FINANCIAL STATEMENTS 2012

EADS

EADS N.V.

FINANCIAL STATEMENTS
2012

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

EADS N.V. — Consolidated Income Statements (IFRS) for the years ended 31 December 2012, 2011 and 2010

(in € million)	Note	2012	2011	2010
Revenues	5, 6	**56,480**	**49,128**	**45,752**
Cost of sales	7	(48,545)	(42,285)	(39,528)
Gross margin		**7,935**	**6,843**	**6,224**
Selling expenses		(1,192)	(981)	(1,024)
Administrative expenses		(1,672)	(1,427)	(1,288)
Research and development expenses	8	(3,142)	(3,152)	(2,939)
Other income	9	184	359	171
Other expenses	10	(229)	(221)	(102)
Share of profit from associates accounted for under the equity method	11	241	164	127
Other income from investments	11	6	28	18
Profit before finance costs and income taxes	5	**2,131**	**1,613**	**1,187**
Interest income		237	377	316
Interest expense		(522)	(364)	(415)
Other financial result		(168)	(233)	(272)
Total finance costs	12	(453)	(220)	(371)
Income taxes	13	(449)	(356)	(244)
Profit for the period		**1,229**	**1,037**	**572**
Attributable to:				
Equity owners of the parent **(Net income)**		1,228	1,033	553
Non-controlling interests		1	4	19

Earnings per share		€	€	€
Basic	38	1.50	1.27	0.68
Diluted	38	1.50	1.27	0.68

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

EADS N.V. — Consolidated Statements of Comprehensive Income (IFRS) for the years ended 31 December 2012, 2011 and 2010

(in € million)	2012	2011	2010
Profit for the period	**1,229**	**1,037**	**572**
Currency translation adjustments for foreign operations	(46)	(25)	119
Effective portion of changes in fair value of cash flow hedges	1,047	(365)	(2,983)
Net change in fair value of cash flow hedges transferred to profit or loss	917	(171)	(201)
Net change in fair value of available-for-sale financial assets	189	(20)	12
Actuarial gains (losses) on defined benefit plans	(1,031)	(747)	(127)
Changes in other comprehensive income from investments accounted for using the equity method	(211)	129	(161)
Tax on income and expense recognised directly in equity	(278)	331	1,096
Other comprehensive income, net of tax	**587**	**(868)**	**(2,245)**
Total comprehensive income of the period	**1,816**	**169**	**(1,673)**
Attributable to:			
Equity owners of the parent	1,817	163	(1,679)
Non-controlling interests	(1)	6	6

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

EADS N.V. — Consolidated Statements of Financial Position (IFRS) at 31 December 2012 and 2011

(in € million)	Note	2012	2011
Assets			
Non-current assets			
Intangible assets	14	13,422	12,786(1)
Property, plant and equipment	15	15,196	14,146(1)
Investment property	16	72	74
Investments in associates accounted for under the equity method	17	2,662	2,677
Other investments and other long-term financial assets	17	2,115	2,352(1)
Non-current other financial assets	20	1,386	631
Non-current other assets	21	1,415	1,253
Deferred tax assets	13	4,518	4,318(1)
Non-current securities	22	5,987	7,229
		46,773	**45,466**
Current assets			
Inventories	18	23,216	22,563
Trade receivables	19	6,790	6,394(1)
Current portion of other long-term financial assets	17	287	172
Current other financial assets	20	1,448	1,739
Current other assets	21	2,046	2,253
Current tax assets		458	339
Current securities	22	2,328	4,272
Cash and cash equivalents	31	8,756	5,284
		45,329	**43,016**
Total assets		**92,102**	**88,482**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		827	820
Share premium		7,253	7,519
Retained earnings		900	471
Accumulated other comprehensive income		1,513	153
Treasury shares		(84)	(113)
		10,409	**8,850**
Non-controlling interests		25	15(1)
Total equity	23	**10,434**	**8,865**
Non-current liabilities			
Non-current provisions	25	9,816	9,144(1)
Long-term financing liabilities	26	3,506	3,628
Non-current other financial liabilities	27	7,458	8,193
Non-current other liabilities	28	10,524	9,817(1)
Deferred tax liabilities	13	1,504	1,043(1)
Non-current deferred income	30	212	290
		33,020	**32,115**
Current liabilities			
Current provisions	25	6,045	5,856(1)
Short-term financing liabilities	26	1,273	1,476
Trade liabilities	29	9,917	9,630
Current other financial liabilities	27	1,715	1,687
Current other liabilities	28	28,183	27,670
Current tax liabilities		458	308
Current deferred income	30	1,057	875
		48,648	**47,502**
Total liabilities		**81,668**	**79,617**
Total equity and liabilities		**92,102**	**88,482**

(1) Please refer to Note 4 "Acquisitions and disposals". Comparative information is adjusted retrospectively in accordance with IFRS 3.45. Main changes comprise: Intangible assets by €+41 million, property, plant and equipment by €-13 million, other investments and long-term financial assets by €-26 million, non-controlling interests by €-5 million and non-current provisions by €+19 million.

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

EADS N.V. — Consolidated Statements of Cash Flows (IFRS) for the years ended 31 December 2012, 2011 and 2010

(in € million)	Note	2012	2011	2010
Profit for the period attributable to equity owners of the parent (Net income)		**1,228**	**1,033**	**553**
Profit for the period attributable to non-controlling interests		1	4	19
Adjustments to reconcile profit for the period to cash provided by operating activities:				
Interest income		(237)	(377)	(316)
Interest expense		522	364	415
Interest received		198	417	332
Interest paid		(351)	(307)	(278)
Income tax expense		449	356	244
Income taxes paid		(219)	(100)	(140)
Depreciation and amortisation		2,053	1,884	1,582
Valuation adjustments		318	(408)	(366)
Results on disposals of non-current assets		(21)	(29)	(75)
Results of companies accounted for by the equity method		(241)	(164)	(127)
Change in current and non-current provisions		216	230	(219)
Change in other operating assets and liabilities:		**(76)**	**1,386**	**2,819**
• Inventories		(1,526)	(1,640)	705
• Trade receivables		(260)	447	(345)
• Trade liabilities		754	806	(40)
• Advance payments received		1,243	1,965	1,698
• Other assets and liabilities		(141)	(327)	738
• Customer financing assets		30	246	169
• Customer financing liabilities		(176)	(111)	(106)
Cash provided by operating activities		**3,840**	**4,289**	**4,443**
Investments:				
• Purchases of intangible assets, Property, plant and equipment		(3,270)	(2,197)	(2,250)
• Proceeds from disposals of intangible assets, Property, plant and equipment		73	79	45
• Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	31	(201)	(1,535)	(38)
• Proceeds from disposals of subsidiaries (net of cash)	31	0	18	12
• Payments for investments in associates, other investments and other long-term financial assets		(328)	(312)	(190)
• Proceeds from disposals of associates, other investments and other long-term financial assets		232	77	91
• Dividends paid by companies valued at equity		46	50	41
Payments for investments in securities		(3,237)	(11,091)	(10,751)
Proceeds from disposals of securities		6,659	10,713	7,604
Cash (used for) investing activities		**(26)**	**(4,198)**	**(5,436)**
Increase in financing liabilities		380	813	99
Repayment of financing liabilities		(505)	(399)	(1,160)
Cash distribution to EADS N.V. shareholders		(369)	(178)	0
Dividends paid to non-controlling interests		(10)	(5)	(7)
Changes in capital and non-controlling interests		144	(65)	(48)
Change in treasury shares		(5)	(1)	(3)
Cash (used for) provided by financing activities		**(365)**	**165**	**(1,119)**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents		23	(2)	104
Net increase (decrease) in cash and cash equivalents		**3,472**	**254**	**(2,008)**
Cash and cash equivalents at beginning of period		**5,284**	**5,030**	**7,038**
Cash and cash equivalents at end of period		**8,756**	**5,284**	**5,030**

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

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

EADS N.V. — Consolidated Statements of Changes in Equity (IFRS) for the years ended 31 December 2012, 2011 and 2010

		Equity attributable to equity holders of the parent									Non-controlling interests	Total equity
		Capital stock	*Share premium*	*Retained earnings*		*Accumulated other comprehensive income*			*Treasury shares*	*Total*		
(In € million)	*Note*			*Other retained earnings*	*Actuarial gains or losses*	*Available-for-sale financial assets*	*Cash flow hedges*	*Foreign currency translation adjustments*				
Balance at 31 December 2009		**816**	**7,683**	**1,248**	**(1,749)**	**561**	**828**	**1,257**	**(109)**	**10,535**	**106**	**10,641**
Profit for the period				553						553	19	572
Other comprehensive income					(32)	(177)	(2,201)	178		(2,232)	(13)	(2,245)
Total comprehensive income of the period				553	(32)	(177)	(2,201)	178		(1,679)	6	(1,673)
Capital increase	23		5							5		5
Capital decrease	23		(43)							(43)	(6)	(49)
Share-based Payment (IFRS 2)	35			23						23		23
Dividends paid to non-controlling interests										0	(7)	(7)
Equity transaction (IAS 27)				3						3	(7)	(4)
Change in non-controlling interests										0	3	3
Change in treasury shares	23								(3)	(3)		(3)
Balance at 31 December 2010		**816**	**7,645**	**1,827**	**(1,781)**	**384**	**(1,373)**	**1,435**	**(112)**	**8,841**	**95**	**8,936**
Profit for the period				1,033						1,033	4	1,037
Other comprehensive income					(579)	182	(399)	(74)		(870)	2	(868)
Total comprehensive income of the period				1,033	(579)	182	(399)	(74)		163	6	169
Capital increase	23	4	59							63		63
Share-based Payment (IFRS 2)	35			15						15		15
Cash distribution to EADS N.V. Shareholders/dividends paid to non-controlling interests			(178)							(178)	(5)	(183)
Equity transaction (IAS 27)				(17)	(28)		(1)			(46)	(79)	(125)
Change in non-controlling interests										0	3	3
Change in treasury shares	23								(8)	(8)		(8)
Cancellation of treasury shares	23		(7)						7	0		0
Balance at 31 December 2011		**820**	**7,519**	**2,858**	**(2,388)**	**566**	**(1,773)**	**1,361**	**(113)**	**8,850**	**20**	**8,870**

(In € million)	Note	Equity attributable to equity holders of the parent									Non-controlling interests	Total equity
		Capital stock	*Share premium*	*Retained earnings*		*Accumulated other comprehensive income*			*Treasury shares*	*Total*		
				Other retained earnings	*Actuarial gains or losses*	*Available-for-sale financial assets*	*Cash flow hedges*	*Foreign currency translation adjustments*				
Balance at 31 December 2011		**820**	**7,519**	**2,858**	**(2,388)**	**566**	**(1,773)**	**1,361**	**(113)**	**8,850**	**20**	**8,870**
Prior year adjustments[(1)]											(5)	(5)
Balance at 31 December 2011, adjusted		**820**	**7,519**	**2,858**	**(2,388)**	**566**	**(1,773)**	**1,361**	**(113)**	**8,850**	**15**	**8,865**
Profit for the period				1,228						1,228	1	1,229
Other comprehensive income					(770)	(3)	1,356	6		589	(2)	587
Total comprehensive income of the period				1,228	(770)	(3)	1,356	6		1,817	(1)	1,816
Capital increase	23	7	137							144		144
Share-based Payment (IFRS 2)	35			18						18		18
Cash distribution to EADS N.V. Shareholders/dividends paid to non-controlling interests			(369)							(369)	(10)	(379)
Equity transaction (IAS 27)				(46)						(46)	14	(32)
Change in non-controlling interests										0	7	7
Change in treasury shares	23								(5)	(5)		(5)
Cancellation of treasury shares	23		(34)						34	0		0
Balance at 31 December 2012		**827**	**7,253**	**4,058**	**(3,158)**	**563**	**(417)**	**1,367**	**(84)**	**10,409**	**25**	**10,434**

(1) Please refer to Note 4 "Acquisitions and disposals". Comparative information is adjusted retrospectively in accordance with IFRS 3.45.

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

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Notes to the Consolidated Financial Statements (IFRS)

Contents

2.1 Basis of Presentation

1. The Company

The accompanying Consolidated Financial Statements present the financial position and the result of the operations of **European Aeronautic Defence and Space Company EADS N.V.** and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands). 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. EADS has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on 26 February 2013. They are prepared and reported in euro ("€"), and all values are rounded to the nearest million appropriately.

2. Summary of Significant Accounting Policies

Basis of preparation — EADS' Consolidated Financial Statements are 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") and with Part 9 of Book 2 of the Netherlands Civil Code. The IFRS comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the IFRS Interpretations Committee ("IFRIC") or former Standing Interpretations Committee ("SIC"). The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain items such as:

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

(ii) available-for-sale financial assets, which are measured at fair value;

(iii) accumulating Money Market Funds, uncapped Structured Notes and foreign currency Funds of Hedge Funds that have been designated as financial assets at fair value through profit or loss, and are hence measured at fair value ("Fair Value Option", see Note 34 "Information about financial instruments");

(iv) assets and liabilities designated as hedged items in fair value hedges, which are either measured at fair value or at amortised cost adjusted for changes in fair value attributable to the risks that are being hedged;

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

(vi) defined benefit obligations (or assets), which are measured according to IAS 19, and related plan assets, which are measured at fair value.

The measurement models used when historical cost does not apply are more fully described below.

In accordance with Article 402 Book 2 of the Netherlands Civil Code the Statement of Income of the **EADS N.V. company financial statements** is presented in abbreviated form.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in the last subsection "Use of Accounting Estimates" of this Note 2.

New, revised or amended IFRS Standards and new Interpretations

The IFRS accounting principles applied by EADS for preparing its 2012 year-end Consolidated Financial Statements are the same as for the previous financial year except for those following the application of new or amended Standards or Interpretations respectively as detailed below.

a) Amended Standard

The application of the following amended standard is mandatory for EADS for the fiscal year starting 1 January 2012. If not otherwise stated, the following amended standard did not have a material impact on EADS's 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 amendment has to be applied prospectively. It was 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.

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 currently under investigation. In general and if not otherwise stated, these new, revised or amended IFRS and their interpretations are not expected to have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

In December 2010, the IASB issued **amendments to IAS 12** "Income Taxes" providing practical guidance for the measurement 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 were endorsed in December 2012 and are applicable for annual periods beginning 1 January 2013.

In November 2009, the IASB issued **IFRS 9** "Financial Instruments" (not yet endorsed) as the first step of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". Amongst other changes to the accounting for financial instruments, IFRS 9 replaces the multiple classification and measurement models for financial assets and liabilities in IAS 39 with a simplified model that is based on only two classification categories: amortised cost and fair value. Further, the classification of financial assets under IFRS 9 is driven by the entity's business model for managing its financial assets and the contractual cash flow characteristics of these financial assets. However, in response to feedback received from interested parties, the IASB reconsidered the IFRS 9 classification model and issued in November 2012 an Exposure Draft which proposes limited amendments to IFRS 9 to introduce, amongst others, a fair value through other comprehensive income (OCI) measurement category as a third classification category for particular financial assets that are held within a business model in which assets are managed both for collecting contractual cash flows and for sale. In the next phases of the IAS 39 replacement project, the IASB will cover the current impairment methodology and the requirements for hedge accounting. IFRS 9 has to be applied starting 1 January 2015, with early adoption permitted, and offers various transition models. In light of the changes to come, EADS continues to assess the potential impacts from the expected application of IFRS 9.

In May 2011, the IASB published its improvements to the accounting and disclosure requirements for consolidation, off balance sheet activities and joint arrangements by issuing **IFRS 10** "Consolidated Financial Statements", **IFRS 11** "Joint Arrangements", **IFRS 12** "Disclosure of Interests in Other Entities" and consequential **amendments to IAS 27** "Separate Financial Statements" and **IAS 28** "Investments in Associates and Joint Ventures". IFRS 10 supersedes the requirements related to Consolidated Financial Statements in IAS 27 "Consolidated and Separate Financial Statements" (amended 2008) as well as SIC 12 "Consolidation – Special Purpose Entities". IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" (amended 2008) and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 12 replaces disclosure requirements in IAS 27, IAS 28 and IAS 31. All of the new or amended standards mentioned above have been endorsed in December 2012. IFRS 10 is based on existing principles and re-confirms control as the single determining factor in whether an entity should be in the scope of 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.

IFRS preparers in the EU have to apply IFRS 10 to 12 and amendments to IAS 27 and IAS 28 for financial periods beginning on or after 1 January 2014 with early application allowed. The abandonment of the proportional consolidation method for joint ventures might have a significant impact on EADS Consolidated Financial Statements as EADS has opted to apply this method for the consolidation of its joint ventures. For information about principle joint ventures accounted for under the proportionate consolidation method, please refer to Note 37 "Interest in Joint Ventures". The impact from the application of IFRS 10, especially for the consolidation of structured entities, is currently under assessment. The **Transition Guidance (Amendments for IFRS 10, IFRS 11 and IFRS 12)** was issued in June 2012 (but not yet endorsed) and provides transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the number of periods for which adjusted comparative information is to be disclosed.

In May 2011, the IASB issued **IFRS 13** "Fair Value Measurement". IFRS 13 was endorsed in December 2012 and defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

With the issuance of IFRS 13 the requirements for measuring fair value and for disclosing information about fair values are comprehensively summarised in a single standard instead of having them spread over several standards not articulating a clear measurement or disclosure objective. IFRS 13 seeks to reduce complexity and improve consistency in the application of fair value measurement principles by having a single set of requirements for all fair value measurements; to communicate the measurement objective more clearly by clarifying the definition of fair value; and to improve transparency by enhancing disclosures about fair value measurements. The new standard defines fair value as an exit price, *i.e.* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. It further introduces a three level fair value hierarchy regarding the inputs used for fair value determination. IFRS 13 is to be applied prospectively and is mandatory from 1 January 2013 onwards.

In June 2011, the IASB issued an amended version of **IAS 19** "Employee Benefits" (endorsed June 2012). The amendment eliminates both the option of deferred recognition of actuarial gains and losses (known as the "corridor method") and the option of immediately recognising them in profit or loss, to improve comparability of financial statements. Under the amendment, full recognition of actuarial gains and losses directly in equity will become mandatory. EADS already applies this method of accounting for actuarial gains and losses. In addition, the amended IAS 19 replaces the expected return on plan assets and interest costs on the defined benefit obligation with a single net interest component and requires full recognition of past service cost in the period of the related plan amendment. The amended standard also changes the requirements for termination benefits and includes enhanced presentation and disclosure requirements. For EADS, the standard becomes applicable for annual periods beginning on 1 January 2013. It generally requires retrospective application.

The introduction of a single net interest component, *i.e.* the interest expense (income) resulting from multiplying the net defined benefit liability (asset) by the discount rate used to determine the defined benefit obligation ("DBO"), will impact EADS Consolidated Financial Statements as there will be no longer different rates applicable for plan assets and DBOs. In addition, retrospectively applying the requirement to recognise past service cost fully in the period of the plan amendment requires recognition of unamortised past service cost at the date of transition. Finally, the amended guidance on termination benefits will henceforth require EADS to recognise the additional compensation payable under certain German early retirement programmes ('Altersteilzeitregelung') rateably over the active service period of such programmes (as opposed to recognising the additional compensation at its present value at programme inception).

Retrospective application of the net interest approach would have reduced EADS' 2012 Consolidated Profit before finance cost and income taxes by approximately € 43 million (and correspondingly increased the actuarial gains or losses recorded directly in equity). Consolidated Profit before finance cost and income taxes in 2013 may be reasonably expected to be affected in a similar manner.

