end adjusted: 9,872 M €) of goodwill. This mainly relates to Airbus (6,681 M €), Airbus Defence & Space (2,881 M €) and Airbus Helicopters (303 M €). The last annual impairment tests, which were performed in the fourth quarter, led to an impairment charge of 15 M € in 'Others/ HQ/ Conso.'. Capitalization for development costs of the A350 XWB programme started in the second quarter 2012. In the first half-year 2014, an amount of 60 M € has been capitalized resulting in a total amount of 785 M €. No further A350 capitalization is expected in the second half-year 2014.

**Property, plant and equipment** increase by +184 M € to 15,838 M € (prior year-end adjusted: 15,654 M €), including leased assets of 337 M € (prior year-end adjusted: 351 M €). The increase is mainly driven by the A350 programme. Property, plant and equipment also comprise "Investment property" amounting to 67 M € (prior year-end adjusted: 69 M €).

**Investments in associates under the equity method** of 3,802 M € (prior year-end adjusted: 3,858 M €) mainly include the equity investment in Dassault Aviation and MBDA. The equity investment in Dassault Aviation includes an IFRS catch-up adjustment for income and other comprehensive income relating to prior period.

**Other investments and other long-term financial assets** of 1,723 M € (prior year-end adjusted: 1,756 M €) are related to Airbus for an amount of 804 M € (prior year-end adjusted: 702 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 decrease by -260 M € to 3,467 M € (prior year-end adjusted: 3,727 M €) is mainly caused by the negative variation of the non-current portion of fair values of derivative financial instruments (-341 M €).

**Deferred tax assets** decrease by -71 M € to 3,662 M € (prior year-end adjusted: 3,733 M €).

The fair values of **derivative financial instruments** are included in other non-current assets (1,652 M €, prior year-end: 1,993 M €), in other current assets (644 M €, prior year-end adjusted: 716 M €), in other non-current liabilities (499 M €, prior year-end: 671 M €) and in other current liabilities (404 M €, prior year-end adjusted: 302 M €) which corresponds to a total net fair value of +1,393 M € (prior year-end: +1,736 M €). The volume of hedged US dollar-contracts decreases from 76 billion US dollar as at 31 December 2013 to 71 billion US dollar as at 30 June 2014. The

US dollar spot rate is 1.37 USD/€ and 1.38 USD/€ at 30 June 2014 and at 31 December 2013. The average US dollar hedge rate for the hedge portfolio of the Group remains stable at 1.34 USD/€ as at 30 June 2014 and at 31 December 2013.

**Non-current securities** with a remaining maturity of more than one year increase by +1,066 M € to 5,364 M € (prior year-end adjusted: 4,298 M €). The movement is related to the cash management policy of the Group.

**Current assets**

**Inventories** of 26,086 M € (prior year-end adjusted: 24,023 M €) increase by +2,063 M €. This is mainly driven by Airbus (+1,452 M €), Airbus Defence & Space (+328 M €) and Airbus Helicopters (+277 M €).

**Trade receivables** decrease by -578 M € to 6,050 M € (prior year-end adjusted: 6,628 M €), mainly caused by Airbus Defence & Space and by Airbus Helicopters.

**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 +103 M € to 4,414 M € (prior year-end adjusted: 4,311 M €) comprises among others an increase of VAT receivables (+180 M €) and of prepaid expenses (+133 M €), partly compensated by lower receivables from related companies (-151 M €).

**Current securities** with a remaining maturity of one year or less correspond to 1,976 M € (prior year-end adjusted: 2,585 M €) and decrease by -609 M €.

**Cash and cash equivalents** decrease from 7,201 M € (prior year-end adjusted) to 6,145 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 10,929 M € (prior year-end adjusted: 10,864 M €). The increase is mainly due to a net income of +1,135 M €, and the sale of treasury shares of +109 M €, partly compensated by changes in accumulated other comprehensive income of -622 M €, and a dividend distribution of 0.75 € per share for a total of -587 M €.

**Non-controlling interests** increase to 49 M € (prior year-end adjusted: 42 M €).

**Non-current liabilities**

**Non-current provisions** of 9,479 M € (prior year-end adjusted: 9,604 M €) include the non-current portion of pension provisions which increases by +333 M € to 6,199 M € (prior year-end adjusted: 5,866 M €). Due to a decrease in discount rates of 0.5% in the eurozone and of 0.3% in the GBP-currency area, pension provisions increase by +450 M €.

Moreover, other provisions are included in non-current provisions, which decrease by -458 M € to 3,280 M € (prior year-end adjusted: 3,738 M €).

The provision for contract losses as part of other provisions mainly relates to Airbus Defence & Space in conjunction with the A400M and to the A350 XWB programme in Airbus. After one delivery in 2014, the A400M programme enters in progressive enhancement of military capability with some delays incurred. The sequence of progressive enhancements is under final negotiation with the customers. Risks related to cost envelope and military functionalities are closely monitored. Customer contractual remedies are considered to be remote.

Included in non-current (and current) provision are costs for the A380 program related to in service technical issues identified and with solutions defined, which reflects the latest facts and circumstances. Contractually, Airbus is not liable towards airlines for losses of use, revenue or profit or for any other direct, incidentally or consequential damages. However, in view of overall commercial relationships, contract adjustments may occur, and be considered on a case by case basis.

**Long-term financing liabilities**, mainly comprising bonds and liabilities to financial institutions increase by +1,023 M € to 4,827 M € (prior year-end adjusted: 3,804 M €). This increase is mainly due to a 1 billion € bond issued on 2 April 2014 with a 10 year-maturity. The bond will pay a 2.375% coupon.

**Other non-current liabilities**, comprising “Non-current other financial liabilities”, “Non-current other liabilities” and “Non-current deferred income”, increase in total by +381 M € to 18,536 M € (prior year-end adjusted: 18,155 M €). Advance payments received increase by +690 M € whereas the negative fair values of financial instruments decrease by -172 M €.

### Current liabilities

**Current provisions** decrease by -558 M € to 4,664 M € (prior year-end adjusted: 5,222 M €) and comprise the current portions of pensions (352 M €) and of other provisions (4,312 M €). 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 +1,471 M € to 3,297 M € (prior year-end adjusted: 1,826 M €), mainly due to higher liabilities in the commercial paper programme and to transactions related to repo agreements (short-term cash collection).

**Trade liabilities** decrease by -887 M € to 8,781 M € (prior year-end adjusted: 9,668 M €), mainly at Airbus and at Airbus Defence & Space.

**Other current liabilities** include “Current other financial liabilities”, “Current other liabilities” and “Current deferred income”. They decrease by -482 M € to 28,537 M € (prior year-end adjusted: 29,019 M €), mainly due to a decrease of advance payments received (-1,098 M €) partly compensated by higher liabilities from refundable government advances (+186 M €), higher deferred income (+119 M €) and an increase in the negative fair values of financial instruments (+102 M €).

### Disposal group held for sale

On 11 June 2014, the management of Airbus Defence & Space and a consortium consisting of ACE Management S.A., Paris (France) and IRDI S.A., Toulouse (France) signed a contract to transfer the Test & Services activities via an acquisition company in which Airbus Defence & Space will retain 33.5%. According to IFRS 5, the assets and liabilities of the Test & Services consolidated perimeter are classified as a disposal group held for sale as of 30 June 2014. On Airbus Group level the non-current and the current assets classified as held for sale amount to 134 M € (prior year-end: 0 M €). The non-current and current liabilities directly associated with assets classified as held for sale amount to 103 M € (prior year-end: 0 M €). The other comprehensive income which was accumulated in equity relating to assets and liabilities held for sale amounts to -2 M € (prior year-end: 0 M €).

## 8. Significant cash flow items

**Cash (used for) operating activities** decreases by +856 M € to -1,796 M € (first half-year 2013 adjusted: -2,652 M €). Cash (provided by) operating activities before changes in other operating assets and liabilities of +2,228 M € increases compared to the prior period's level (first half-year 2013 adjusted: +1,711 M €). Changes in other operating assets and liabilities amount to -4,024 M € (first half-year 2013 adjusted: -4,363 M €) mainly reflecting an increase in inventories due to a ramp-up for programmes at all Divisions and due to lower trade liabilities, mainly at Airbus and Airbus Defence & Space.