Regarding past service costs, the initial application of the revised standard in 2013 will not have a significant effect on EADS Consolidated Net income. The retrospective adjustments in the opening balance sheet as of 1 January 2011 will result in an increase of pension liabilities of € 45 million and a decrease of retained earnings of € 29 million.

Regarding German early retirement programmes, the initial application of the revised standard in 2013 will not have a significant effect on EADS Consolidated Net income. The retrospective adjustments in the opening balance sheet as of 1 January 2011 will result in a decrease of provisions of € 26 million and an increase of retained earnings of € 18 million.

In June 2011, the IASB also issued amendments to **IAS 1** "Presentation of Financial Statements". The amendments will improve and align the presentation of other comprehensive income ("OCI") by requiring to group together items within OCI that might be reclassified to the income statement. The amended standard becomes effective for financial periods beginning on or after 1 July 2012. The amendments were endorsed in June 2012.

In December 2011, the IASB issued **amendments to IAS 32** "Financial Instruments: Presentation" clarifying the IASB's requirements for offsetting financial instruments. As part of the same offsetting project the IASB also issued respective **amendments to IFRS 7** "Financial Instruments: Disclosures". Both amendments were endorsed in December 2012 and will have to be applied retrospectively for annual periods beginning on 1 January 2014 respectively on 1 January 2013.

In May 2012 the IASB issued various amendments to IFRS Standards within the **Annual Improvements 2009-2011** Cycle (not yet endorsed). The amendments refer to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. The amendments are mandatory for annual periods beginning on or after 1 January 2013 and must be applied retrospectively.

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

Significant Accounting Policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

Consolidation — The Consolidated Financial Statements include the subsidiaries of EADS. Subsidiaries are all entities controlled by the Group, *i.e.* over which it has the power to govern financial and operating policies. An entity is presumed to be controlled by EADS when EADS owns more than 50% of the voting power of the entity which is generally accompanied with a respective shareholding. Potential voting rights currently exercisable or convertible are also considered when assessing control over an entity.

Special purpose entities ("SPEs") are consolidated as any subsidiary, when the relationship between the Group and the SPE indicates that the SPE is in substance controlled by the Group. SPEs are entities which are created to accomplish a narrow and well-defined objective. Subsidiaries are fully consolidated from the date control has been transferred to EADS and de-consolidated from the date control ceases.

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

Goodwill is measured at the acquisition date as:

— the fair value of the consideration transferred; plus

— the recognised amount of any non-controlling interests in the acquiree; plus

— if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

— the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Before recognising a gain on a bargain purchase in the Consolidated Income Statement, the identification and measurement of the identifiable assets and liabilities is reassessed including also the non-controlling interest, if any, the consideration transferred as well as EADS' previously held equity interest in the acquiree in case of a business combination achieved in stages.

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

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

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

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

Acquisitions and disposals of non-controlling interests are accounted for as transactions with owners in their capacity as equity owners of EADS and therefore no goodwill or gain / loss is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Goodwill is tested for impairment in the fourth quarter of each financial year and whenever there is an indication for impairment. After initial recognition goodwill is measured at cost less accumulated impairment losses. For impairment testing purpose, goodwill is allocated to those Cash Generating Units ("CGUs") or group of CGUs – at EADS on segment level or one level below – that are expected to benefit from the synergies arising from the business combination.

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

For investments EADS jointly controls ("joint ventures") with one or more other parties ("venturers"), EADS recognises its interest by using the proportionate method of consolidation. Joint control is contractually established and requires unanimous decisions regarding the financial and operating strategy of an entity.

Investments in which EADS has significant influence ("investments in associates") are accounted for using the equity method and are initially recognised at cost. Significant influence in an entity is presumed to exist when EADS owns 20% to 50% of the entity's voting rights. The investments in associates include goodwill as recognised at the acquisition date net of any accumulated impairment loss. EADS' share of the recognised income and expenses of investments in associates is included in the Consolidated Financial Statements from the date significant influence has been achieved until the date it ceases to exist. The investments' carrying amount is adjusted by the cumulative movements in recognised income and expense. When EADS' share in losses equals or exceeds its interest in an associate, including any other unsecured receivables, no further losses are recognised, unless the Group has incurred obligations or made payments on behalf of the associate.

The effects of intercompany transactions are eliminated.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance.

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

Foreign currency translation — The Consolidated Financial Statements are presented in euro, EADS' functional and presentation currency. The assets and liabilities of foreign entities, where the reporting currency is other than euro, are translated using period-end exchange rates, whilst the statements of income are translated using average exchange rates during the period, approximating the foreign exchange rate at the dates of the transactions. All resulting translation differences are included as a separate component of total equity ("Accumulated other comprehensive income" or "AOCI"). If a foreign entity is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

Transactions in foreign currencies are translated into euro at the foreign exchange rate prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into euro at the exchange rate in effect at that date. These foreign exchange gains and losses arising from translation are recognised in the Consolidated Income Statement except when deferred in equity as qualifying cash flow hedges. Changes in the fair value of securities denominated in a foreign currency that are classified as available-for-sale financial assets are analyzed whether they are due to (i) changes in the amortised cost of the security or due to (ii) other changes in the security. Translation differences related to changes in (i) amortised cost are recognised in the Consolidated Income Statement whilst (ii) other changes are recognised in AOCI (translation reserve).

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into euro at the foreign exchange rate in effect at the date of the transaction. Translation differences on non-monetary financial assets and liabilities that are measured at fair value are reported as part of the fair value gain or loss. In addition, translation differences of non-monetary financial assets measured at fair value and classified as available for sale are included in AOCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity occurring after 31 December 2004 are treated as assets and liabilities of the acquired company and are translated at the closing rate. Regarding transactions prior to that date, goodwill, assets and liabilities acquired are treated as those of the acquirer.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When EADS disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative translation reserve is allocated to non-controlling interests. When EADS disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative translation reserve is reclassified to profit or loss.

Current and non-current assets and liabilities — The classification of an asset or liability as a current or non-current asset or liability in general depends on whether the item is related to serial production or subject to long-term production. In case of serial production, an asset or liability is classified as a non-current asset or liability when the item is realised or settled respectively after 12 months after the reporting period, and as current asset or liability when the item is realised or settled respectively within 12 months after the reporting period. In case of construction contracts, an asset or liability is classified as non-current when the item is realised or settled respectively beyond EADS' normal operating cycle; and as a current asset or liability when the item is realised or settled in EADS' normal operating cycle. However, current assets include assets – such as inventories, trade receivables and receivables from PoC – that are sold, consumed and realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period. Trade payables are equally part of the normal operating cycle and are therefore classified as current liabilities.

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

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

Revenues from services rendered are recognised in proportion to the stage of completion of the transaction at the end of the reporting period.

For construction contracts, when the outcome can be estimated reliably, revenues are recognised by reference to the percentage of completion ("PoC") of the contract activity by applying the estimate at completion method. The stage of completion of a contract may be determined by a variety of ways. Depending on the nature of the contract, revenue is recognised as contractually agreed technical milestones are reached, as units are delivered or as the work progresses. Whenever the outcome of a construction contract cannot be estimated reliably – for example during the early stages of a contract or when this outcome can no longer be estimated reliably during the course of a contract's completion – all related contract costs that are incurred are immediately expensed and revenues are recognised only to the extent of those costs being recoverable ("early stage method of accounting"). In such specific situations, as soon as the outcome can (again) be estimated reliably, revenue is from that point in time onwards accounted for according to the estimate at completion method, without restating the revenues previously recorded under the early stage method of accounting. Changes in profit rates are reflected in current earnings as identified. Contracts are reviewed regularly and in case of probable losses, loss-at-completion provisions are recorded. These loss-at-completion provisions in connection with construction contracts are not discounted.

Sales of aircraft that include asset value guarantee commitments are accounted for as operating leases when these commitments are considered substantial compared to the fair value of the related aircraft. Revenues then comprise lease income from such operating leases.

Revenue related to construction or upgrade services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with EADS' Group accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by EADS Group entities. When the Group entities provide more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable. Further, EADS recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost. EADS recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses. If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

Interest income is recognised as interest accrues, using the effective interest rate method.

Dividend income / distributions — Dividend income as well as the obligation to distribute dividends to EADS' shareholders is recognised when the shareholder´s right to receive payment is established.

Leasing — The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of (i) whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and (ii) the arrangement conveys a right to use the asset(s).

The Group is a lessor and a lessee of assets, primarily in connection with commercial aircraft sales financing. Lease transactions where substantially all risks and rewards incident to ownership are transferred from the lessor to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases.

Assets held for leasing out under operating leases are included in property, plant and equipment at cost less accumulated depreciation (see Note 15 "Property, plant and equipment"). Rental income from operating leases (*e.g.* aircraft) is recorded as revenue on a straight-line basis over the term of the lease. Assets leased out under finance leases cease to be recognised in the Consolidated Statement of Financial Position after the inception of the lease. Instead, a finance lease receivable representing the discounted future lease payments to be received from the lessee plus any discounted unguaranteed residual value is recorded as other long-term financial assets (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). Unearned finance income is recorded over time in "Interest result". Revenues and the related cost of sales are recognised at the inception of the finance lease.

Assets obtained under finance leases are included in property, plant and equipment at cost less accumulated depreciation and impairment if any (see Note 15 "Property, plant and equipment"), unless such assets have been further leased out to customers. In such a case, the respective asset is either qualified as an operating lease or as a finance lease with EADS being the lessor (headlease-sublease-transactions) and is recorded accordingly. For the relating liability from finance leases see Note 26 "Financing liabilities". When EADS is the lessee under an operating lease contract, rental payments are recognised on a straight line basis over the leased term (see Note 33 "Commitments and contingencies" for future operating lease commitments). Such leases often form part of commercial aircraft customer financing transactions with the related sublease being an operating lease (headlease-sublease-transactions).

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

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

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

(ii) Costs for self-initiated research and development activities are assessed whether they qualify for recognition as internally generated intangible assets. Apart from complying with the general requirements for and initial measurement of an intangible asset, qualification criteria are met only when technical as well as commercial feasibility can be demonstrated and cost can be measured reliably. It must also be probable that the intangible asset will generate future economic benefits and that it is clearly identifiable and allocable to a specific product.

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

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

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

Borrowing costs — Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time (generally more than 12 months) to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that EADS incurs in connection with the borrowing of funds. EADS capitalises borrowing costs for qualifying assets where construction was commenced on or after 1 January 2009. Further, EADS continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

Intangible assets — Intangible assets comprise (i) internally generated intangible assets, *i.e.* internally developed software and other internally generated intangible assets (see above: “Research and development expenses”), (ii) acquired intangible assets, and (iii) goodwill (see above: “Consolidation”).

Separately acquired intangible assets are initially recognised at cost. Intangible assets acquired in a business combination are recognised at their fair value at acquisition date. Acquired intangible assets with finite useful lives are generally amortised on a straight line basis over their respective estimated useful lives (3 to 10 years) to their estimated residual values. The amortisation expense on intangible assets with finite lives is recognised in the Consolidated Income Statement within the expense category consistent with the function of the related intangible asset. The amortisation method and the estimate of the useful lives of the separately acquired intangible asset is reviewed at least annually and changed if appropriate.

Intangible assets having an indefinite useful life are not amortised but tested for impairment at the end of each financial year as well as whenever there is an indication that the carrying amount exceeds the recoverable amount of the respective asset (see below “Impairment of non-financial assets”). For such intangible assets the assessment for the indefinite useful life is reviewed annually on whether it remains supportable. A change from indefinite to finite useful life assessment is accounted for as change in estimate.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Income Statement when the asset is derecognised.

Property, plant and equipment — Property, plant and equipment is valued at acquisition or manufacturing costs less any accumulated depreciation and any accumulated impairment losses. Such costs include the estimated cost of replacing, servicing and restoring part of such property, plant and equipment. Items of property, plant and equipment are generally depreciated on a straight-line basis. The costs of internally produced equipment and facilities include direct material and labour costs and applicable manufacturing overheads, including depreciation charges. The following useful lives are assumed: buildings 10 to 50 years; site improvements 6 to 30 years; technical equipment and machinery 3 to 20 years; and other equipment, factory and office equipment 2 to 10 years. The useful lives, depreciation methods and residual values applying to property, plant and equipment are reviewed at least annually and in case they change significantly, depreciation charges for current and future periods are adjusted accordingly. If the carrying amount of an asset exceeds its recoverable amount an impairment loss is recognised immediately in profit or loss. At each end of the reporting period, it is assessed whether there is any indication that an item of property, plant and equipment may be impaired (see also below “Impairment of non-financial assets”).

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

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

Investment property — Investment property is property, *i.e.* land or buildings, held to earn rentals or for capital appreciation or both. The Group accounts for investment property using the cost model. Investment property is initially recognised at cost and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. Buildings held as investment property are depreciated on a straight-line basis over their useful lives. The fair value of investment property is reviewed annually by determinations from market prices or by using cash-flow models.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the Consolidated Income Statement in the period of derecognition. Transfers are made to or from investment properties only when there is a change in use.

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

Impairment of non-financial assets — The Group assesses at each end of the reporting period whether there is an indication that a non-financial asset may be impaired. In addition, intangible assets with an indefinite useful life, intangible assets not yet available for use and goodwill are tested for impairment in the fourth quarter of each financial year irrespective of whether there is any indication for impairment. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or a Cash Generating Unit ("CGU") is the higher of its fair value less costs to sell or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In such a case the recoverable amount is determined for the CGU the asset belongs to. Where the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, firstly the related goodwill is impaired. Any exceeding amount of impairment is recognised on a pro rata basis of the carrying amount of each asset in the respective CGU.

The value in use is assessed by the present value of the future cash flows expected to be derived from an asset or a CGU. Cash flows are projected based on a detailed forecast approved by management over a period reflecting the operating cycle of the specific business. The discount rate used for determining an asset's value in use is the pre-tax rate reflecting current market assessment of (i) the time value of money and (ii) the risk specific to the asset for which the future cash flow estimates have not been adjusted.

An asset's fair value less costs to sell reflects the amount EADS could obtain at its end of the reporting period from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, its fair value is assessed by the use of appropriate valuation models dependent on the nature of the asset, such as by the use of discounted cash flow models. These calculations are corroborated by available fair value indicators such as quoted market prices or sector-specific valuation multiples.

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

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

Financial instruments — A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. EADS' financial assets comprise mainly cash and short to medium-term deposits, trade and loan receivables, finance lease receivables, other quoted and unquoted financial instruments and derivatives with a positive fair value. The Group's financial liabilities mainly include obligations towards financial institutions, bonds, loans, refundable advances, trade liabilities, finance lease liabilities as well as derivatives with a negative fair value. EADS recognises a financial instrument on its Consolidated Statement of Financial Position when it becomes party to the contractual provision of the instrument. All purchases and sales of financial assets are recognised on settlement date according to market conventions. The settlement date is the date an asset is delivered to or by an entity. Financial instruments are initially recognised at fair value plus, in the case the financial instruments are not measured at fair value through profit or loss, directly attributable transaction costs. Financial instruments at fair value through profit or loss are initially recognised at fair value, transaction costs are recognised in the Consolidated Income Statement. Finance lease receivables are recognised at an amount equal to the net investment in the lease. Subsequent measurement of financial instruments depends on their classification into the relevant category. The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. EADS derecognises a financial asset only when the contractual rights to the asset's cash flows expire or the financial asset has been transferred and the transfer qualifies for derecognition under IAS 39. EADS derecognises a financial liability only when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Fair value of financial instruments — The fair value of quoted investments is based on current market prices. If the market for financial assets is not active or in the case of unlisted financial instruments, EADS determines fair values by using generally accepted valuation techniques on the basis of market information available at the end of the reporting period. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably estimated by alternative valuation methods, such as discounted cash flow model, are measured at cost, less any accumulated impairment losses.

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

Within EADS, all investments in entities for which consolidation criteria are not fulfilled are classified as non-current available-for-sale financial assets. They are included in the line **other investments and other long-term financial assets** in the Consolidated Statement of Financial Position.

The majority of the Group's **securities** consists of debt securities and is classified as available-for-sale financial assets.

Available for sale financial assets — Financial assets classified as available-for-sale are accounted for at fair value. Changes in the fair value subsequent to the recognition of available-for-sale financial assets – other than impairment losses and foreign exchange gains and losses on monetary items classified as available-for-sale – are recognised directly within AOCI, a separate component of total equity, net of applicable deferred income taxes. As soon as such financial assets are sold or otherwise disposed of, or are determined to be impaired, the cumulative gain or loss previously recognised in equity is recorded as part of "other income (expense) from investments" in the Consolidated Income Statement for the period. Interest earned on the investment is presented as interest income in the Consolidated Income Statement using the effective interest method. Dividends earned on investment are recognised as "Other income (expense) from investments" in the Consolidated Income Statement when the right to the payment has been established.

Financial assets at fair value through profit or loss — Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at initial recognition at fair value through profit or loss. Within EADS, only derivatives not designated as hedges are categorized as held for trading. Further, financial assets may be designated at initial recognition at fair value through profit or loss if any of the following criteria is met: (i) the financial asset contains one or more embedded derivatives that otherwise had to be accounted for separately; or (ii) the designation eliminated or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or recognising the gains and losses on them on a different basis (sometimes referred to as "natural hedge"); or (iii) the financial assets are part of a group of financial assets that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Within EADS, uncapped Structured Notes are designated "at fair value through profit or loss" in accordance with criterion (i), foreign currency funds of a hedge funds structure also comprising foreign currency derivatives are designated "at fair value through profit or loss" in accordance with criterion (ii) and investments in accumulating Money Market Funds are designated at "fair value through profit or loss" in accordance with above criterion (iii).

Loans and receivables — Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable and include also service concession receivables. Loans and receivables are classified as **trade receivables, other investments and other**

current / non-current financial assets. After initial recognition loans and receivables are measured at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statement at disposal of the loans and receivables, through the amortisation process as well as in case of any impairment.

Trade receivables — Trade receivables include claims arising from revenue recognition that are not yet settled by the debtor as well as receivables relating to construction contracts. Trade receivables are initially recognised at fair value and, provided they are not expected to be realised within one year, are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statement when the receivables are derecognised or impaired as well as through the amortisation process.

Current / non-current other financial assets — Current / non-current other financial assets mainly include derivatives with positive fair values, receivables from related companies, loans and are presented separately from current / non-current other assets.

Cash and cash equivalents — Cash and cash equivalents consist of cash on hand, cash in bank, checks, fixed deposits and securities having maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of financial assets — EADS assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

After application of the at equity method to an **investment in an associate**, the Group determines whether it is necessary to recognise an impairment loss of the Group's investment in its associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investment in associate is impaired. This objective evidence for impairment includes information about significant changes with an adverse effect that have taken place in the technological, market economic or legal environment in which the associate operates, and that indicate that the carrying amount of EADS' investment may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its carrying amount is also objective evidence of impairment. In case of impairment EADS calculates the impairment amount as being the difference between the recoverable amount of the associate and the carrying amount of the investment in EADS' associates and recognises the impairment amount in the Consolidated Income Statement. Any reversal of the impairment loss is recognised as an adjustment to the investment in the associate to the extent that the recoverable amount of the investment increases. As such, the goodwill related to EADS' associates is not individually tested for impairment.

For **financial assets carried at amortised cost**, at cost and for those classified as **available-for-sale**, a financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Equity investments classified as available-for-sale are considered for impairment in addition to the indicators stated above in case of a significant or prolonged decline of their fair value below their cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Consolidated Income Statement – is removed from AOCI and recognised in the Consolidated Income Statement. Impairment losses recognised in the Consolidated Income Statement on equity instruments are not reversed through the Consolidated Income Statement; increases in their fair value are recognised directly in AOCI.

In case of the impairment of **debt instruments classified as available-for-sale**, interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded in financial result. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Consolidated Income Statement, the impairment loss is reversed through the Consolidated Income Statement.

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

Non-current assets / disposal groups classified as held for sale — Non-current assets / disposal groups classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. Whilst classified as held for sale or part of a disposal group, EADS does not depreciate or amortise a non-current asset. In addition, equity accounting of investments in associates ceases once classified as held for sale or distribution. Liabilities directly associated with non-current assets held for sale in a disposal group are presented separately on the face of the Consolidated Statement of Financial Position. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale is continued to be recognised.

To be classified as held for sale the non-current assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale must be highly probable. For a sale to be highly probable – among other criteria that have to be fulfilled – the appropriate level of EADS management must be committed to the plan to sell, an active programme to complete the plan must have been initiated and actions required to complete the plan to sell the assets (or disposal group) should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If a component of EADS has either been disposed of or is classified as held for sale and (i) represents a separate major line of business or geographical area of operations, (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (iii) is a subsidiary acquired exclusively with a view to resale the component is a discontinued operation.

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

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

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

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

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

(ii) **Cash flow hedge:** The Group applies cash flow hedge accounting generally to foreign currency derivative contracts on future sales as well as to certain interest rate swaps hedging the variability of cash flows attributable to recognised assets and liabilities. Changes in fair value of the hedging instruments related to the effective part of the hedge are reported in AOCI, a separate component of total equity, net of applicable income taxes and recognised in the Consolidated Income Statement in conjunction with the result of the underlying hedged transaction, when realised. The ineffective portion is immediately recorded in "Profit for the period". Amounts accumulated in equity are recognised in the Consolidated Income Statement in the periods when the hedged transaction affects the Consolidated Income Statement, such as when the forecast sale occurs or when the finance income or finance expense is recognised in the Consolidated Income Statement. If hedged transactions are cancelled, gains and losses on the hedging instrument that were previously recorded in equity are generally recognised in "Profit for the period". Apart from derivative financial instruments, the Group also uses financial liabilities denominated in a foreign currency to hedge foreign currency risk inherent in forecast transactions. If the hedging instrument expires or is sold, terminated or exercised, or if its designation as hedging instrument is revoked, amounts previously recognised in equity remain in equity until the forecasted transaction or firm commitment occurs.

(iii) **Net investment hedge:** Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in AOCI; the gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement. Gains and losses accumulated in AOCI are included in the Consolidated Income Statement when the foreign entity is disposed of.

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

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

The fair values of various derivative financial instruments used as hedging instruments are disclosed in Note 34 "Information about financial instruments". Periodical movements in the AOCI, the separate component of total equity in which the effective portion of cash flow hedges are recognised, are disclosed in Note 34 d).

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

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

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

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

(ii) Deferred tax assets and liabilities are generally recognised on temporary valuation differences between the carrying amounts of assets and liabilities and their respective tax bases, as well as for net operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period the new rates are enacted or substantially enacted. As deferred tax assets anticipate potential future tax benefits, they are recorded in the Consolidated Financial Statements of EADS only to the extent that it is probable that future taxable profits will be available against which deferred tax assets will be utilised. The carrying amount of deferred tax assets is reviewed at each financial year-end.

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

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

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

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

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

Outstanding costs are provided for at the best estimate of future cash outflows. Provision for **other risks and charges** relate to identifiable risks representing amounts expected to be realised.

Provisions for **contract losses** are recorded when it becomes probable that estimated contract costs based on a total cost approach will exceed total contract revenues. Contractual penalties are included in the contractual margin calculation. Provisions for loss making contracts are recorded as write downs of work-in-process for that portion of the work which has already been completed, and as provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and include foreign currency effects. Provisions for loss making contracts are updated regularly.

Provisions for (i) **constructive obligations** and liquidated damages caused by delays in delivery and for (ii) **terminating** existing customer orders are based on best estimates of future cash outflows for anticipated payments to customers. Provisions for **litigation and claims** are set in case legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Group which are a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required for the settlement and a reliable estimate of the obligation's amount can be made.

Restructuring provisions are only recognised when a detailed formal plan for the restructuring – including the concerned business or part of the business, the principal locations affected, details regarding the employees affected, the restructuring's timing and expenditures that will have to be undertaken – has been developed and the restructuring has either commenced or the plan's main features have already been publicly announced to those affected by it.

Employee benefits — The valuation of **pension and post-retirement benefits** classified as defined benefit plans is based upon the projected unit credit method in accordance with IAS 19 "Employee Benefits". In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds with an AA rating.

EADS recognises actuarial gains and losses in full for all its defined benefit plans immediately in retained earnings and presents them in its Consolidated Statements of Comprehensive Income.

Past service costs are recognised as an expense in EADS Consolidated Income Statements on a straight-line basis over the average period until the benefits become vested. Past service costs relating to benefits already vested are expensed immediately.

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

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

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

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

Share based compensation — **Stock options** issued by EADS up to 2006 are accounted for in accordance with IFRS 2 "Share-based Payment" and qualify as **equity settled share-based payments**. In 2007, EADS also introduced a performance and restricted unit plan (LTIP) which qualifies as **cash settled share-based payment plan** under IFRS 2. For both types, associated services received are measured at fair value and are calculated by multiplying the number of options (or units) expected to vest with the fair value of one option (or unit) as of grant date (end of the reporting period). The fair value of the option (or unit) is determined by applying the Black Scholes Option Pricing Model.

The fair value of the services is recognised as personnel expense. In case of equity settled share based payment plans the personnel expense results in a corresponding increase in consolidated retained earnings over the vesting period of the respective plan. For cash settled share based payment plans a corresponding liability is recognised. Until the liability is settled its fair value is remeasured at each end of the reporting period through the Consolidated Income Statement.

Part of the grant of both types of share-base payment plans is conditional upon the achievement of non-market performance conditions and will only vest provided that the performance conditions are met. If it becomes obvious during the vesting period of an equity settled share-based payment plan that some of the performance conditions will not be met and, hence, the number of equity instruments expected to vest differs from that originally expected, the expense is adjusted accordingly.

EADS offers its employees under the **employee stock ownership plan (ESOP)** EADS shares at fair value matched with a number of free shares based on a determining ratio. The number of free shares is recognised at fair value as personnel expense in EADS' Consolidated Income Statements at grant date.

Emission rights and provisions for in-excess-emission — Under the EU Emission Allowance Trading Scheme (EATS) national authorities have issued on 1 January 2005 permits (emission rights), free of charge, that entitle participating companies to emit a certain amount of greenhouse gas over the compliance period.

The participating companies are permitted to trade those emission rights. To avoid a penalty a participant is required to deliver emission rights at the end of the compliance period equal to its emission incurred.

EADS recognises a provision for emission in case it has caused emissions in excess of emission rights granted. The provision is measured at the fair value (market price) of emission rights necessary to compensate for that shortfall at each end of the reporting period.

Emission rights held by EADS are generally accounted for as intangible assets, whereby:

(i) emission rights allocated for free by national authorities are accounted for as a non-monetary government grant at its nominal value of nil;

(ii) emission rights purchased from other participants are accounted for at cost or the lower recoverable amount; if they are dedicated to offset a provision for in excess emission, they are deemed to be a reimbursement right and are accounted for at fair value.

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

Financing liabilities — Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, loans, loans to affiliated non-consolidated companies as well as finance lease liabilities. Financing liabilities qualify as financial liabilities and are recorded initially at the fair value of the proceeds received, net of transaction costs incurred. Subsequently, financing liabilities other than finance lease liabilities are measured at amortised cost using the effective interest rate method with any difference between proceeds (net of transaction costs) and redemption amount being recognised in "Total finance income (cost)" over the period of the financing liability.

Current / non-current other financial liabilities — Current / non-current other financial liabilities mainly include refundable advances and derivatives with a negative market value. Refundable advances from European Governments are provided to the Group to finance research and development activities for certain projects on a risk-sharing basis, *i.e.* they have to be repaid to the European Governments subject to the success of the project.

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

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

Liability for puttable instruments — Under certain circumstances, EADS records a financial liability rather than an equity instrument for the exercise price of a written put option on an entity's equity.

Litigation and claims — Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. EADS believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Group to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term "reasonably possible" is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely. Although the final resolution of any such matters could have an effect on the Group's profit for the period for the particular reporting period in which an adjustment of the estimated reserve would be recorded, the Group believes that any such potential adjustment should not materially affect its Consolidated Financial Statements. For further details please refer to Note 32 "Litigation and claims".

Use of Accounting Estimates

EADS' significant accounting policies, as described above, are essential for the understanding of the Group's results of operations, financial positions and cash flows. Certain of these accounting policies require accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such accounting estimates could change from period to period and might have a material impact on the Group's results of operations, financial positions and cash flows. The assumptions and estimates used by EADS' management are based on parameters which are derived from the knowledge at the time of preparing the Consolidated Financial Statements.

In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry specific environment were used to estimate the

Company's future business performance. Where these conditions develop differently than assumed, and beyond the control of the Company, the actual figures may differ from those anticipated. In such cases, the assumptions, and if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

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

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

Revenue recognition on construction contracts — EADS conducts a significant portion of its business under construction contracts with customers, for example within aerospace related governmental programmes. The Group generally accounts for construction projects using the percentage-of-completion method, recognising revenue as performance on a contract progresses measured either on a milestone or on a cost-to-cost basis depending on contract terms. This method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. Management of the operating Divisions continually review all estimates involved in such construction contracts and adjusts them as necessary. See Note 19 "Trade receivables" for further information.

Business combinations — In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market prices. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, EADS either consults with an independent external valuation expert or develops the fair value internally, using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. See Note 4 "Acquisitions and Disposals" and Note 14 "Intangible assets" for further information.

Goodwill impairment test and recoverability of assets — EADS tests at least annually whether goodwill has suffered any impairment, in accordance with its accounting policies. The determination of the recoverable amount of a Cash Generating Unit (CGU) to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced by several assumptions including for example growth assumptions of CGUs, availability and composition of future defence and institutional budgets, foreign exchange fluctuations or implications arising from the volatility of capital markets. EADS generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations basically use five-year projections that are based on the operative plans approved by management. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using estimated growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital, tax rates and foreign exchange rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Likewise, whenever property, plant and equipment and other intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment. See Note 14 "Intangible assets" for further information.

Trade and other receivables — The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends including potential impacts from the EU sovereign debt crisis and analysis of historical bad debts. See Note 19 "Trade receivables" for further information.

Foreign currency derivatives — Fair value measurements of foreign currency derivatives are based on market assumptions relating to, among others, foreign exchange basis spreads and relevant interest rate levels. See Note 34 "Information about Financial Instruments" for further information.

Employee benefits — The Group accounts for pension and other postretirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including the discount rate, expected return on plan assets, expected salary increases and mortality rates. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds with an AA rating. Expected returns on plan assets assumptions are determined considering long-term historical returns and asset allocations. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in postretirement employee benefit obligations and the related future expense. See Note 25b) "Provisions for retirement plans" for further information.

Provisions — The determination of provisions, for example for onerous contracts, warranty costs and legal proceedings is based on best available estimates. Onerous sales contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which also requires significant judgement related to achieving certain performance standards as well as estimates involving warranty costs. Depending on the size and nature of EADS's contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. Especially, the introduction of new commercial aircraft programmes (such as the A350 XWB) or major derivative aircraft programmes particularly involves an increased level of estimates and judgements associated with the expected development, production and certification schedules and expected cost components. A commercial aircraft contract or amendment to a contract may include option clauses for extension as well as termination of full or part of the contract. The assessment of the probability of execution of these options is based on management's best estimates. Estimates and judgements are subject to change based on new information as contracts and related programmes progress. Furthermore, the complex design and manufacturing processes of EADS' industry require challenging integration and coordination along the supply chain including an ongoing assessment of supplier's assertions which may additionally impact the outcome of these monitoring processes. See Note 25c) "Other provisions" for further information.

Legal contingencies — EADS companies are parties to litigations related to a number of matters as described in Note 32 "Litigation and claims". The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of EADS. Management regularly analyses current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against EADS companies or the disclosure of any such suit or assertions, does not automatically indicate that a provision may be appropriate. See Note 32 "Litigation and claims" for further information.

Income taxes — EADS operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgments are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the current income tax liabilities and deferred income tax liabilities in the period in which such determinations are made. At each end of the reporting period, EADS assesses whether the realisation of future tax benefits is sufficiently probable to recognise deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group's ability to utilise future tax benefits. See Note 13 "Income Taxes" for further information.

3. Scope of Consolidation

Perimeter of consolidation (31 December 2012) — The Consolidated Financial Statements include, in addition to EADS N.V.:

— 2012: 271 (2011: 245) companies which are fully consolidated;

— 2012: 47 (2011: 46) companies which are proportionately consolidated;

— 2012: 23 (2011: 18) investments in associates accounted for using the equity method.

The number of investments in associates only comprises the respective parent company.

Significant subsidiaries, associates and joint ventures are listed in the Appendix entitled "Information on principal investments".

4. Acquisitions and Disposals

a) Acquisitions and other M&A Transactions

The following individually insignificant M&A transactions of EADS' divisions were completed during the financial year 2012 with the intention to further expand EADS' platform and services portfolio.

On 3 April 2012, Astrium acquired 66.8% of Space Engineering SpA, Rome (Italy), a specialist in digital telecommunications, RF and antenna equipment engineering for both space and ground based applications for a total consideration of € 10 million. This acquisition enhanced Astrium's capability to develop and manufacture sophisticated telecommunications hardware and underlines Astrium's commitment to the Italian space market. Space Engineering SpA reported revenues of € 17 million for the full year 2012.

On 1 July 2012, Cassidian acquired 51% of Rheinmetall Airborne Systems GmbH, Bremen (Germany), for a total consideration of € 85 million, to pursue Rheinmetall's activities related to Unmanned Aerial Systems (UAS) as well as cargo loading systems (CLS) together with Rheinmetall within a new entity. Rheinmetall Airborne Systems GmbH reported revenues of € 63 million for the full year 2012.

On 1 October 2012, Cassidian acquired 75.1% of the shares of Carl Zeiss Optronics GmbH, Oberkochen (Germany), with the intention to run the optics and optronics activities of Carl Zeiss Optronics GmbH together with Carl Zeiss AG for a total consideration of € 121 million. Carl Zeiss Optronics GmbH is a manufacturer of optronic, optic and precision-engineered products for military and civil applications. Carl Zeiss Optronics GmbH reported revenues of € 110 million for the full year 2012.

On 16 November 2012, Cassidian acquired 99.8% of Netasq, Villeneuve d'Ascq (France), a leading expert and pioneer in the IT security market for a total consideration of € 27 million. Netasq reported revenues of € 17 million for the full year 2012.

All Cassidian acquisitions are expected to strengthen Cassidian´s market positions in the global UAS-, sensor- and cybersecurity related markets by providing access to broader development resources as well as additional product and service offerings being complementary to Cassidian´s current portfolio.

On 20 November 2012, EADS acquired Eltra Holdings Pte Ltd., Singapore (Singapore), an aerospace group involved in various aerospace supply chain and MRO activities for a total consideration of € 28 million. Eltra Holdings Pte Ltd. reported revenues of € 31 million for the full year 2012.

Finally, Eurocopter expanded the MRO engine business of its subsidiary Vector Aerospace Corp., Toronto (Canada), via several asset deals in the first half year 2012, primarily in the Asia-Pacific region, for a total consideration of € 43 million. The acquired businesses reported revenues of € 17 million for the full year 2012.

For all these individually insignificant transactions mentioned, the goodwill of € 199 million primarily includes a control premium reflecting the expected synergies arising from the combination with the existing businesses of EADS, joint future market developments as well as the values of the various assembled workforces.

The following table summarises for all individually insignificant M&A transactions mentioned above the considerations transferred, the fair value of identifiable assets acquired, liabilities assumed and any non-controlling interest as at the acquisition date. For all M&A transactions, fair values remain provisional due to ongoing purchase price allocation projects, but will be finalised within 12 months after each acquisition date.

Fair value recognised on acquisition	2012 individually insignificant acquisitions
(In € million)	
Intangible assets[1]	58
Customer/supplier relationships[1]	*15*
Technologies/Licenses[1]	*41*
Trademarks[1]	*2*
Property, plant and equipment	41
Inventories	105
Trade receivables	65
Other assets	42
Cash and cash equivalents	58
	369
Provisions	126
Financing liabilities	11
Trade liabilities	32
Tax liabilities	10
Other liabilities	67
	246
Net assets acquired	**123**
Non-controlling interests[2]	8
EADS' portion in net assets acquired	**115**
Preliminary goodwill[3] arising on acquisition (see Note 14 "Intangible Assets")	199
Total consideration[4]	**314**

(1) Depending on the specific fact pattern of each M&A transaction, customer/supplier relationships, technologies/licences and trademarks are expected to be amortised over a period between 3-8 years, 5-7 years and 2 years respectively (the latter only regarding specific product-related trademarks in connection with the Carl Zeiss Optronics transaction, as most of the acquired corporate trademarks are considered to have an indefinite life).
(2) All non-controlling interest portions were measured at their proportional share in net assets.
(3) None of the goodwill portions of EADS' 2012 M&A transactions are considered to be tax deductable in the respective local tax accounts.
(4) The total consideration (€314 million) exceeds total consideration paid gross of acquired cash in 2012 (€259 million) by €55 million. Thereof, €52 million relate to the recognition of earn-out obligations to be paid at a later stage, impacts from the separate recognition of settlements of pre-existing relationships (€7 million) as well as the recognition of previously held shares within the step-acquisitions of Netasq at their fair values of €1 million. Further, EADS' total consideration paid gross of acquired cash in 2012 also included €5 million paid to non-controlling shareholders of Satair (a 2011 acquisition) in a linked-squeeze out transaction in February 2012. All gains related to business combinations were presented within 'other income' in the Consolidated Income Statement.

As at the acquisition dates, trade and other receivables of these acquired companies comprise gross contractual amounts due of €71 million of which €6 million are expected to be uncollectible resulting in a fair value of the trade receivables portfolio of €65 million. The fair value of contingent considerations of €52 million relates to certain future order intake levels of some acquirees.

The table attached summarises selected profit and loss related key figures of these 2012 M&A transactions, such as the contributions of all acquired entities to EADS Group´s revenue, EBITDA and profit for the 2012 period since their acquisition dates as well as their revenues, EBITDA and profit during the 12 months period ended 31 December 2012.

(In € million)[1]	2012 individually insignificant acquisitions
Acquisition date	various dates
Acquisition costs[2]	3
2012 revenue contributions since acquisition date	65
2012 contributions to the EBITDA of EADS since acquisition date	2
2012 contributions to the profit of EADS since acquisition date	2
Revenues during the 12 months period ended 31 December 2012	255
Pro-forma EBITDA during the 12 months period ended 31 December 2012[3]	9
Pro-forma profit during the 12 months period ended 31 December 2012[3]	1

(1) If not stated otherwise.
(2) All acquisition related costs mentioned have been excluded from the consideration transferred and have been recognised as an expense in the current year, within 'other expenses' in the Consolidated Income Statement.
(3) EADS considers these 'pro-forma' profit figures to represent an initial approximate measure to determine the performance of the combined group on an annualised basis and to provide an initial reference point for comparisons in future periods without considering additional impacts arising from synergies, exceptionals and one-offs that related to the acquisition or will contribute to the future efficiency of the acquired companies as well as any unwinding effects on the profit for the period from amortisation impacts of intangible assets recognised within the purchase price allocations.

Transactions with non-controlling shareholders

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 for €7 million.

In addition to pursuing organic growth via its divisions, EADS significantly strengthened its services and platform portfolio by several M&A transactions during 2011. The following section reflects the outcome of the finalised purchase price allocation procedures related to EADS' 2011 M&A transactions.