**Cash (used for) investing activities** amounts to -1,211 M € (first half-year 2013 adjusted: -675 M €). This mainly comprises purchases of intangible assets and property, plant and equipment of -1,056 M € (first half-year 2013 adjusted: -1,394 M €) (mainly in Airbus) and changes in securities of -396 M € (first half-year 2013 adjusted: 770 M €).

**Cash provided by (used for) financing activities** increases by +2,142 M € to +1,954 M € (first half-year 2013 adjusted: -188 M €). This mainly comprises changes in long-term and short-term financing liabilities of +2,404 M € (first half-year 2013 adjusted: +1,978 M €) (please refer to Note 7 "Significant items of the statement of financial position"), changes in treasury shares of +109 M € (first half-year 2013: -1,828 M €) and the dividend distribution of 0.75 € per share which amounts to -587 M € (first half-year 2013: -467 M €).

## 9. Financial instruments

Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies as described in detail in note 34 b) to the 2013 Consolidated Financial Statements. For the first six months 2014, Airbus Group has applied the same methodologies for the fair value measurement of financial instruments. Considering the variability of their value-determining factors, the use of carrying amounts for fair values as a proxy and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could realise in a current market environment. The following items are the main exceptions to this general rule:

| 30 June 2014 | Financial Instruments Total | |
|---|---|---|
| in M € | Book Value | Fair Value |
| **Other investments and long-term financial assets** | | |
| - Equity instruments | 365 | 365*) |
| Long-term and short-term financing liabilities | 8 124 | 8 368 |

| 31 December 2013**) | Financial Instruments Total | |
|---|---|---|
| in M € | Book Value | Fair Value |
| **Other investments and long-term financial assets** | | |
| - Equity instruments | 359 | 359*) |
| Long-term and short-term financing liabilities | 5 630 | 5 760 |

*) For certain unlisted equity investments price quotes are not available and fair values may not be reliably measurable using valuation techniques because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above, equal their carrying amounts.

**) Previous year's figures are adjusted due to the application of IFRS 10 and 11.

The fair value hierarchy consists of the following levels:

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

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

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

The following table allocates the financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy as of 30 June 2014:

| **30 June 2014**<br>**in M €** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Other investments and long-term financial assets | | | | |
| Equity Instruments | 192 | - | - | 192 |
| Other non-current and current assets | | | | |
| Derivative Instruments | - | 2 275 | 21 | 2 296 |
| Securities | 7 238 | 102 | - | 7 340 |
| Cash equivalents | 3 308 | 1 227 | - | 4 535 |
| **Total** | **10 738** | **3 604** | **21** | **14 363** |
| **Financial liabilities measured at fair value** | | | | |
| Derivative instruments | - | -903 | - | -903 |
| Other liabilities | - | - | -156 | -156 |
| **Total** | **-** | **-903** | **-156** | **-1 059** |

| **31 December 2013*)**<br>**in M €** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Other investments and long-term financial assets | | | | |
| Equity Instruments | 252 | - | - | 252 |
| Other non-current and current assets | | | | |
| Derivative Instruments | - | 2 675 | 34 | 2 709 |
| Securities | 6 876 | 7 | - | 6 883 |
| Cash equivalents | 3 777 | 1 286 | - | 5 063 |
| **Total** | **10 905** | **3 968** | **34** | **14 907** |
| **Financial liabilities measured at fair value** | | | | |
| Derivative instruments | - | -973 | - | -973 |
| Other liabilities | - | - | -180 | -180 |
| **Total** | **-** | **-973** | **-180** | **-1 153** |

*) Previous year's figures are adjusted due to the application of IFRS 10 and 11

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

| **Financial assets and liabilities on Level 3** | **Balance at 1 January 2014** | **Total gains or losses in** | | **Issues** | **Settle-ments** | **Reclassi-fication** | **Balance at 30 June 2014** |
|---|---|---|---|---|---|---|---|
| | | **Profit or loss** | **Other compre-hensive income** | | | | |
| **Financial assets – Derivative instruments** | | | | | | | |
| Commodity swap agreements | 26 | 4 | - | - | -17 | - | 13 |
| Other derivative instruments | 8 | | - | - | - | - | 8 |
| **Total** | **34** | **4** | **-** | **-** | **-17** | **-** | **21** |
| **Financial liabilities – Other liabilities** | | | | | | | |
| Written put options on non-controlling interests | -129 | -1 | - | - | - | - | -130 |
| Earn-out agreements | -51 | 25 | - | - | - | - | -26 |
| **Total** | **-180** | **24** | **-** | **-** | **-** | **-** | **-156** |

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

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

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

The financial assets measured at fair value that are classified as Level 3 mainly consist of short-term commodity contracts whose notional amounts vary with the actual volumes of certain commodity purchases made by the Group in specific months.