Acquisition of Vector Aerospace Group

On 30 June 2011, Eurocopter Holding S.A.S., a subsidiary of EADS N.V., acquired 98.3% of Vector Aerospace Corporation, Toronto (Canada), (hereafter referred to as "Vector") following a CAD 13.00 / share cash offer for all of the outstanding common shares of Vector, including all shares that may be issued on the exercise of options granted under Vector's share option plan. The remaining 1.7% shares of Vector were acquired via linked squeeze out procedures finalised on 4 August 2011.

Vector is an independent global provider of Original Equipment Manufacturer (OEM) approved Maintenance, Repair and Overhaul aviation services (MRO services) for aircraft and helicopter operators. The acquisition of Vector will help to increase the growth of support and services activities for Eurocopter and EADS in both the civil and governmental markets. Vector will also strengthen EADS' presence in North America and the UK, in alignment with the company's strategic goals as outlined in EADS' Vision 2020 plan.

The total consideration includes the amount paid in cash for the acquisition of 98.3% of Vector's shares (€452 million) at the end of June 2011 as well as the amount of €8 million paid to the remaining shareholders within linked squeeze out procedures.

The acquired intangible assets of €158 million identified within a purchase price allocation include customer relationships, a brand name as well as supplier relationships. The goodwill of €181 million includes a control premium reflecting the expected synergies arising from the combination with the existing MRO business of Eurocopter and EADS, joint future market developments as well as the significant value of Vector's assembled workforce. The gross amount of the trade receivables acquired of €88 million reflects their fair value. None of the trade receivables have been significantly impaired and it is expected that the full contractual amounts can be collected.

Acquisition of Satair Group

On 5 October 2011, Airbus S.A.S., a subsidiary of EADS N.V., obtained control of Satair A / S, Copenhagen, Denmark (hereafter referred to as "Satair") via its subsidiary Airbus Denmark Holding ApS following a public voluntary conditional tender offer of DKr 580 / share for all of the outstanding shares of Satair, including an offer of DKr 378.66 / warrant for each warrant holder. As a result of the public voluntary offer EADS acquired 98.5% of Satair's shares during October and November 2011, while the remaining 1.5% of Satair's shares were acquired via linked squeeze out procedures finalised on 6 February 2012.

Satair is a Danish premier independent distributor of aircraft parts and services specialised in expendables and components. Through its worldwide supply chain network and its regional sales offices, Satair provides aviation parts and innovative services to a broad customer base around the world, supporting all major aircraft families in the commercial aviation market. The acquisition will facilitate the growth of Airbus' material management business and offers an opportunity to develop new services both in civil and governmental markets.

The total consideration of € 351 million for this acquisition includes € 346 million paid in cash for 98.5% of Satair's shares and 100% of warrants during October and November 2011 as well as an amount of € 5 million paid to the remaining shareholders (1.5% of Satair´s shares) within the linked squeeze out procedures finalised in February 2012.

Intangible assets of € 139 million identified during a purchase price allocation primarily included supplier relationships and a brand name. The goodwill of € 163 million reflects the assembled workforce of Satair as well as the expected business volume from the future expansion of aerospace supplier relationships.

At the acquisition date the trade and other receivables comprise gross contractual amounts due of € 48 million of which € 1 million were expected to be uncollectible resulting in a fair value of the trade receivables portfolio of € 47 million.

Acquisition of Vizada Group

On 19 December 2011, Astrium Holding S.A.S., a subsidiary of EADS N.V., acquired 100% of MobSat Group Holding S.a.r.l., Munsbach, Luxemburg, being the ultimate parent company of Vizada group (hereafter referred to as "Vizada") from a consortium of investors led by Apax France, a French Private Equity fund and the former majority shareholder. The total consideration paid by Astrium included € 413 million for the acquisition of Vizada´s equity instruments as well as € 325 million due to a mandatory extinguishment of the former Vizada debt structure.

Vizada - being a world leader in commercial satellite communications services - comprises Vizada Americas, Vizada Networks, Vizada EMEA & Asia and Marlink. By serving 200.000 end-customers across all major satcom sectors such as maritime, aero, land or media, but also non governmental organisations and various governmental / defence customers, Vizada offers mobile and fixed connectivity services from multiple satellite network operators both directly and through a network of currently 400 service provider partners. This acquisition will broaden the range of services offered globally by Astrium, as such strengthening also EADS' presence across Europe, the Middle East, Asia, Africa and the United States. As Astrium´s existing satellite communications portfolio is heavily focused on governmental and secure civil satcom services, Vizada forms a perfect complement to Astrium´s current service portfolio and will enable Astrium to be more innovative and to diversify its range of satcom services.

Intangible assets of € 73 million identified within a purchase price allocation primarily included customer relationships and brand names. The final goodwill of € 579 million primarily includes a control premium reflecting expected synergies arising from the business combination as well as future customer relationships in the global satcom market. At the acquisition date the trade and other receivables comprise gross contractual amounts due of € 118 million of which € 9 million were expected to be uncollectible resulting in a fair value of the trade receivables portfolio of € 109 million.

The following table summarises for all three significant M&A transactions described above (Vector, Satair and Vizada) as well as for all remaining individually insignificant M&A transactions mentioned below the consideration transferred, the final fair values of identifiable assets acquired, liabilities assumed and any non-controlling interest as at the acquisition date.

Fair value recognised on acquisition	Acquisition of Vector Aerospace	Acquisition of Satair	Acquisition of Vizada	Remaining individually insignificant acquisitions	Final figures for all 2011 acquisitions	Aggregated changes	Provisional figures for all 2011 acquisitions
(In € million)							
Intangible assets[1]	158	139	73	141	511	(11)	522
Customer/supplier relationships[1]	*93*	*66*	*61*	*30*	*250*	*1*	*249*
Technologies/Licenses[1]	*16*	*5*	*1*	*104*	*126*	*18*	*108*
Trademarks[1]	*49*	*68*	*11*	*7*	*135*	*(30)*	*165*
Property, plant and equipment	85	8	61	54	208	(13)	221
Inventories	103	87	6	78	274	0	274
Trade receivables	88	47	109	143	387	(5)	392
Others	7	41	10	70	128	(17)	145
Cash and cash equivalents	28	4	29	35	96	0	96
	469	**326**	**288**	**521**	**1,604**	**(46)**	**1,650**
Provisions	6	0	23	111	140	15	125
Financing liabilities	19	52	0	132	203	0	203
Trade liabilities	66	35	106	81	288	0	288
Tax liabilities	53	31	0	17	101	(7)	108
Other liabilities	46	20	0	141	207	3	204
	190	**138**	**129**	**482**	**939**	**11**	**928**
Net assets acquired	**279**	**188**	**159**	**39**	**665**	**(57)**	**722**
Non-controlling interests	0	0	0	2[4]	2[4]	(5)	7[4]
EADS' portion in net assets acquired	**279**	**188**	**159**	**37**	**663**	**(52)**	**715**
Badwill[2] arising on acquisition	0	0	0	(2)	(2)	0	(2)
Goodwill[3] arising on acquisition (see Note 14 "Intangible Assets")	181	163	579	97	1,020	52	968
Total consideration[5]	**460**	**351**	**738**	**132**	**1,681**	**0**	**1,681**

(1) Depending on the specific fact pattern of each M&A transaction, customer/supplier relationships, technologies/licences and trademarks are expected to be amortised over a period between 3-28 years, 5-14 years and 1-8 years respectively (the latter only regarding product and specific corporate trademarks in connection with the ND SatCom, Signalis and Grintek transaction, as most of the acquired corporate trademarks are considered to have an indefinite life).
(2) The badwill of €2 million arose in the context of the ND SatCom acquisition and has been recognised as a gain in the current year, within 'other income' in the Consolidated Income Statement.
(3) None of the goodwill portions of EADS' 2011 M&A transactions is considered to be tax deductable in the respective local tax accounts.
(4) Except for the non-controlling interest in ND SatCom, which was measured at its fair value of €2 million with reference to the acquisition price of the shares acquired by Astrium, all remaining non-controlling interest portions in Grintek and i-cubed of €5 million in total were measured at their proportional share in net assets.
(5) The total consideration (€1,681 million) exceeds total consideration paid gross of acquired cash in 2011 (€1,631 million) by €50 million due to the inclusion of €5 million paid to non-controlling shareholders of Satair in a linked-squeeze out transaction in February 2012, the recognition of previously held shares within the step-acquisitions of Grintek and i-cubed at their fair values of €27 million (resulting in an included step-up gain of €6 million), a merger gain of €14 million arisen in the Signalis transaction as well as due to impacts from the separate recognition of settlements of pre-existing relationships (€4 million).
All gains related to business combinations were presented within 'other income' in the Consolidated Income Statement.

In addition to these three significant 2011 M&A transactions the following M&A activities of EADS' divisions are summarised in the column "remaining individually insignificant acquisitions" in the table above.

Additional M&A transactions of the Airbus Division

On 19 October 2011, Airbus Americas, Inc., Herndon, Virginia (USA), a subsidiary of EADS N.V., acquired 100% of the shares and voting rights of Metron Holdings, Inc., Dulles, Virginia (USA), the ultimate parent company of Metron Aviation (hereafter referred to as "Metron") from its management team and two institutional investors for a total consideration of €55 million. In general, Metron provides advanced research, Air Traffic Flow Management (ATFM), airspace design, energy and environmental solutions to Air Navigation Service Providers (ANSPs), airlines and airports worldwide. Especially, Metron is a US prime contractor on System Engineering 2020 (SE-2020), the FAA's strategic programme in connection with the US Next Generation Air Transportation System (NextGen) initiative to modernise the U.S. national airspace system. Metron also provides advanced research and development services related to SESAR - the Single European Sky ATM Research

Programme of the European Commissions and EUROCONTROL. This acquisition strengthens Airbus' strategy to accelerate and support ATFM programmes that will significantly improve global air transportation capacity, efficiency and environmental sustainability. Metron reported revenues of €32 million for the full year 2011.

On 20 October 2011, Airbus Operations GmbH, a subsidiary of EADS N.V., acquired 74.9% of the shares and voting rights of PFW Aerospace AG, Speyer, Germany, the ultimate parent company of PFW Aerospace Group (hereafter referred to as "PFW") in a linked transaction for a total consideration of €4 million primarily arising from impacts due to the separate recognition of settlements of pre-existing relationships (€4 million). PFW is a specialised producer of tube and duct systems, aircraft on-board cargo loading systems as well as structural and assembly components. Airbus' investment is intended to stabilise PFW´s financial position and operational set up during its current turnaround situation. PFW reported revenues of €167 million for the full year 2011.

Additional M&A transactions of the Astrium Division

On 28 February 2011, Astrium Services GmbH, Ottobrunn, Germany, a subsidiary of EADS N.V., obtained control of ND SatCom GmbH, Immenstaad (Germany), a supplier of satellite and ground systems equipment and solutions, by acquiring 75.1% of the shares and voting interests in the company for a total consideration of €5 million from SES ASTRA. With this acquisition, Astrium and SES ASTRA will further reinforce their long-term relationship, and will also explore the potential for the two companies to work together in the development of new business opportunities in the government and institutions sector, as well as other specific satellite infrastructure projects. This acquisition also provides an opportunity to Astrium to deploy a significantly wider product range by combining Astrium's secure satcoms, networks and terminals expertise with ND SatCom's for a stronger offering to the civil, governmental and military markets. ND SatCom reported revenues of €52 million for the full year 2011.

On 10 May 2011, the GEO Information Division of Astrium Services (formerly Spot Image and Infoterra, hereafter referred to as GEO) expanded its investment in i-cubed LLC, Fort Collins, Colorado (USA), (hereafter referred to as i-cubed) from 25.6% to 77.7% by a step-acquisition of additional 52.1% for €6 million via its US subsidiary SPOT Image Corporation, Chantilly, Virginia (USA). i-cubed is a leading worldwide provider of value-added imagery and geospatial data management technologies for commercial and governmental customers, including amongst others earth imaging satellite operators, wireless telecommunications companies, geo-related internet portals and various governmental agencies. This step acquisition strengthened GEO´s longstanding relationships with i-cubed and will enable GEO to capitalise on combined resources across Astrium to assist in delivering i-cubed's innovative solutions for geospatial content management to the global market. i-cubed reported revenues of €8 million for the full year 2011.

Additional M&A transactions of the Cassidian Division

On 11 January 2011, Cassidian and Atlas Elektronik GmbH, Bremen, Germany (hereafter referred to as Atlas Elektronik), a joint venture of ThyssenKrupp AG and Cassidian, completed the merger of their maritime safety and security activities formerly carried out via their separate subsidiaries Sofrelog and Atlas Maritime Security. The new company named SIGNALIS was set up as a medium-sized corporation which will be co-owned by Cassidian (60%) and Atlas Elektronik (40%). SIGNALIS will address markets worldwide with innovative, reliable and cost effective maritime security products ranging from small-scale Vessel Traffic Service (VTS) systems to high-performance Coastal Surveillance Systems (CSS). It will also provide solutions for harbour security, port management and information systems, as well as other related radar processing applications. This merger will allow Cassidian and Atlas Elektronik to offer their customers solutions that will respond to even more complex safety and security needs covering land and sea based on SIGNALIS' proven capabilities to integrate the latest sensor systems, communications, and data processing technologies. For the full year 2011, SIGNALIS reported revenues of €39 million.

On 9 June 2011, Cassidian increased via EADS Deutschland GmbH, Ottobrunn, Germany, (hereafter referred to as Cassidian) its 45.0% shareholding in Grintek Ewation (Pty) Ltd., Pretoria, South Africa, (hereafter referred to as GEW) by acquiring a 42.4% stake formerly held by Saab South Africa Ltd., Centurion, South Africa, for €21 million within a step-acquisition. A 12.6% shareholding was held by Kunene Finance Company (Pty.) Ltd., Gauteng, South Africa, a South African private equity investor. GEW is a system engineering company for the design and production of sophisticated communication monitoring and direction finding systems, equipment for the management of frequency spectrums and related countermeasures as well as integrated security systems incorporating a wide range of surveillance and monitoring products. The new shareholding structure takes the long standing relationship between GEW and Cassidian to a new level and provides the opportunity for future growth and competitiveness on a global scale in the field of governmental intelligence and electronic protection. GEW reported revenues of €58 million for the full year 2011.

For all these individually insignificant transactions mentioned, the goodwill of €97 million primarily reflects expected synergies from combining these acquired companies with the operations of the acquiring EADS divisions as well as the expertise of their assembled workforces. At the acquisition date trade and other receivables of these acquired companies comprise gross contractual amounts due of €145 million of which €2 million were uncollectible resulting in a fair value of the trade receivables portfolio of €143 million.

The table attached summarises selected profit and loss related key figures of these 2011 M&A transactions, such as the contributions of all acquired entities to EADS Group´s revenue, EBITDA and profit for the 2011 period since their acquisition dates as well as their revenues, EBITDA and profit during the 12 months period ended 31 December 2011.

(In € million)(1)	Vector Aerospace	Satair	Vizada	Remaining individually insignificant acquisitions	Total acquisitions
Acquisition date	30 June 2011	5 October 2011	19 December 2011	various dates	various dates
Acquisition costs(2)	8	6	7	5	26
2011 revenue contributions since acquisition date	210	86	0	159	455
2011 contributions to the EBITDA of EADS since acquisition date	13	1	0	0	14
2011 contributions to the profit of EADS since acquisition date	(13)	0	0	(13)	(26)
Revenues during the 12 months period ended 31 December 2011	411	326	447	378	1,562
Pro-forma EBITDA during the 12 months period ended 31 December 2011(3)	40	28	61	4	133
Pro-forma profit (loss) during the 12 months period ended 31 December 2011(3)	17	7	10	(60)	(26)

(1) If not stated otherwise.
(2) All acquisition related costs mentioned have been excluded from the consideration transferred and have been recognised as an expense in the current year, within “other expenses” in the Consolidated Income Statement.
(3) EADS considers these “pro-forma” profit figures to represent an initial approximate measure to determine the performance of the combined group on an annualised basis and to provide an initial reference point for comparisons in future periods without considering additional impacts arising from synergies, exceptionals and one-offs that related to the acquisition or will contribute to the future efficiency of the acquired companies as well as any unwinding effects on the profit for the period from amortisation impacts of intangible assets recognised within the purchase price allocations.

Transactions with non-controlling shareholders

On 7 June 2011, EADS N.V. purchased the remaining 25% of DADC Luft- und Raumfahrt Beteiligungs AG, Munich (Germany), from Daimler Luft- and Raumfahrt Holding AG, Ottobrunn, for a total consideration of € 110 million.

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

b) Disposals

On 13 May 2011, EADS North America, Inc., Herndon, Virginia (USA), sold its subsidiary EADS North America Defense Security and Systems Solutions, Inc., San Antonio, Texas (USA), to Camber Corporation, Huntsville, Alabama (USA), for a total consideration of € 18 million.

The cash flows of the disposed shares as well as the capital gain on sale were as follows:

(In € million)	2011
Consideration received in cash and cash equivalents	18
Total selling price including contingent consideration	18
Net assets disposed of	(18)
Capital gain	**0**

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

2.2 Notes to the Consolidated Income Statements (IFRS)

5. Segment Reporting

Through the end of 2012, the Group operated in five reportable segments which reflect the internal organisational and management structure according to the nature of the products and services provided.

— **Airbus Commercial** — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services.

— **Airbus Military** — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

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

— **Eurocopter** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.

— **Astrium** — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services.

— **Cassidian** — Development, manufacturing, marketing and sale of missiles systems, military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communications solutions and logistics; training, testing, engineering and other related services.

The following tables present information with respect to the Group's business segments. "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.".

a) Business Segment Information for the year ended 31 December 2012

(In € million)	Airbus Commercial	Airbus Military	Eurocopter	Astrium	Cassidian	Other Businesses	Total Segments	HQ/Conso.	Consolidated
Total revenues	36,943	2,131	6,264	5,817	5,740	1,524	58,419	53	58,472
Internal revenues	(716)	(279)	(540)	(23)	(232)	(182)	(1,972)	(20)	(1,992)
Revenues	**36,227**	**1,852**	**5,724**	**5,794**	**5,508**	**1,342**	**56,447**	**33**	**56,480**
Segment result	**1,100**	**74**	**307**	**309**	**113**	**32**	**1,935**	**(45)**	**1,890**
thereof additions to other provisions (see Note 25c)	*776*	*50*	*843*	*157*	*645*	*25*	*2,496*	*185*	*2,681*
thereof impairments of intangible assets and PPE	*(30)*	*0*	*0*	*0*	*(100)*	*0*	*(130)*	*0*	*(130)*
Share of profit from associates accounted for under the equity method	0	18	3	(1)	23	0	43	198	241
Profit before finance costs and income taxes	**1,100**	**92**	**310**	**308**	**136**	**32**	**1,978**	**153**	**2,131**
Goodwill impairment	0	0	0	0	0	17	17	0	17
Exceptionals	25	1	1	4	6	0	37	1	38
EBIT pre-goodwill impairment and exceptionals (see definition in Note 5c)	**1,125**	**93**	**311**	**312**	**142**	**49**	**2,032**	**154**	**2,186**
Total finance costs									(453)
Income tax expense									(449)
Profit for the period									**1,229**
Attributable to:									
Equity owners of the parent (Net income)									1,228
Non-controlling interests									1
OTHER INFORMATION									
Identifiable segment assets (incl. goodwill)(1)	35,697	4,051	9,354	7,855	9,634	1,510	68,101	(708)	67,393
thereof goodwill	*6,670*	*12*	*323*	*1,236*	*2,711*	*17*	*10,969*	*34*	*11,003*
Investments in associates	1	0	4	0	133	3	141	2,521	2,662
Segment liabilities(2)	39,250	1,803	8,796	7,837	10,211	802	68,699	115	68,814
thereof provisions (see Note 25)	*6,880*	*1,226*	*2,670*	*1,084*	*2,992*	*128*	*14,980*	*881*	*15,861*
Capital expenditures (excl. leased assets)	2,288	85	323	393	179	41	3,309	(39)	3,270
Depreciation, amortisation	1,205	77	134	298	252	45	2,011	42	2,053
Research and development expenses	2,431	11	297	128	234	12	3,113	29	3,142

(1) Segment assets exclude investments in associates, current and deferred tax assets as well as cash and cash equivalents and securities as segment result does not include share of profit from associates, total finance costs and income taxes.
(2) Segment liabilities exclude current and deferred tax liabilities and interest bearing liabilities.

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b) Business Segment Information for the year ended 31 December 2011

(In € million)	Airbus Commercial	Airbus Military	Eurocopter	Astrium	Cassidian	Other Businesses	Total Segments	HQ/Conso.	Consolidated
Total revenues	31,159	2,504	5,415	4,964	5,803	1,252	51,097	31	51,128
Internal revenues	(770)	(374)	(458)	(15)	(221)	(162)	(2,000)	0	(2,000)
Revenues	**30,389**	**2,130**	**4,957**	**4,949**	**5,582**	**1,090**	**49,097**	**31**	**49,128**
Segment result	**533**	**36**	**254**	**264**	**294**	**29**	**1,410**	**39**	**1,449**
thereof additions to other provisions	*702*	*41*	*681*	*222*	*723*	*28*	*2,397*	*93*	*2,490*
Share of profit from associates accounted for under the equity method	(16)	12	4	(1)	18	0	17	147	164
Profit before finance costs and income taxes	**517**	**48**	**258**	**263**	**312**	**29**	**1,427**	**186**	**1,613**
Goodwill impairment/disposal	0	0	0	0	12	30	42	0	42
Exceptionals	26	1	1	4	7	0	39	2	41
EBIT pre-goodwill impairment and exceptionals (see definition in Note 5c)	**543**	**49**	**259**	**267**	**331**	**59**	**1,508**	**188**	**1,696**
Total finance costs									(220)
Income tax expense									(356)
Profit for the period									**1,037**
Attributable to:									
Equity owners of the parent (Net income)									1,033
Non-controlling interests									4
OTHER INFORMATION									
Identifiable segment assets (incl. goodwill)[1]	32,445[3]	4,086	8,463[3]	8,164[3]	10,100	1,035	64,293[3]	70	64,363[3]
thereof goodwill	*6,672*[3]	*12*	*315*[3]	*1,212*[3]	*2,551*	*35*	*10,797*[3]	*15*	*10,812*[3]
Investments in associates	0	0	4	1	117	3	125	2,552	2,677
Segment liabilities[2]	33,528[3]	6,632	7,764[3]	8,208[3]	10,574	953	67,659[3]	61	67,720[3]
thereof provisions (see Note 25)	*6,005*[3]	*1,994*	*2,171*[3]	*998*[3]	*2,748*	*120*	*14,036*[3]	*964*	*15,000*[3]
Capital expenditures (excl. leased assets)	1,331	110	200	344	149	49	2,183	14	2,197
Depreciation, amortisation	1,065	120	140	235	167	58	1,785	99	1,884
Research and development expenses	2,467	14	235	109	275	10	3,110	42	3,152

(1) Segment assets exclude investments in associates, current and deferred tax assets as well as cash and cash equivalents and securities as segment result does not include share of profit from associates, total finance costs and income taxes.
(2) Segment liabilities exclude current and deferred tax liabilities and interest bearing liabilities.
(3) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45. Main changes comprise: Intangible assets by €+41 million, property, plant and equipment by €-13 million, other investments and long-term financial assets by €-26 million, non-controlling interests by €-5 million and provisions by €+15 million.

As a rule, inter-segment transfers are carried out on an arm´s length basis. Inter-segment sales predominantly take place between Airbus Commercial and Airbus Military and between Eurocopter and Airbus Commercial as well as between Cassidian and Airbus Military.

Capital expenditures represent the additions to property, plant and equipment and to intangible assets (excluding additions to goodwill; for further details see Note 5e) "Capital expenditures").

c) EBIT Pre-Goodwill Impairment and Exceptionals

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. EBIT pre-goodwill impairment and exceptionals is treated by management as a key indicator to measure the segments' economic performances.

(In € million)	2012	2011	2010
Profit before finance costs and income taxes	**2,131**	**1,613**	**1,187**
Disposal and impairment of goodwill	17	42	0
Exceptional depreciation / disposal	38	41	44
EBIT pre-goodwill impairment and exceptionals	**2,186**	**1,696**	**1,231**

d) Revenues by Geographical Area

(In € million)	2012	2011	2010
Germany	5,231	5,074	5,381
France	4,685	4,762	4,422
United Kingdom	3,320	2,757	2,280
Spain	646	702	1,018
Other European Countries	7,124	7,359	8,301
Asia / Pacific	18,344	14,303	11,335
North America	7,681	5,852	3,507
Middle East	5,413	5,111	6,247
Latin America	3,540	2,874	2,537
Other Countries	496	334	724
Consolidated	**56,480**	**49,128**	**45,752**

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

e) Capital Expenditures by Geographical Area

(In € million)	2012	2011	2010
France	1,578	951	882
Germany	818	576	693
United Kingdom	448	333	385
Spain	212	255	228
Other Countries	214	82	62
Capital expenditures excluding leased assets	**3,270**	**2,197**	**2,250**
Leased assets	**350**	**243**	**270**
Capital expenditures	**3,620**	**2,440**	**2,520**

f) Property, Plant and Equipment by Geographical Area

(In € million)	2012	2011	2010
France	5,618	4,992	4,698
Germany	4,164	3,950	3,846
United Kingdom	2,846	2,728	2,535
Spain	1,314	1,273	1,210
Other Countries	678	629	379
Property, plant and equipment by geographical area	**14,620**	**13,572**	**12,668**

Property, plant and equipment split by geographical area excludes leased assets of €576 million (2011: €574 million and 2010: €759 million).

6. Revenues

Revenues in 2012 reach €56,480 million compared to €49,128 million in 2011 and €45,752 million in 2010.

Revenues are mainly comprised of sales of goods and services, as well as of revenues associated with construction contracts accounted for under the percentage-of-completion method, contracted research and development and customer financing revenues.

For a breakdown of revenues by business segment and geographical area, refer to Note 5 "Segment Reporting".

Details of **Revenues**:

(In € million)	2012	2011	2010
Revenues from construction contracts	8,962	8,808	9,716
Other revenues	47,518	40,320	36,036
Total	**56,480**	**49,128**	**45,752**
thereof service revenues including sale of spare parts	*7,465*	*6,027*	*5,113*

Revenues of €56,480 million (2011: €49,128 million) increase by 15%. Airbus Commercial delivered more aircraft (588, but 585 with revenue recognition versus 534 in the previous year, but 536 with revenue recognition) and Astrium as well as Eurocopter contributed also positively. Airbus Military includes revenues related to the A400M launch contract of €513 million (2011: €758 million). Cassidian revenues decrease slightly.

Revenues in 2011 of €49,128 million (2010: €45,752 million) increased by 7%. Airbus Commercial delivered more aircraft (534, but 536 with revenue recognition versus 510 in the previous year, thereof 508 with revenue recognition) and Eurocopter contributed also positively. Airbus Military included revenues related to the A400M programme of €758 million (in 2010: €1,043 million). Cassidian and Astrium revenues decrease slightly.

7. Functional Costs

Inventories recognised as an expense during the period amount to €39,639 million (2011: €35,036 million; 2010: €32,840 million).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of €38 million (2011: €40 million; 2010: €44 million); these are related to the EADS merger and the Airbus Combination.

Personnel expenses are:

(In € million)	2012	2011	2010
Wages, salaries and social contributions	11,692	10,286	9,625
Net periodic pension cost (see Note 25b)	523	424	452
Total	**12,215**	**10,710**	**10,077**

The **Gross Margin** increases by € 1,092 million to € 7,935 million compared to €6,843 million in 2011. This improvement is mainly related to better performance of legacy programmes at Airbus Commercial (including better pricing and positive volume / mix effects) and Eurocopter.

Based on an updated technical solution concept to fix permanently the retrofit of the A380 wing rib issue, an additional amount of € -251 million was recognised 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 million, which accounts for an actual delay incurred of around three months. In relation to the end of the Hawker 900 business jet programme where Airbus Commercial was a subcontractor, a charge of € -76 million was recorded in the third quarter 2012. Eurocopter is continuing its high stake discussions with several NH90 and Tiger customers, whereby a charge of € -100 million for expected impacts of the renegotiation of governmental programs is included. Cassidian recognised a restructuring charge (in total) of € -98 million, of which € -49 million are allocated to cost of sales, and an additional expense of € -100 million for impairment charges.

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8. Research and Development Expenses

Research and development expenses in 2012 amount to €3,142 million compared to €3,152 million in 2011 and €2,939 million in 2010, primarily reflecting R&D activities at Airbus Commercial. The main contribution to the expenses comes from the A350 XWB programme. In addition, an amount of €366 million of development costs for the A350 XWB programme has been capitalised.

9. Other Income

(In € million)	2012	2011	2010
Other income	**184**	**359**	**171**
Thereof rental income	6	16	13
Thereof income from sale of fixed assets	14	9	33
Thereof release of allowances	2	2	1
Thereof badwill and other gains related to business combinations	0	26	0

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

10. Other Expenses

(In € million)	2012	2011	2010
Other expenses	**229**	**221**	**102**
Thereof goodwill impairment charge	17	20	0
Thereof loss from disposal of fixed assets	3	18	7

Regarding the goodwill impairment charge please refer to Note 14 “Intangible assets”.

11. Share of Profit from Associates Accounted for under the Equity Method and Other Income from Investments

(In € million)	2012	2011	2010
Share of profit from associates	241	164	127
Other income from investments	6	28	18
Total	**247**	**192**	**145**

The **share of profit from associates accounted for under the equity method** in 2012 is mainly derived from the result of the equity investment in Dassault Aviation of € 198 million (2011: € 146 million; 2010: € 130 million). For the first half-year of 2012, Dassault Aviation published a net income of € 191 million which has been recognised by EADS in its half year financial statements 2012 with its share of 46.32% amounting to € 88 million. Since for the second half-year 2012 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of the 2012 Consolidated Financial Statements, EADS uses a best estimate for the net income of Dassault Aviation. Furthermore, EADS’ net income includes an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

For the first half-year of 2011, Dassault Aviation published a net income of € 88 million which has been recognised by EADS in its half year financial statements 2011 with its share of 46.32% amounting to € 41 million. Since for the second half-year 2011 no published financial information was available from Dassault Aviation at the date of authorisation for issue of the 2011 Consolidated Financial Statements, EADS used a best estimate for the net income of Dassault Aviation. Furthermore, EADS’ net income included an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

12. Total Finance Costs

Interest result in 2012 comprises interest income of € 237 million (2011: €377 million; 2010: €316 million) and interest expense of €-522 million (2011: € -364 million; 2010: € -415 million). Included in interest income is the return on cash and cash equivalents, securities and financial assets such as loans and finance leases. Interest expense includes interests on financing liabilities and on European Government refundable advances of € -272 million (2011: € -92 million; 2010: € -132 million) which was positively impacted in 2011 by the release of € 120 million following the termination of the A340 programme (see Note 27 “Other Financial Liabilities”). A similar positive impact was recorded in 2010.

Other financial result in 2012 amounts to € -168 million (2011: € -233 million and in 2010: € -272 million) and mainly includes charges from the unwinding of discounts by € -180 million (2011: € -172 million; 2010: € -176 million) and the negative revaluation of financial instruments of € -11 million (2011: € -94 million; 2010: € -184 million), partly compensated by the positive impact from foreign exchange translation of monetary items of € +41 million (2011: € +109 million; 2010: € +71 million).

13. Income Taxes

The benefit from (expense for) income taxes is comprised of the following:

(In € million)	**2012**	2011	2010
Current tax expense	(409)	(253)	(259)
Deferred tax benefit/(expense)	(40)	(103)	15
Total	**(449)**	**(356)**	**(244)**

Deferred tax assets and liabilities are measured using enacted tax rates to be applied to taxable income in the years in which temporary differences are expected to be recovered or settled. The Group's parent company, EADS N.V., legally seated in Amsterdam, The Netherlands, applies Dutch tax law using an income tax rate of 25.0% for 31 December 2012 and for 31 December 2011 and 25.5% for 31 December 2010.

On 19 December 2011 a new tax law has been enacted in France increasing the income tax rate from previously 34.43% (in 2010) to 36.10% for the years 2011 and 2012. The new tax rate of 36.1% has been prolonged on 20 December 2012 for the years 2013 and 2014. Furthermore, for specific participations the French long-term capital gains regime requires to add back a lump sum rate of now 12% (in 2011: 10%).

Regarding German subsidiaries, the German federal corporate tax rate amounts to 15%. In addition, there is a surcharge ("*Solidaritätszuschlag*") of 5.5% on the amount of federal corporate taxes. In addition to corporate taxation, the trade taxes amount to 14.2% on average. In aggregate, the enacted tax rate which has been applied to German deferred taxes amounts to 30% in 2012, 2011 and 2010.

With respect to the Spanish subsidiaries, the corporate income tax rate amounts to 30% in 2012, 2011 and 2010.

All other foreign subsidiaries apply their national tax rates, including the latest changes in the United Kingdom.

The following table shows a reconciliation from the theoretical income tax (expense) – using the Dutch corporate tax rate of 25.0% in 2012 (2011: 25.0% and 2010: 25.5%) to the reported tax (expense). The reconciling items represent, besides the impact of tax rate differentials and tax rate changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported Consolidated Financial Statements according to IFRS rules.

(In € million)	**2012**	2011	2010
Profit before income taxes	1,678	1,393	816
* Corporate income tax rate	25.0%	25.0%	25.5%
Expected (expense) for income taxes	(420)	(348)	(208)
Effects from tax rate differentials	(154)	(103)	(53)
Income from investments/associates	76	58	42
Tax credit for R&D expenses	54	68	59
Change of tax rate	(22)	(45)	(1)
Change in valuation allowances	44	(12)	(73)
Non-deductible expenses and tax-free income	(21)	(10)	(5)
Other	(6)	36	(5)
Reported tax (expense)	**(449)**	**(356)**	**(244)**

Changes in valuation allowances represent reassessments of the recoverability of deferred tax assets based on future taxable profits of certain companies mainly in the United Kingdom and in Germany. The amount of change in valuation allowances of €44 million in 2012 (2011: €-12 million) excludes a positive impact of €56 million (2011: €22 million) from a change in tax rates which is presented in the line "change of tax rate". Changes of tax rates in 2012 mainly relate to changes in the tax laws in the United Kingdom and in France. In 2011, the line "Other" mainly reflected a release of an income tax provision related to a reassessment of tax audit proceedings.

Deferred income taxes are the result of temporary differences between the carrying amounts of certain assets and liabilities in the financial statements and their tax bases. Future tax impacts from net operating losses and tax credit carry forwards are also considered in the deferred income tax calculation.

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

	31 December 2011[2][3]		Other movements		Movement through income statement		31 December 2012	
(In € million)	*Deferred Tax assets*	*Deferred Tax liabilities*	*OCI/ IAS 19*	*Others[1]*	*R&D tax credits*	*Deferred tax benefit (expense)*	*Deferred Tax assets*	*Deferred Tax liabilities*
Intangible assets	27	(350)	0	1	0	52	153	(423)
Property, plant and equipment	242	(1,011)	0	(1)	0	12	381	(1,139)
Investments and other long-term financial assets	257	(99)	(34)	(1)	0	85	313	(105)
Inventories	1,192	(74)	0	1	0	596	1,752	(37)
Receivables and other assets	229	(1,900)	786	0	0	(1,341)	102	(2,328)
Prepaid expenses	2	(5)	0	0	0	(5)	1	(9)
Provision for retirement plans	883	0	347	4	0	(101)	1,133	0
Other provisions	2,060	(176)	0	1	0	224	2,385	(276)
Liabilities	1,059	(560)	(1,377)	3	0	235	684	(1,324)
Deferred income	161	(3)	0	0	0	29	225	(38)
Net operating loss and tax credit carry forwards	2,280	0	0	(18)	47	74	2,383	0
Deferred tax assets/(liabilities) before offsetting	**8,392**	**(4,178)**	**(278)**	**(10)**	**47**	**(140)**	**9,512**	**(5,679)**
Valuation allowances on deferred tax assets	(939)	0	0	20	0	100	(819)	0
Set-off	(3,135)	3,135	0	0	0	0	(4,175)	4,175
Net Deferred tax assets/(liabilities)	**4,318**	**(1,043)**	**(278)**	**10**	**47**	**(40)**	**4,518**	**(1,504)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.
(2) Deferred taxes on temporary differences of plan assets are reclassified compared to prior year's presentation.
(3) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Deferred income taxes as of 31 December 2011 are related to the following assets and liabilities:

	31 December 2010		Other movements		Movement through income statement		31 December 2011	
(In € million)	*Deferred Tax assets*	*Deferred Tax liabilities*	*OCI/ IAS 19*	*Others[1][3]*	*R&D tax credits*	*Deferred tax benefit (expense)*	*Deferred Tax assets*	*Deferred Tax liabilities*
Intangible assets	10	(281)	0	(86)	0	34	27	(350)
Property, plant and equipment	228	(937)	0	(26)	0	(34)	242	(1,011)
Investments and other long-term financial assets[2]	159	(83)	17	4	0	61	257	(99)
Inventories	1,108	(140)	0	14	0	136	1,192	(74)
Receivables and other assets	740	(1,639)	(604)	32	0	(200)	229	(1,900)
Prepaid expenses	8	0	0	0	0	(11)	2	(5)
Provision for retirement plans[2]	877	0	167	1	0	(162)	883	0
Other provisions	1,888	(162)	0	7	0	151	2,060	(176)
Liabilities	613	(641)	751	3	0	(227)	1,059	(560)
Deferred income	181	0	0	3	0	(26)	161	(3)
Net operating loss and tax credit carry forwards	2,058	0	0	29	28	165	2,280	0
Deferred tax assets/(liabilities) before offsetting	**7,870**	**(3,883)**	**331**	**(19)**	**28**	**(113)**	**8,392**	**(4,178)**
Valuation allowances on deferred tax assets	(932)	0	0	(17)	0	10	(939)	0
Set-off[2]	(2,688)	2,688	0	0	0	0	(3,135)	3,135
Net Deferred tax assets/(liabilities)	**4,250**	**(1,195)**	**331**	**(36)**	**28**	**(103)**	**4,318**	**(1,043)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange effects.
(2) Deferred taxes on temporary differences of plan assets are reclassified compared to prior year's presentation.
(3) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

The amount of the Group's deferred tax assets' allowances is based upon management's estimate of the level of deferred tax assets that will be realised in the foreseeable future. In future periods, depending upon the Group's financial results, management's estimate of the amount of the deferred tax assets considered realisable may change, and hence the write down of deferred tax assets may increase or decrease. The Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. EADS believes that it has recorded adequate provisions for future income taxes that may be owed for all open tax years.

Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of €923 million (in 2011: €867 million). Assessments show that these deferred tax assets will be recovered in future through either (i) own projected profits, or (ii) profits of other companies integrated in the same fiscal group (*"régime d´intégration fiscale"* in France, *"steuerliche Organschaft"* in Germany) or (iii) via the "loss surrender-agreement" in Great Britain.