A deviation of 10% of actual monthly volumes purchased from expected monthly volumes purchased would increase or decrease (depending on whether actual volumes are 10% more or 10% less than expected volumes) the total Level 3 fair value of these short term commodity contracts by 2 M € (prior year-end: 3 M €).

The financial liabilities measured at fair value that are classified as Level 3 consist of several written put options on non-controlling interest (“NCI puts”) of Airbus Group subsidiaries. The fair values of these NCI puts vary, among others with the weighted average cost of capital (”WACC”) and the growth rate used to determine the terminal value. An increase (decrease) of the discount rates by 50 basis points results in a decrease (increase) of the NCI put values by 5 M € (6 M €). An increase (decrease) in the growth rates by 50 basis point increases (decreases) the NCI put values by 5 M € (4 M €) respectively. (Changes correspond to those disclosed for prior year-end).

Another element of financial liabilities measured at fair value classified as Level 3 are earn-out payments that have been agreed with former shareholders of entities acquired by the Group in business combinations. Fair Value measurement is based on the expectation regarding the achievement of defined target figures by the acquired entity or its ability to close identified customer contracts. The release of 25 M € concerns the subsequent adjustment of the earn-out agreement related to the purchase of Cassidian Airborne Solutions GmbH, Bremen (Germany).

## 10. Number of shares

The total number of shares issued is 784,095,890 and 783,157,635 as of 30 June 2014 and 31 December 2013. The increase is mainly caused by the issuance of new shares. The Group's shares are exclusively ordinary shares with a par value of 1.00 €.

During the first half-year 2014, the number of treasury stock held by Airbus Group decreased from 2,835,121 as of 31 December 2013 to 606,744 as of 30 June 2014. While most of these shares were sold back to the market, 56,993 shares were cancelled (in the first six months 2013: 47,648,691 shares).

In 2014, the Group issued 995,248 new shares due to the exercise of stock options (in the first six months 2013: 4,869,510 new shares).

## 11. 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 30 June 2014 | 1 January to 30 June 2013 |
|---|---|---|
| Net income attributable to equity owners of the parent*) | 1 135 M € | 758 M € |
| Weighted average number of ordinary shares outstanding | 782 012 866 | 806 014 369 |
| Basic earnings per share*) | 1.45 € | 0.94 € |

*) Previous year's figures are adjusted due to the application of IFRS 11.

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 categories of dilutive potential ordinary shares are stock options and share-settled performance units for Executive Committee members relating to long-term incentive plans for 2009 to 2013. Since in the first six months 2014 the average price of Airbus Group shares exceeded the exercise price of the 6th, 7th and 8th stock option plan as well as the share-settled performance units (in the first six months of 2013: the 5th, 6th, 7th and 8th stock option plan), 1,767,867 potential shares (in the first six months 2013: 1,623,391 shares) were considered in the calculation of diluted earnings per share.

| | 1 January to 30 June 2014 | 1 January to 30 June 2013 |
|---|---|---|
| Net income attributable to equity owners of the parent*) | 1 135 M € | 758 M € |
| Weighted average number of ordinary shares outstanding (diluted) | 783 780 733 | 807 637 760 |
| Diluted earnings per share*) | 1.45 € | 0.94 € |

*) Previous year's figures are adjusted due to the application of IFRS 11.

## 12. Related party transactions

In the first six months of 2014 the Group considers that neither governmental nor other shareholders are meeting the definition of a related party under IAS 24.

Before 2 April 2013, the French government, Daimler AG, Lagardère group, the Spanish government (SEPI) and its related entities were considered as related parties. Due to the Completion ("Consummation") of the Multiparty Agreement, on 2 April 2013, the Group no longer considers the French government, Daimler AG, Lagardère group and the Spanish government (SEPI) as related parties. The Group has entered into various transactions with related entities that have all been carried out in the normal course of business.