Deferred taxes on Net Operating Losses and Tax Credit carry forwards:

(In € million)	France	Germany	Spain	UK	Other countries	**31 December 2012**	31 December 2011
Net Operating Losses (NOL)	1,839	1,787	158	2,972	228	6,984	6,645
Trade tax loss carry forwards	0	2,013	0	0	0	2,013	2,048
Tax credit carry forwards	0	0	381	0	2	383	323
Tax effect	**664**	**568**	**429**	**683**	**39**	**2,383**	**2,280**
Valuation allowances	(6)	(110)	(122)	(346)	(2)	(586)	(657)
Deferred tax assets on NOL's and tax credit carry forwards	**658**	**458**	**307**	**337**	**37**	**1,797**	**1,623**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable in France, Germany and in Great Britain. In Spain, NOLs and tax credit carry forwards expire after 18 years. The first tranche of tax credit carry forwards (€21 million) will expire in 2021.

Roll forward of deferred taxes:

(In € million)	**2012**	2011
Net deferred tax asset beginning of the year	**3,275**	**3,055**
Deferred tax (expense) in income statement	(40)	(103)
Deferred tax recognised directly in AOCI (IAS 39)	(625)	164
Variation of Defined benefit plan actuarial gains	347	167
Others	57	(8)(1)
Net deferred tax asset at year end	**3,014**	**3,275(1)**

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

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

(In € million)	**2012**	2011
Available-for-sale investments	(34)	(1)
Cash flow hedges	184	776
Defined benefit plan actuarial losses	982	635
Total	**1,132**	**1,410**

2.3 Notes to the Consolidated Statements of Financial Position (IFRS)

14. Intangible Assets

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

Cost

(In € million)	Balance at 1 January 2012	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	**Balance at 31 December 2012**
Goodwill	11,965(1)	4	5	199	4	0	12,177
Capitalised development costs	1,383(1)	5	488	0	79	0	1,955
Other intangible assets	2,523(1)	5	306	58	(78)	(78)	2,736
Total	**15,871(1)**	**14**	**799**	**257**	**5**	**(78)**	**16,868**

Amortisation / Impairment

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

Net Book Value

(In € million)	Balance at 1 January 2012		**Balance at 31 December 2012**
Goodwill	10,812(1)		11,003
Capitalised development costs	965(1)		1,365
Other intangible assets	1,009(1)		1,054
Total	**12,786(1)**		**13,422**

Additions to amortisation / impairment include impairment of capitalised development costs at Cassidian (€ -74 million) based on a detailed re-usage analysis of respective intangible assets and latest business plan update as well as € -2 million at Airbus Commercial.

(1) Please refer to Note 4 “Acquisitions and Disposals”. Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

A schedule detailing gross values, accumulated depreciation and impairment and net values of intangible assets as of 31 December 2011 is as follows:

Cost

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Goodwill	10,934	33	0	1,020[1]	0	(22)	11,965[1]
Capitalised development costs	1,234	8	97	18[1]	26	0	1,383[1]
Other intangible assets	1,855	22	198	493[1]	25	(70)	2,523[1]
Total	**14,023**	**63**	**295**	**1,531[1]**	**51**	**(92)**	**15,871[1]**

Amortisation / Impairment

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Goodwill	(1,125)	(8)	(20)	0	0	0	(1,153)
Capitalised development costs	(288)	(1)	(116)	0	(13)	0	(418)
Other intangible assets	(1,311)	(5)	(241)	0	(21)	64	(1,514)
Total	**(2,724)**	**(14)**	**(377)**	**0**	**(34)**	**64**	**(3,085)**

Net Book Value

(In € million)	Balance at 1 January 2011		Balance at 31 December 2011
Goodwill	9,809		10,812[1]
Capitalised development costs	946		965[1]
Other intangible assets	544		1,009[1]
Total	**11,299**		**12,786[1]**

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

Goodwill Impairment Tests

EADS performed goodwill impairment tests in the fourth quarter of the financial year on Cash Generating Unit (CGU) level where goodwill is allocated to.

As of 31 December 2012 and 2011, goodwill was allocated to CGUs, which is summarized in the following schedule on segment level:

(In € million)	Airbus Commercial	Airbus Military	Eurocopter	Astrium	Cassidian	Other Businesses	HQ / Conso.	**Consolidated**
Goodwill as of 31 December 2012	6,670	12	323	1,236	2,711	17	34	11,003
Goodwill as of 31 December 2011	6,672[1]	12	315[1]	1,212[1]	2,551	35	15	10,812[1]

In 2012 additional goodwill has been recognised due to acquisition of businesses within Cassidian (€ 159 million), Astrium (€ 21 million) and Headquarters (€ 19 million); for further details please refer to Note 4 “Acquisitions and disposals”.

The Astrium CGUs consist of Astrium Satellites, Astrium Space Transportation and Astrium Services (allocated goodwill 2012: € 657 million, 2011: € 653 million). Cassidian consists of two CGUs including MBDA with a goodwill of € 658 million (2011: € 656 million).

(1) Please refer to Note 4 “Acquisitions and Disposals”. Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

During the one-year windows period the 2011 Purchase Price Allocations were retrospectively adjusted which led to a total increase in goodwill of €52 million (increased goodwill in Airbus Commercial €+15 million and Astrium Services €+41 million, but decreased goodwill in Eurocopter €-4 million).

General Assumptions Applied in the Planning Process

The discounted cash flow method has been applied as a primary valuation approach to determine the value in use of the CGUs. Generally, cash flow projections used for EADS impairment testing are based on operative planning.

The operative planning – approved by the Board of Directors on 13 December 2012 – takes into account general economic data derived from external macroeconomic and financial studies. The operative planning assumptions reflect for the periods under review specific inflation rates and future labour expenses in the European countries where the major production facilities are located. Regarding the expected future labour expenses, an increase of 2 to 3% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA.

EADS follows an active policy of foreign exchange risk hedging. As of 31 December 2012, the total hedge portfolio with maturities up to 2020 amounts to US$84 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2013 to 2017). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2020 amounts to 1.35 US$/€ and for the US$/GBP hedge portfolio until 2018 amounts to 1.58 US$/GBP. For the determination of the operative planning in the CGUs management assumed future exchange rates of 1.35 US$/€ from 2013 onwards to convert in € the portion of future US$ which are not hedged. Foreign exchange exposure arises mostly from Airbus and to a lesser extent from the other EADS divisions.

The assumption for the perpetuity growth rate used to calculate the terminal values as of 31 December 2012 has been determined with 1% (previous year: 1%). This assumption is lower than experienced in past economic cycles in order to reflect current uncertainty regarding market developments in the long-term.

The main assumptions and the total of the recoverable amounts obtained have been compared for reasonableness to market data.

Key assumptions on which management has based its determination of value in use include amongst others, weighted average cost of capital and estimated growth rates as well as the underlying foreign exchange rates. These estimates, including the methodology used, can have a material impact on the respective values and hence are subject to uncertainties.

Airbus Commercial

The goodwill allocated to Airbus Commercial mainly relates to the creation of EADS in 2000 and the Airbus Combination in 2001.

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

— projected cash flows for the next five years were presented to EADS Board of Directors in the frame of the operative plan. This planning scenario takes into account the decision to ramp-up the production of the A320 programme to 42 a/c, of the Long Range-programme to 10 a/c and of the A380 - programme to 2.7 a/c. In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value. The terminal value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade;

— long-term commercial assumptions are based on General Market Forecast updated in 2012. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities. Cash flow projections include all of the estimated cost savings of the Power8/Power8 Plus programme as well as non-recurring cost improvement plan and benefits from initiatives already launched in the frame of "Future EADS";

— cash flows are discounted using a euro weighted average cost of capital pre-tax (WACC) of 10.2% (in 2011: 10.4%);

— carrying value as well as planned cash flows include impacts from the existing hedge portfolio.

With regard to the assessment of the value in use for the CGU Airbus Commercial, management believes that the likelihood of a change in the above key assumptions to an extent that would cause the recoverable amount to fall below the carrying value is remote.

The recoverable amount is particularly sensitive to the following areas:

— change of the euro against the US$ (reference scenario at 1.35 US$/€): A change by 10 cents, + or - would not imply an impairment charge in the EADS accounts;

— change of the WACC: An increase of 50 basis points in the WACC would not imply an impairment charge in the EADS accounts.

The current positive difference between the recoverable value and the carrying value of Airbus Commercial's net assets indicates that the assessed (negative) impacts of the sum of these sensitivities would not imply an impairment charge in EADS accounts.

Airbus Military

For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 8.3% (in 2011: 8.7%).

A400M launch order from OCCAR is included as per assumptions used for the preparation of these Consolidated Financial Statements. A400M is based on the contract amendment negotiations with OCCAR and the seven A400M launch customer nations finalised on 7 April 2011.

This is the reference for projected cash flows for the next five years. Expected cash flows generated beyond the planning horizon are considered through a terminal value. The terminal value reflects management's assessment of a normative operating year.

Value in use of the CGU Airbus Military is above carrying value, indicating no goodwill impairment for 2012 and 2011.

Other Segments

In order to reflect the different underlying business risks, a segment specific WACC factor has been applied. For Eurocopter the cash flows were discounted using a weighted average cost of capital pre-tax (WACC) of 9.5% (in 2011: 9.6%), whereas Cassidian applied a weighted average cost of capital pre-tax (WACC) of 8.3% (in 2011: 8.8%) and Astrium applied a pre-tax WACC of 9.5% (in 2011: 9.8%). Cash flow projections are based on operative planning covering a five-year planning period.

The strong order book of the Cassidian Division as of 31 December 2012 supports the stable revenues, which are assumed for this Division over the operative planning period despite unfavourable conditions on the domestic markets. This is driven by further key orders from global markets for Missile export, Security and Communication Solutions, Integrated Systems, Electronic Warfare and Radar business. Any further major Eurofighter export campaign that will be secured represents additional upsides and will strongly contribute to further growth and profitability of Cassidian. Main key achievements in 2012 are the Eurofighter Sustainment Contract, Oman joining the international Eurofighter defence programme and contract award for Alliance Ground Surveillance (AGS). Following continued efforts for globalisation and product renewal, the Division continuously expects a strong and increasing performance over the operative planning period thanks to the investment in new products and cost efficiency programmes.

The strong order book of the Astrium Division as of 31 December 2012 (including satellites, launchers, ballistic missiles and military telecom services) supports the positive revenue development which is assumed for this Division over the operative planning period. Main key achievements in 2012 are the successful launch of 9 Astrium-built satellites, including 4 telecommunication satellites and 5 Earth observation, navigation and sciences satellites (including the second pair of Galileo IOVs deployed in orbit completing the initial consolidation of 4 satellites), 7 successful Ariane 5 launches, the successful mission of the third Automated Transfer Vehicle spacecraft and the confirmation of Astrium key programmes at ESA Ministerial Conference. Based on these achievements, the planning period is characterised by further order intake in home countries and export market in established key areas (*e.g.* M51, Ariane 5 production, Ariane 5 ME, MPCV, telecom and Earth observation satellites), as well as business development in telecom services and Earth observation services. The operating margin and the Free Cash Flow are planned to increase continuously, supported by existing process improvement programmes.

The recoverable amounts of all CGU's in Cassidian, Astrium and Eurocopter have exceeded their carrying amounts, indicating no goodwill impairment for 2012 and 2011.

The goodwill of Other Businesses fully relates to the CGU EADS North America reflecting the business activities in the US. For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 8.5% (in 2011: 8.9%). The annual impairment test resulted in an impairment charge of € 17 million in 2012.

Development Costs

EADS has capitalised development costs in the amount of € 1,365 million as of 31 December 2012 (€ 965[(1)] million as of 31 December 2011) as internally generated intangible assets mainly for the Airbus A380 and A350 XWB programme. The amortisation for the A380 programme development costs is performed on a unit of production basis. Capitalisation for development costs of the A350 XWB programme started in the second quarter 2012. Since 1 April 2012, a total amount of € 366 million was capitalised.

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

15. Property, Plant and Equipment

Schedules detailing gross values, accumulated depreciation and impairment and net values of property, plant and equipment show the following as of 31 December 2012:

Cost

(In € million)	Balance at 1 January 2012	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	**Balance at 31 December 2012**
Land, leasehold improvements and buildings including buildings on land owned by others	8,044	14	321	44	149	(30)	8,542
Technical equipment and machinery	13,376[1]	86	366	24	1,558	(117)	15,293
Other equipment, factory and office equipment	3,882[1]	(22)	567	(29)	(126)	(426)	3,846
Construction in progress	3,011	12	1,586	3	(1,141)	(30)	3,441
Total	**28,313**[1]	**90**	**2,840**	**42**	**440**	**(603)**	**31,122**

Depreciation / Impairment

(In € million)	Balance at 1 January 2012	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	**Balance at 31 December 2012**
Land, leasehold improvements and buildings including buildings on land owned by others	(3,547)	(3)	(339)	0	(30)	10	(3,909)
Technical equipment and machinery	(8,145)	(54)	(883)	0	(456)	116	(9,422)
Other equipment, factory and office equipment	(2,475)	10	(399)	0	79	190	(2,595)
Construction in progress	0	0	0	0	0	0	0
Total	**(14,167)**	**(47)**	**(1,621)**	**0**	**(407)**	**316**	**(15,926)**

Net Book Value

(In € million)	Balance at 1 January 2012	**Balance at 31 December 2012**
Land, leasehold improvements and buildings including buildings on land owned by others	4,497	4,633
Technical equipment and machinery	5,231[1]	5,871
Other equipment, factory and office equipment	1,407[1]	1,251
Construction in progress	3,011	3,441
Total	**14,146**[1]	**15,196**

Additions to depreciation / impairment include impairment of technical equipment and machinery at Cassidian (€ -26 million) as well as impairment of land and buildings (€ -8 million), technical equipment and machinery (€ -16 million) and other equipment (€ -4 million) at Airbus Commercial.

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Schedules detailing gross values, accumulated depreciation and impairment and net values of property, plant and equipment show the following as of 31 December 2011:

Cost

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	7,364	23	88	79	490	0	8,044
Technical equipment and machinery	12,517	130	222	57 (1)	565	(115)	13,376 (1)
Other equipment, factory and office equipment	3,712	42	428	40 (1)	103	(443)	3,882 (1)
Construction in progress	2,517	29	1,404	32	(969)	(2)	3,011
Total	**26,110**	**224**	**2,142**	**208 (1)**	**189**	**(560)**	**28,313 (1)**

Depreciation / Impairment

(In € million)	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	(3,192)	(7)	(266)	0	(82)	0	(3,547)
Technical equipment and machinery	(7,299)	(79)	(803)	0	(2)	38	(8,145)
Other equipment, factory and office equipment	(2,192)	(27)	(297)	0	(14)	55	(2,475)
Construction in progress	0	0	0	0	0	0	0
Total	**(12,683)**	**(113)**	**(1,366)**	**0**	**(98)**	**93**	**(14,167)**

Net Book Value

(In € million)	Balance at 1 January 2011	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	4,172	4,497
Technical equipment and machinery	5,218	5,231 (1)
Other equipment, factory and office equipment	1,520	1,407 (1)
Construction in progress	2,517	3,011
Total	**13,427**	**14,146 (1)**

(1) Please refer to Note 4 “Acquisitions and Disposals”. Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Property, plant and equipment include at 31 December 2012 and 2011, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of €148 million and €141 million, net of accumulated depreciation of €74 million and €60 million. The related depreciation expense for 2012 was €14 million (2011: €11 million; 2010: €10 million).

Other equipment, factory and office equipment include the net book value of "aircraft under operating lease" for €576 million and €574 million as of 31 December 2012 and 2011, respectively; related accumulated depreciation is €720 million and €746 million. Depreciation expense for 2012 amounts to €52 million (2011: €59 million; 2010: €31 million).

The "aircraft under operating lease" include:

i) Group's sales finance activity in the form of aircraft which have been leased out to customers and are classified as operating leases: They are reported net of the accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 33 "Commitments and contingencies" for details on sales financing transactions).

The corresponding non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at 31 December 2012 are as follows:

(In € million)	
Not later than 2013	75
Later than 2013 and not later than 2017	188
Later than 2017	152
Total	**415**

ii) Aircraft which have been accounted as "operating lease" because they were sold under terms that include asset value guarantee commitments with the present value of the guarantee being more than 10% of the aircraft's sales price (assumed to be the fair value). Upon the initial sale of these aircraft to the customer, their total cost previously recognised in inventory is transferred to "Other equipment, factory and office equipment" and depreciated over its estimated useful economic life, with the proceeds received from the customer being recorded as deferred income (see Note 30 "Deferred income").

The total net book values of aircraft under operating lease are as follows:

(In € million)	**31 December 2012**	31 December 2011
(i) Net book value of aircraft under operating lease before impairment charge	693	497
Accumulated impairment	(223)	(127)
Net book value of aircraft under operating lease	470	370
(ii) Aircraft under operating lease with the present value of the guarantee being more than 10%	106	204
Total Net Book value of aircraft under operating lease	**576**	**574**

For details please refer to Note 33 "Commitments and contingencies".

Contractual commitments for purchases of "Land, leasehold improvements and buildings including buildings on land owned by others" amount to €346 million as of 31 December 2012 compared to 2011 of €361 million.

16. Investment Property

The Group owns investment property that is leased to third parties. Buildings held as investment property are depreciated on a linear basis over their useful life up to 20 years. The values assigned to investment property are as follows:

(In € million)	Historical cost	Accumulated depreciation 31 December 2011	Book value 31 December 2011	Disposals Historical cost	Depreciation/ Amortisation	Accumulated depreciation 31 December 2012	**Book value 31 December 2012**
Book value of Investment Property	211	(137)	74	0	(2)	(139)	72

As of 31 December 2012, the fair value of the Group's investment property amounts to €79 million (in 2011: €80 million). For the purposes of IAS 40 "Investment property", the fair values have been determined by using external appraisal reports or using discounted cash flow projections for estimated rental income less rental expenses. Related rental income in 2012 is €8 million (in 2011: €9 million) with direct operating expenses amounting to €1 million (in 2011: €1 million).

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17. Investments in Associates Accounted for Under the Equity Method, Other Investments and Other Long-Term Financial Assets

The following table sets forth the composition of investments in associates accounted for under the equity method, other investments and other long-term financial assets:

(In € million)	**31 December 2012**	31 December 2011
Investments in associates accounted for under the equity method	**2,662**	**2,677**
Non-current other investments and other long-term financial assets		
Other investments	596	466
Other long-term financial assets	1,519	1,886[(1)]
Total non-current other investments and other long-term financial assets	**2,115**	**2,352**[(1)]
Current portion of other long-term financial assets	**287**	**172**

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Investments in associates accounted for under the equity method as of 31 December 2012 and 2011, mainly comprise EADS' interest in Dassault Aviation (46.32% at 31 December 2012 and 2011) of €2,519 million and €2,552 million. Since for the second half-year 2012 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of 2012 financial statements, EADS used a best estimate for the net income of the second half year 2012 of Dassault Aviation. The equity investment in Dassault Aviation includes an IFRS catch-up adjustment for income and other comprehensive income relating to prior period. The 30 June 2012 equity components have been used to estimate the 2012 year-end consolidated equity position of Dassault Aviation.

Since for the second half-year 2011 no financial information was available from Dassault Aviation at the date of authorisation for issue of 2011 financial statements, EADS used a best estimate for the net income of the second half year 2011 of Dassault Aviation. The equity investment in Dassault Aviation included an IFRS catch-up adjustment for income and other comprehensive income relating to prior period. The 30 June 2011 equity components have been used to estimate the 2011 year-end consolidated equity position of Dassault Aviation.

EADS' 46.32% interest in Dassault Aviation's market capitalisation, derived from an observable free float of 3.5%, amounts to €3,490 million as of 31 December 2012 (as of 31 December 2011: €2,673 million).

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

(In € million)	30 June 2012	31 December 2011
Share of the associate's financial position:		
Non-current assets	2,624	2,587
Current assets	2,092	2,127
Non-current liabilities	125	128
Current liabilities	2,566	2,519
Total equity	**2,025**	**2,067**
Share of the associate's revenues and profit:	**6 months**	**12 months**
Revenues	894	1,531
Net Income	88	149

(In € million)	31 December 2012	31 December 2011
Carrying amount of the investment at 31 December	**2,519**	**2,552**

Further significant associates, being accounted for under the equity method (like Air Tanker, Daher-Socata SA, Patria Oyi, United Monolithic Semiconductors and ESG), are stated in aggregate in the following table:

(In € million)	31 December 2012	31 December 2011
Share of the associate's financial position:		
Non-current assets	1,271	1,079
Current assets	256	248
Non-current liabilities	1,344	1,165
Current liabilities	285	279
Total equity	**(102)**	**(117)**
Share of the associate's revenues and profit:	**12 months**	**12 months**
Revenues	551	571
Net Income	38	24

(In € million)	31 December 2012	31 December 2011
Carrying amount of the investments	**125**	**109**

The cumulative unrecognised comprehensive loss in 2012 amounts to € -226 million (thereof € -5 million for the period).

A list of major investments in associates and the proportion of ownership is included in Appendix "Information on principal investments".

Other investments mainly comprise EADS' participations, the most significant being at 31 December 2012 the participations in CARMAT SAS (EADS share: 30.7%) amounting to € 161 million (2011: € 106 million) and AviChina (EADS share: 5.0%) amounting to € 92 million (2011: € 80 million).

Other long-term financial assets of € 1,519 million (2011: € 1,886[(1)] million) and the **current portion of other long-term financial assets** of € 287 million (in 2011: € 172 million) encompass other loans in the amount of € 863 million and € 925[(1)] million as of 31 December 2012 and 2011, available-for-sale securities for part time retirement and deferred compensation amounting to € 203 million and € 184 million as of 31 December 2012 and 2011 and the Group's sales finance activities in the form of finance lease receivables and loans from aircraft financing. They are reported net of accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 33 "Commitments and contingencies" for details on sales financing transactions).

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

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

(In € million)	31 December 2012	31 December 2011
Outstanding gross amount of loans to customers	424	503
Accumulated impairment	(60)	(82)
Total net book value of loans	**364**	**421**

Finance lease receivables from aircraft financing are as follows:

(In € million)	31 December 2012	31 December 2011
Minimum lease payments receivables	462	697
Unearned finance income	(14)	(79)
Accumulated impairment	(72)	(90)
Total net book value of finance lease receivables	**376**	**528**

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

(In € million)	
Not later than 2013	183
Later than 2013 and not later than 2017	139
Later than 2017	140
Total	**462**

18. Inventories

Inventories at 31 December 2012 and 2011 consist of the following:

(In € million)	31 December 2012	31 December 2011
Raw materials and manufacturing supplies	2,397	1,980
Work in progress	15,464	14,803
Finished goods and parts for resale	1,888	1,719
Advance payments to suppliers	3,467	4,061
Total	**23,216**	**22,563**

The increase in work in progress of €+661 million is mainly driven by Airbus Commercial and Eurocopter programmes, partly offset by Cassidian and Astrium programmes. Raw materials were built-up at Airbus, at Eurocopter and at Cassidian. Advance payments provided to suppliers mainly decrease at Astrium, at Cassidian and Eurocopter, partly compensated by higher advance payments made at Airbus.

The finished goods and parts for resale before write down to net realisable value amount to €2,481 million in 2012 (2011: €2,220 million) and work in progress before write down to net realisable value amounts to €17,599 million (2011: €16,270 million). Write downs for finished goods and services are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2012, write downs of inventories in the amount of €-368 million (2011: €-194 million) are recognised in Cost of Sales, whereas reversal of write downs amounts to €80 million (2011: €132 million). At 31 December 2012 €4,009 million of work in progress and €1,348 million of finished goods and parts for resale were carried at net realisable value.

19. Trade Receivables

Trade receivables at 31 December 2012 and 2011 consist of the following:

(In € million)	31 December 2012	31 December 2011
Receivables from sales of goods and services	7,138	6,760[1]
Allowance for doubtful accounts	(348)	(366)
Total	**6,790**	**6,394**[1]

The **trade receivables** increase by €+396 million mainly caused by Airbus (€+214 million), Eurocopter (€+145 million) and Astrium (€+60 million).

Trade receivables are classified as current assets. As of 31 December 2012 and 2011, respectively, €1,407 million and €668 million of trade receivables are not expected to be collected within one year.

In application of the **percentage of completion** (PoC) method, as of 31 December 2012 an amount of €1,946 million (in 2011: €2,170 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses) to date** amounts to €58,206 million comparable to €55,858 million at year-end 2011.

The **gross amount due from customers** for construction work amounts to €3,746 million (in 2011: €4,204 million) and relates to construction contracts where incurred contract costs plus recognised profits less the sum of recognised losses exceed progress billings.

The **gross amount due to customer**s amounts to €1,190 million (in 2011: €1,688 million) and corresponds to the construction contracts whose total of incurred contract costs plus recognised profits less the sum of recognised losses and progress billings is negative.

The respective movement in the allowance for doubtful accounts in respect of trade receivables during the year was as follows:

(In € million)	31 December 2012	31 December 2011
Allowance balance at 1 January	(366)	(321)
Utilisations / disposals	10	11
(Additions) / release	8	(56)
31 December	**(348)**	**(366)**

Based on historic default rates, the Group believes that no allowance for doubtful accounts is necessary in respect of trade receivables not past due in the amount of €4,776 million (in 2011: €4,120[1] million).

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

20. Other Financial Assets

Other financial assets at 31 December 2012 and 2011 consist of the following:

(In € million)	31 December 2012	31 December 2011
Non-current other financial assets		
Positive fair values of derivative financial instruments	1,197	486
Option premiums	41	12
Others	148	133
Total	**1,386**	**631**
Current other financial assets		
Positive fair values of derivative financial instruments	321	404
Receivables from related companies	757	871
Loans	31	78
Others	339	386
Total	**1,448**	**1,739**

21. Other Assets

Other assets at 31 December 2012 and 2011 consist of the following:

(In € million)	31 December 2012	31 December 2011
Non-current other assets		
Prepaid expenses	1,223	1,050
Capitalised settlement payments to German Government	0	35
Others	192	168
Total	**1,415**	**1,253**
Current other assets		
Value added tax claims	1,001	1,130
Prepaid expenses	586	591
Others	459	532
Total	**2,046**	**2,253**

22. Securities

The Group's security portfolio amounts to € 8,315 million and € 11,501 million as of 31 December 2012 and 2011, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of € 5,978 million (in 2011: € 7,212 million) and securities designated at fair value through profit or loss of € 9 million (in 2011: € 17 million) as well as a **current portion** of available-for-sale-securities of € 2,328 million (in 2011: € 4,222 million) and securities designated at fair value through profit or loss of € 0 million (in 2011: € 50 million).

Included in the securities portfolio as of 31 December 2012 and 2011, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 7,400 million nominal value; comparably in 2011: € 10,075 million) or floating rate coupons (€ 563 million nominal value; comparably in 2011: € 1,057 million) as well as Structured Rate Notes (€ 0 million nominal value; 2011: € 175 million) and foreign currency Funds of Hedge Funds (€ 14 million nominal value; 2011: € 19 million).

23. Total Equity

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

(In number of shares)	2012	2011
Issued as at 1 January	**820,482,291**	**816,402,722**
Issued for ESOP	2,177,103	2,445,527
Issued for exercised options	5,261,784	1,712,892
Cancelled	(553,233)	(78,850)
Issued as at 31 December	**827,367,945**	**820,482,291**
Treasury shares as at 31 December	(5,226,305)	(5,585,780)
Outstanding as at 31 December	**822,141,640**	**814,896,511**

EADS' shares are exclusively ordinary shares with a par value of € 1.00. The authorised share capital consists of 3,000,000,000 shares.

On 31 May 2012, the Shareholders' General Meeting of EADS renewed the authorisation given to the Board of Directors to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital, provided that such powers will be limited to 0.15% of the Company's authorised capital from time to time and to limit or exclude preferential subscription rights, in both cases for a period expiring at the Shareholders' General Meeting to be held in 2013. The mentioned powers include without limitation the approval of share-related long-term incentive plans (such as stock option, performance and restricted share plans) and employee share ownership plans. They may also include the granting of rights to subscribe for shares which can be exercised at a time that may be specified in or pursuant to such plans and the issue of shares to be paid up from freely distributable reserves.

The Shareholders' General Meeting on 31 May 2012 renewed the authorisation given to the Board of Directors for a new period of 18 months from the date of the Annual General Meeting to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company will not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out. This authorisation supersedes and replaces the authorisation given by the Annual General Meeting of 26 May 2011.

Furthermore, the Shareholders' General Meeting authorised both the Board of Directors and the Chief Executive Officer, with powers of substitution, to cancel up to a maximum of 553,233 shares. As per decision of the Chief Executive Officer, on 8 August 2012, 553,233 shares have been cancelled.

On 31 May 2012, the Shareholders' General Meeting decided to add the net profit of the fiscal year 2011 of € 1,033 million to retained earnings. It also decided to distribute a gross amount of € 0.45 per share, which was paid on 7 June 2012. For the fiscal year 2012, the EADS Board of Directors proposes a cash distribution payment of € 0.60 per share.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of € 5,261,784 (in 2011: € 1,712,892) in compliance with the implemented stock option plans and by employees of € 2,177,103 (in 2011: € 2,445,527) under the Employee Stock Ownership Plans.

Share premium mainly results from contributions in kind in the course of the creation of EADS, cash contributions from the Initial Public Offering, capital increases and reductions due to the issuance and cancellation of shares as well as cash distributions to EADS N.V. shareholders. In 2012, € 13 million are reclassified from currency translation adjustments to profit or loss. Treasury shares represent the amount paid for own shares held in treasury.

24. Capital Management

EADS seeks to maintain a strong financial profile to safeguard its going concern, financial flexibility as well as shareholders' and other stakeholders' confidence in the Group. Consequently, operating liquidity is of great importance.

As part of its capital management, it is one of EADS' objectives to maintain a strong credit rating by institutional rating agencies. This enables EADS to contain the Group's cost of capital which positively impacts its stakeholder value (entity value). Next to other also non-financial parameters, the credit rating is based on factors such as capital ratios, cash flow ratios, profitability and liquidity ratios. EADS focuses on keeping them in a preferable range.

Standard & Poor's upgraded EADS' short-term rating to A-1 from A-2 and reconfirmed EADS' long-term A- rating and positive outlook on 2 October 2012. Moody's Investors Services upgraded EADS' Base Credit Assessment (BCA) to A3 from Baa1 on 20 November 2012 while reducing the Government Related Issuer (GRI) rating from A1 to A2 (stable outlook) as a result of the announced change in EADS governance and shareholding structure. In accordance with its conservative financial policy it is essential for EADS to maintain a strong investment grade rating.

EADS' management uses a Value Based Management approach in order to guide the Company towards management for sustainable value creation. The key elements of the Value Based Management concept are:

— the measurement of value creation;

— prioritisation of actions based on the financial value drivers and operational business drivers; and

— the assessment of value creation with reference to the competition and the industry in total.

EADS developed the following guiding principles with regard to this value based management approach:
Financial value is created if profits exceed the cost of the capital. For operational value creation deployment, EADS and its divisions internally plan and report on Return on Capital Employed (RoCE) which is defined as EBIT pre-goodwill impairment and exceptionals divided by Average Capital Employed. Average Capital Employed for the EADS Group is defined as the average of the opening and closing positions of: Fixed Assets plus Net Operating Working Capital plus operating cash less Other Provisions. A five year plan for a value creation ambition is annually constructed, which is decomposed into (1) RoCE, (2) EBIT pre-goodwill impairment and exceptionals, and (3) Free Cash Flow, which is defined as Cash provided by operating activities and Cash used for investing activities less Change of securities and Contribution to plan assets for pensions. EADS' RoCE long-term aspiration is to reach the first quartile of our peers.

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

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

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

25. Provisions

Provisions are comprised of the following:

(In € million)	31 December 2012	31 December 2011
Provision for retirement plans (see Note 25b)	5,986	5,463
Provision for deferred compensation (see Note 25a)	447	358
Retirement plans and similar obligations	**6,433**	**5,821**
Other provisions (see Note 25c)	9,428	9,179(1)
Total	**15,861**	**15,000(1)**
Thereof non-current portion	9,816	9,144(1)
Thereof current portion	6,045	5,856(1)

As of 31 December 2012 and 2011, respectively, €6,121 million and €5,628 million of retirement plans and similar obligations and €3,695 million and €3,516(1) million of other provisions mature after more than one year.

a) Provisions for Deferred Compensation

This amount represents obligations that arise if employees elect to convert part of their remuneration or bonus into an equivalent commitment for deferred compensation which is treated as a defined benefit post-employment plan. The development in 2012 is as follows:

(In € million)	Balance at 1 January 2012	Utilisation	Transfer to other liabilities	Change in consolidated group	Actuarial (gains) and losses	Additions	Increase from passage of time	Balance at 31 December 2012
Deferred Compensation	358	(2)	(6)	2	45	35	15	447

b) Provisions for Retirement Plans

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

French law stipulates that employees are paid retirement indemnities on the basis of the length of service.

In Germany, EADS has a pension plan (P3) for executive and non-executive employees in place. Under this plan, the employer provides contributions for the services rendered by the employees, which are dependent on their salaries in the respective service period. These contributions are converted into components which become part of the accrued pension liability at the end of the year. Total benefits are calculated as a career average over the entire period of service.

Certain employees that are not covered by the new plan receive retirement indemnities based on salary earned in the last year or on an average of the last three years of employment. For some executive employees, benefits are depending on final salary at the date of retirement and the time period as executive. EADS implemented a Contractual Trust Arrangement (CTA) for EADS' pension obligation. The CTA structure is that of a bilateral trust arrangement. Assets that are transferred to the CTA qualify as plan assets under IAS 19.

In the UK, the EADS Astrium Pension Scheme was implemented by Astrium Ltd., Stevenage (UK). This plan comprises all eligible employees of Astrium Ltd. as well as all personnel, who is newly recruited by one of the EADS companies located in the UK. The majority of the Scheme's liabilities relates to Astrium Ltd. Moreover, EADS participates in the UK in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. These plans qualify as multi-employer defined benefit plans under IAS 19 "Employee Benefits". EADS' most significant investments in terms of employees participating in these BAE Systems UK pension plans are Airbus Operations Ltd., UK and MBDA UK Ltd., UK. Participating Airbus Operations Ltd., UK employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between EADS and BAE Systems and a change in UK pensions legislation enacted in April 2006.

Generally, based on the funding situation of the respective pension schemes, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the schemes. The different UK pension plans in which EADS investments participate are currently underfunded. BAE Systems has agreed with the trustees various measures designed to make good the underfunding. These include (i) regular contribution payments for active employees well above such which would prevail for funded plans and (ii) extra employers' contributions.

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Due to the contractual arrangements between EADS and BAE Systems, EADS' contributions in respect of its investments for the most significant pension scheme (Main Scheme) were capped until July 2011 for Airbus Operations Ltd., UK. Contributions exceeding the respective capped amounts were paid by BAE Systems. Even after the expiry of the contribution cap the unique funding arrangements between BAE Systems and EADS create a situation for EADS different from common UK multi-employer plans with special regulations limiting regular contributions that have to be paid by Airbus Operations Ltd., UK to rates applicable to all participating employers.

Based on detailed information about the different multi-employer pension schemes provided by BAE Systems, EADS is able to appropriately and reliably estimate the share of its participation in the schemes, *i.e.* its share in plan assets, defined benefit obligations (DBO) and pension costs. The information enables EADS to derive keys per plan to allocate for accounting purposes an appropriate proportion in plan assets, defined benefit obligations and pension costs to its UK investments as of 31 December 2012 and 2011, taking into account the impact of the capped contributions as well as future extra contributions agreed by BAE Systems with the Trustees. Therefore, EADS accounts for its participation in BAE Systems' UK defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

In 2012, the share of Airbus in BAE Systems' main schemes amounts to 19.57% (in 2011: 17.76%). The impact of this change is mainly reflected in actuarial gains and losses of the period.

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

2

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

	Germany			France			UK			BAE Systems UK		
	31 December			*31 December*			*31 December*			*31 December*		
Assumptions in %	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Discount rate	3.7	4.5	4.7	3.5	4.75	4.75	4.7	4.8	5.4	4.5	4.8	5.5
Rate of compensation increase	3.25	3.0	3.0	3.1-3.5	3.1	3.0-3.5	3.5	3.6	4.0	3.4	3.4	4.4
Inflation rate	2.0	2.0	1.75	2.0	2.0	2.0	2.8	2.9	3.3	2.9	2.9	3.4
Expected return on plan assets as of 1 January	5.5	6.5	6.5	4.0	6.5	6.5	5.4	5.8	5.8	5.5	6.9	7.1

EADS derives the discount rate used to determine the defined benefit obligation from yields on high quality corporate bonds with an AA rating. The determination of the discount rate is based on the iBoxx€ Corporates AA bond data and in 2012 uses the granularity of single bond data in order to receive more market information from the given bond index. The discount rate for the estimated duration of the respective pension plan is then extrapolated along the yield curve.

An increase of the discount rate for the pension plans in Germany and France of +0.25% would decrease the DBO by €204 million, whereas a corresponding decrease by -0.25% would increase the DBO by €200 million.

The amount recorded as provision in the Consolidated Statement of Financial Position can be derived as follows:

Change in defined benefit obligations

(In € million)	2012	2011	2010
Defined benefit obligations at beginning of year	10,639	9,645	8,845
Service cost	289	265	237
Interest cost	505	472	483
Plan amendments and curtailments	30	0	0
Actuarial (gains) and losses	1,463	506	387
Acquisitions and other	81	46	(19)
Benefits paid	(463)	(408)	(382)
Foreign currency translation adjustment	68	113	94
Defined benefit obligations at end of year	**12,612**	**10,639**	**9,645**

Included in the line "acquisitions and others" are €99 million from acquisitions in 2012 (2011: €61 million; 2010: €1 million).

Actuarial losses which are related to the BAE Systems UK pension plans amount to €567 million (2011: €213 million; 2010: €16 million) and foreign currency translation adjustment amounts to €73 million (2011: €99 million, 2010: €84 million).

Change in plan assets

(In € million)	2012	2011	2010
Fair value of plan assets at beginning of year	5,135	4,662	3,706
Expected return on plan assets	304	317	272
Actuarial gains and losses on plan assets	477	(222)	283
Contributions	856	489	553
Acquisitions and other	31	47	13
Benefits paid	(278)	(244)	(230)
Foreign currency translation adjustments	63	86	65
Fair value of plan assets at end of year	**6,588**	**5,135**	**4,662**

The actuarial gains and losses on plan assets include among others, also €429 million (2011: €-10 million; 2010: €251 million) relating to the BAE Systems' UK pension plans. Furthermore, €-158 million (2011: €-136 million; 2010: €-123 million) of benefits paid and €53 million (2011: €71 million; 2010: €57 million) of foreign currency translation adjustments relate to BAE Systems' UK pension plans.

In 2012, EADS companies contributed in total €856 million (2011: €489 million; 2010: €553 million) in cash. Main contributions were made into the CTA with €583 million (2011: €300 million; 2010: €300 million), into the relief fund in Germany with €96 million (2011: €94 million; 2010: €125 million) and the BAE Systems UK pension plans with €126 million (2011: €78 million; 2010: €66 million). In 2013, further contributions are intended.