## 13. Number of employees

The number of employees as at 30 June 2014 is 138,133 as compared to 138,404 (adjusted) as at 31 December 2013.

## 14. Litigation and claims

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

### WTO

Although Airbus Group is not a party, Airbus Group 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. On 23 September 2012, the US 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 EU did not agree, the matter is now under WTO panel review pursuant to WTO rules.

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

**Securities Litigation**

Following the dismissal of charges brought by the French *Autorité des marchés financiers* for alleged breaches of market regulations and insider trading rules with respect primarily to the A380 delays announced in 2006, proceedings initiated in other jurisdictions have also been terminated. Nevertheless, following criminal complaints filed by several shareholders in 2006 (including civil claims for damages), a French investigating judge carried out an investigation based on the same facts. In November 2013 the investigating judge decided to send the case to trial (*renvoi devant le tribunal correctionnel*) against 7 current and former executives that exercised their stock options in March 2006 as well as two former shareholders. All other parties will not stand trial. The trial is scheduled to take place before the end of 2014.

**GPT**

Prompted by a whistleblower's allegations, Airbus Group conducted internal audits and retained PricewaterhouseCoopers ("PwC") to conduct an independent review relating to GPT Special Project Management Ltd. ("GPT"), a subsidiary that Airbus Group acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by Airbus Group, relating to activities conducted by GPT in Saudi Arabia. PwC's report was provided by Airbus Group to the UK Serious Fraud Office (the "SFO") in March 2012. 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. In August 2012, the SFO announced that it had opened a formal criminal investigation into the matter. Airbus Group is cooperating fully with this investigation.

**Eurofighter Austria**

In March 2012, the German public prosecutor, following a request for assistance by the Austrian public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust by current and former employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH as well as by third parties relating to the sale of Eurofighter aircraft to Austria in 2003. After having been informed on the investigation in 2012, Airbus Group retained law firm Clifford Chance to conduct a fact finding independent review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus Group in December 2013. Airbus Group provided the report to the public prosecutors in Germany. Airbus Group is cooperating fully with this investigation.

**Commercial disputes**

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

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

## 15. Subsequent events

On 11 June 2014, the management of Airbus Defence & Space and a consortium consisting of ACE Management S.A., Paris (France) and IRDI S.A., Toulouse (France) signed a contract to transfer the Test & Services activities via an acquisition company in which Airbus Defence & Space will retain 33.5%. According to IFRS 5, the assets and liabilities of the Test & Services consolidated perimeter are classified as a disposal group held for sale as of 30 June 2014 (for further information see section 7 “Significant items of the statement of financial position”). The transaction has been closed on 10 July 2014.

On 25 July 2014, Airbus Group N.V., Leiden (Netherlands) acquired 100% shares in Salzburg München Bank AG from Raiffeisenverband Salzburg. The Salzburg München Bank AG is a fully-licensed bank based in Munich (Germany) with around 300 M € of total assets serving small and medium enterprises and private clients. The acquisition of Salzburg München Bank aims to provide additional financing options for the Group’s businesses.

On 28 July 2014, Airbus Operations S.L.U., Getafe (Spain), acquired a majority share in Alestis Aerospace S.L., La Rinconada (Spain) from Hiscan Patrimonio S.A.U., Pamplona (Spain), Caixabank S.A., Barcelona (Spain), Banca Mare Nostrum S.A., Madrid (Spain) and Grupo Empresarial Alcor S.L., Vitoria (Spain). Airbus’ investment is intended to secure the supply chain for civil and military programmes. For the year 2013 Alestis Aerospace S.L. reported revenues of 146 M €.

# Appendix: Review report of the independent auditor

To: The Airbus Group N.V. shareholders:

## Review report

### *Introduction*

We have reviewed the accompanying condensed consolidated financial information of Airbus Group N.V., Amsterdam, ('the Company') for the six-month period ended June 30, 2014, which comprises the condensed consolidated statement of financial position as at June 30, 2014, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Company's management is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with International Financial Reporting Standards as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information for the six-month period ended June 30, 2014 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, July 29, 2014

KPMG Accountants N.V.