In 2012, 45% (in 2011: 47%) of plan assets are invested in debt securities and 40% (in 2011: 38%) in equity securities. The remaining plan assets are mainly invested in other securities, property and cash.

Recognised Provision

(In € million)	2012	2011	2010	2009	2008
Funded status(1)	6,024	5,504	4,983	5,139	4,442
Unrecognised past service cost	(38)	(41)	(45)	(49)	(55)
Provision recognised in the statements of financial position	**5,986**	**5,463**	**4,938**	**5,090**	**4,387**

(1) Difference between the defined benefit obligations and the fair value of plan assets at the end of the year.

The defined benefit obligation at the end of the year is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. The provision contains the funded status less any unrecognised past service cost.

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

(In € million)	2012	2011	2010
Service cost	289	265	237
Interest cost	505	472	483
Expected return on plan assets	(304)	(317)	(272)
Past service cost	33	4	4
Net periodic pension cost	**523**	**424**	**452**

The expected return on plan assets for BAE Systems' UK pension plans amounts to €-147 million (in 2011: €-151 million).

Actuarial gains and losses for retirement plans and deferred compensation are recognised net of deferred taxes in total equity and develop as follows:

Actuarial gains and losses recognised directly in total equity (cumulative)

(In € million)	2012	2011	2010
Cumulative amount at 1 January	(3,023)	(2,277)	(2,140)
Recognised during the period	(1,116)	(746)	(137)
Cumulative value at 31 December	**(4,139)**	**(3,023)**	**(2,277)**
Deferred Tax Asset at 31 December	982	635	468
Actuarial gains and losses recognised directly in equity, net	**(3,157)**	**(2,388)**	**(1,809)**

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2012 amount to €623 million (in 2011: €643 million).

c) Other Provisions

Movements in provisions during the year were as follows:

(In € million)	Balance at 1 January 2012	Exchange differences	Increase from passage of time	Additions	Reclassi-fication/ Change in consolidated group	Used	Released	Balance at 31 December 2012
Contract losses	3,252	0	65	251	(742)	(119)	(69)	2,638
Outstanding costs	2,071	0	0	729	259	(566)	(127)	2,366
Aircraft financing risks	959	(7)	60	39	3	(248)	(2)	804
Personnel charges	570	(1)	1	428	10	(272)	(10)	726
Obligation from services and maintenance agreements	380	0	14	38	2	(58)	(2)	374
Warranties	373	(1)	8	288	8	(50)	(21)	605
Restructuring measures/ pre-retirement part-time work	220(1)	3	2	176	10	(73)	(9)	329
Litigations and claims	185	(1)	0	43	3	(18)	(6)	206
Asset retirement	104	0	3	6	0	0	(1)	112
Other risks and charges	1,065(1)	1	2	683	(120)	(204)	(159)	1,268
Total	**9,179(1)**	**(6)**	**155**	**2,681**	**(567)**	**(1,608)**	**(406)**	**9,428**

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

The provision for contract losses mainly relates to Airbus Military in conjunction with the A400M and to the A350 programme in Airbus Commercial.

The addition to provisions for outstanding costs mainly relates to Eurocopter and Cassidian and mainly corresponds to tasks to complete on construction contracts.

The provision for aircraft financing risks fully covers, in line with the Group's policy for sales financing risk, the net exposure to aircraft financing of €92 million (€224 million at 31 December 2011) and asset value risks of €712 million (€735 million at 31 December 2011) related to Airbus, Eurocopter and ATR (see Note 33 "Commitments and contingencies").

The addition to provision for restructuring measures/pre-retirement part-time work mainly relates to Cassidian.

"Reclassification/Change in consolidated group" mainly relates to offsetting of contract provisions to respective inventories.

In general, as the contractual and technical parameters to be considered for provisions in the aerospace sector are rather complex, uncertainty exists with regard to the timing and amounts of expenses to be taken into account.

The majority of the company's other provisions are generally expected to result in cash outflows during the next 1 to 12 years.

26. Financing Liabilities

In 2011, EADS entered into US$721 million long-term credit agreement with EIB (European Investment Bank) maturing in 2021 under which EADS pays variable interest rate of 3 month USD Libor +0.849%. Concurrently, EADS swapped the variable interest rate into fixed rate of 3.2%. In 2004, the EIB (European Investment Bank) granted a long-term loan to EADS in the amount of US$421 million maturing in 2014 and bearing a fixed interest rate of 5.1% (effective interest rate 5.1%). In 2011, EADS entered into a US$300 million credit facility maturing in 2021 with the Development Bank of Japan under which EADS drew the full amount and pays a variable interest rate of 3 month USD Libor +1.15%. Concurrently, EADS swapped the variable interest rate into fixed rate of 4.8%.

EADS issued under its EMTN Programme (Euro Medium Term Note Programme) two currently outstanding euro denominated bonds. The first issue of €0.5 billion maturing in 2018 carries a coupon of 5.5% (effective interest rate 5.6%) which was swapped during 2005 into variable rate of 3M-Euribor +1.72%. The second issue of €1 billion in 2009 maturing 2016 carries a coupon of 4.625% (effective interest rate 4.7%) which was swapped into variable rate of 3M-Euribor +1.57%. Furthermore, Airbus received in 1999 a Reinvestment Note from Deutsche Bank AG in the amount of US$800 million, bearing a fixed interest rate of 9.88% with an outstanding debt of €195 million (2011: €224 million).

EADS can issue commercial paper under the so called *"billet de trésorerie"* programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The issued volume at 31 December 2012 amounted to €165 million (2011: €0 million). The programme has been set up in 2003 with a maximum volume of €2 billion.

Financing liabilities include liabilities connected with sales financing transactions amounting to €345 million (2011: €532 million), mainly at variable interest rates.

Non recourse Airbus financing liabilities (risk is supported by external parties) amount to €345 million (2011: €455 million).

(In € million)	**31 December 2012**	31 December 2011
Bonds	1,669	1,605
thereof due in more than five years: 579 (31 December 2011: 549)		
Liabilities to financial institutions	1,382	1,480
thereof due in more than five years: 561 (31 December 2011: 679)		
Loans	287	372
thereof due in more than five years: 56 (31 December 2011: 185)		
Liabilities from finance leases	168	171
thereof due in more than five years: 69 (31 December 2011: 112)		
Long-term financing liabilities	**3,506**	**3,628**
Bonds	165	0
Liabilities to financial institutions	53	74
Loans	189	279
Liabilities from finance leases	13	13
Others	853	1,110
Short-term financing liabilities (due within one year)	**1,273**	**1,476**
Total	**4,779**	**5,104**

Included in "Others" are financing liabilities to joint ventures. The reduction mainly reflects a dividend from MBDA.

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2012 as follows:

(In € million)	Financing liabilities
2013	1,273
2014	539
2015	219
2016	1,316
2017	167
Thereafter	1,265
Total	**4,779**

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2011 as follows:

(In € million)	Financing liabilities
2012	1,476
2013	139
2014	482
2015	209
2016	1,273
Thereafter	1,525
Total	**5,104**

27. Other Financial Liabilities

(In € million)	31 December 2012	31 December 2011
Non-current other financial liabilities		
European Governments refundable advances	5,754	5,526
Liabilities for derivative financial instruments	1,159	2,140
Others	545	527
Total	**7,458**	**8,193**
Current other financial liabilities		
Liabilities to related companies	26	10
Liabilities for derivative financial instruments	852	995
Others	837	682
Total	**1,715**	**1,687**

European Governments refundable advances including interest accretion for the total amount of € 406 million representing obligations arising out of contracts associated with the long-range programme in Airbus Commercial have been settled as a result of actions taken by Airbus in 2011, due to the termination of the A340 programme. The release of the liabilities has positively affected the 2011 Consolidated Income Statement before taxes by € 192 million in other income and by € 120 million in interest result. The settlement has further resulted in an associated operating cash outflow of € 94 million in the fourth quarter 2011.

Regarding the interest expenses on European Governments refundable advances see Note 12 "Total finance costs". Due to their specific nature, namely their risk-sharing features and the fact that such advances are generally granted to EADS on the basis of significant development projects, European Governments refundable advances are accounted for by EADS within "Non-current / current other financial liabilities" on the statement of financial position including accrued interests and presented within "cash provided by operating activities" in the Consolidated Statements of Cash Flows.

Included in "Other financial liabilities" are € 1,713 million (2011: € 1,753 million) due within one year and € 3,847 million (2011: € 4,526 million) maturing after more than five years.

28. Other Liabilities

(In € million)	31 December 2012	31 December 2011
Non-current other liabilities		
Customer advance payments	9,881	9,256
Others	643	561 [(1)]
Total	**10,524**	**9,817 [(1)]**
Current other liabilities		
Customer advance payments	25,333	25,006
Tax liabilities (excluding income tax)	592	595
Others	2,258	2,069
Total	**28,183**	**27,670**

(1) Please refer to Note 4 “Acquisitions and Disposals”. Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

Included in “Other liabilities” are € 25,164 million (2011: € 23,617 million) due within one year and € 3,746 million (2011: € 3,493 million) maturing after more than five years.

Advance payments received relating to construction contracts amount to € 10,037 million (2011: € 9,586 million) mainly resulting from Airbus Military (€ 3,955 million), Astrium (€ 2,936 million), Cassidian (€ 2,136 million) and Eurocopter (€ 997 million).

29. Trade Liabilities

As of 31 December 2012, trade liabilities amounting to € 74 million (€ 74 million as of 31 December 2011) mature after more than one year.

30. Deferred Income

(In € million)	31 December 2012	31 December 2011
Non-current deferred income	212	290
Current deferred income	1,057	875
Total	**1,269**	**1,165**

Deferred income includes sales of Airbus and ATR aircraft with asset value guarantee commitments which are accounted for as operating leases (€ 117 million and € 198 million as of 31 December 2012 and 2011, respectively).

2.4 Notes to the Consolidated Statements of Cash Flows (IFRS)

31. Consolidated Statements of Cash Flows

As of 31 December 2012, EADS' cash position (stated as cash and cash equivalents in the Consolidated Statements of Cash Flows) includes € 374 million (€ 710 million and € 735 million as of 31 December 2011 and 2010, respectively) which represent EADS' share in MBDA's cash and cash equivalents, deposited at BAE Systems and Finmeccanica and which are available upon demand.

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

(In € million)	31 December 2012	31 December 2011	31 December 2010
Total purchase price	(259)	(1,631)	(45)
thereof paid in cash and cash equivalents	(259)	(1,631)	(45)
Cash and cash equivalents included in the acquired subsidiaries, joint ventures and businesses	58	96	7
Cash Flow for acquisitions, net of cash	**(201)**	**(1,535)**	**(38)**

In 2012, the aggregate cash flow for acquisitions, net of cash of € -201 million relates mainly to the acquisitions of Cassidian (€ -123 million for Carl Zeiss Optronics GmbH, Rheinmetall Airborne Systems GmbH and Netasq) and to the asset deals of Eurocopter (€ -43 million).

In 2011, the aggregate cash flow for acquisitions, net of cash of € -1,535 million includes mainly the acquisition of Vizada (€ -709 million), Vector (€ -432 million) and Satair (€ -342 million).

In 2010, the aggregate cash flow for acquisitions, net of cash results from the acquisition of Jena-Optronik GmbH amounting to €-38 million.

(In € million)	31 December 2012	31 December 2011	31 December 2010
Intangible assets; property, plant and equipment	99	719[(1)]	3
Inventories	105	274	9
Trade receivables	65	387[(1)]	13
Other assets	42	128[(1)]	1
Cash and cash equivalents	58	96	7
Assets	**369**	**1,604**[(1)]	**33**
Provisions	(126)	(140)[(1)]	(3)
Trade liabilities	(32)	(288)	(5)
Financing liabilities	(11)	(203)	0
Tax liabilities and other liabilities	(77)	(308)[(1)]	(14)
Liabilities	**(246)**	**(939)**[(1)]	**(22)**
Fair value of total net assets	**123**	**665**[(1)]	**11**
Increase in non-controlling interests due to acquisitions	(8)	(2)[(1)]	0
Fair value of net assets acquired	**115**	**663**[(1)]	**11**
Goodwill arising on acquisitions	199	1,020[(1)]	34
Badwill	0	(2)	0
Total consideration	**314**	**1,681**	**45**
Gains related to business combinations	(7)	(24)	0
Non-cash effective consideration of investments held prior to the acquisitions	(1)	(21)	0
Linked non-controlling interests squeeze out transactions of 2011' acquisitions settled in February 2012	5	(5)	0
Non-cash effective consideration of earn-outs to be paid at a later stage	(52)	0	0
Less cash and cash equivalents of acquired subsidiaries, joint ventures and businesses	(58)	(96)	(7)
Cash Flow for acquisitions, net of cash	**201**	**1,535**	**38**

(1) Please refer to Note 4 "Acquisitions and Disposals". Comparative period information is adjusted retrospectively in accordance with IFRS 3.45.

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

(In € million)	31 December 2012	31 December 2011	31 December 2010
Total selling price	0	18	12
thereof received by cash and cash equivalents	0	18	12
Cash and cash equivalents included in the (disposed) subsidiaries	0	0	0
Cash Flow from disposals, net of cash	**0**	**18**	**12**

The aggregate cash flow from disposals, net of cash, in 2011 of € 18 million results from the sale of EADS NA Defense Security Systems Solutions Inc.

The aggregate cash flow from disposals, net of cash, in 2010 of € 12 million results from the sale of ASL Aircraft Services Lemwerder GmbH.

(In € million)	31 December 2012	31 December 2011	31 December 2010
Intangible assets; property, plant and equipment	0	(8)	(4)
Trade receivables	0	(4)	(3)
Other assets	0	0	(14)
Assets	**0**	**(12)**	**(21)**
Provisions	0	2	8
Other liabilities	0	2	12
Liabilities	**0**	**4**	**20**
Book value of net assets	**0**	**(8)**	**(1)**
Related disposal of Goodwill	0	(10)	0
Result from disposal of subsidiaries	0	0	(11)
Cash Flow from disposals, net of cash	**0**	**(18)**	**(12)**

2.5 Other Notes to the Consolidated Financial Statements (IFRS)

32. 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. For the amount of provisions for litigation and claims, see Note 25c) "Other provisions".

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.

33. Commitments and Contingencies

Commitments and contingent liabilities

Sales financing – In relation to its Airbus, Eurocopter and ATR activities, EADS is committing itself in sales financing transactions with selected customers. Sales financing transactions are generally collateralised by the underlying aircraft. Additionally, Airbus, Eurocopter and ATR benefit from protective covenants and from security packages tailored according to the perceived risk and the legal environment. EADS believes that the estimated fair value of the aircraft securing such commitments will substantially offset any potential losses from the commitments. Any remaining difference between the amount of financing commitments given and the collateral value of the aircraft financed is provided for as an impairment to the relating asset, if assignable, or as a provision for aircraft financing risk. The basis for this write down is a risk-pricing-model, which is applied at every closing to closely monitor the remaining value of the aircraft.

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for **on the statement of financial position** either as (i) an operating lease (see Note 15 "Property, plant and equipment") or (ii) a loan from aircraft financing or (iii) a finance lease receivable (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). As of 31 December 2012, related accumulated impairment amounts to € 223 million (2011: € 127 million) for operating lease and to € 132 million (2011: € 172 million) for loans and finance lease receivables. As part of provisions for aircraft financing risks € 49 million (2011: € 45 million) are recorded (see Note 25c) "Other provisions").

Certain sales financing transactions include the sale and lease back of the aircraft with a third party lessor under operating lease. Unless the Group has sold down the relating operating lease commitments to third parties, which assume liability for the payments, it is exposed to future lease payments.

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2012 as follows:

(In € million)	
Not later than 2013	69
Later than 2013 and not later than 2017	219
Later than 2017	44
Total	**332**
Of which commitments where the transaction has been sold to third parties	(281)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**51**

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2011 as follows:

(In € million)	
Not later than 2012	103
Later than 2012 and not later than 2016	404
Later than 2016	82
Total	**589**
Of which commitments where the transaction has been sold to third parties	(336)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**253**

Total aircraft lease commitments of € 332 million as of 31 December 2012 (2011: € 589 million) arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of € 300 million (2011: € 443 million). A large part of these lease commitments (€ 281 million and € 336 million as of 31 December 2012 and 2011) arises from transactions that were sold down to third parties, which assume liability for the payments. EADS determines its gross exposure to such operating leases as the present value of the related payment streams. The difference between gross exposure and the estimated value of underlying aircraft used as collateral, the net exposure, is provided for in full with an amount of € 43 million as of 31 December 2012 (2011: € 179 million), as part of the provision for aircraft financing risks (see Note 25c) "Other provisions").

As of 31 December 2012 and 2011, the total consolidated – **on and off balance sheet** – Commercial Aviation Sales Financing Exposure is as follows (Airbus Commercial, Eurocopter and 50% for ATR):

(In € million)	**31 December 2012**	31 December 2011
Total gross exposure	1,297	1,289
Estimated fair value of collateral (aircraft)	(850)	(766)
Net exposure (fully provided for)	**447**	**523**

Details of provisions / accumulated impairments are as follows:

(In € million)	**31 December 2012**	31 December 2011
Accumulated impairment on operating leases (see Note 15 "Property, plant and equipment")	223	127
Accumulated impairment on loans from aircraft financing and finance leases (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets")	132	172
Provisions for aircraft financing risk (on balance sheet) (see Note 25c) "Other provisions")	49	45
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 25c) "Other provisions")	43	179
Total provisions / accumulated impairments for sales financing exposure	**447**	**523**

Asset value guarantees — Certain sales contracts may include the obligation of an asset value guarantee whereby Airbus Commercial, Eurocopter or ATR guarantee a portion of the value of an aircraft at a specific date after its delivery. Management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2022. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease (see Note 15 "Property, plant and equipment" and Note 30 "Deferred income"). In addition, EADS is contingently liable in case asset value guarantees with less than 10% are provided to customers as part of aircraft sales. Counter guarantees are negotiated with third parties and reduce the risk to which the Group is exposed. As of 31 December 2012, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to € 1,046 million (2011: € 1,117 million), excluding € 333 million (2011: € 354 million) where the risk is considered to be remote. In many cases the risk is limited to a specific portion of the residual value of the aircraft. The present value of the risk inherent to the given asset value guarantees where a settlement is being considered as probable is fully provided for and included in the total amount of provisions for asset value risks of € 712 million (2011: € 735 million) (see Note 25c) "Other provisions"). This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter guarantees into account.

With respect to ATR, EADS and Finmeccanica are jointly and severally liable to third parties without limitation. Amongst the shareholders, the liability is limited to each partner's proportionate share.

While ***backstop commitments*** to provide financing related to orders on Airbus Commercial's and ATR's backlog are also given, such commitments are not considered to be part of gross exposure until the financing is in place, which occurs when the aircraft is delivered. This is due to the fact that (i) past experience suggests it is unlikely that all such proposed financings actually will be implemented (although it is possible that customers not benefiting from such commitments may nevertheless request financing assistance ahead of aircraft delivery), (ii) until the aircraft is delivered, Airbus Commercial or ATR retain the asset and do not incur an unusual risk in relation thereto, and (iii) third parties may participate in the financing. In order to mitigate Airbus Commercial and ATR credit risks, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

Other commitments — Other commitments comprise contractual guarantees and performance bonds to certain customers as well as commitments for future capital expenditures.

Future nominal operating lease payments (for EADS as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to € 916 million (2011: € 968 million) as of 31 December 2012, and relate mainly to procurement operations (*e.g.* facility leases, car rentals).

Maturities as of 31 December 2012 are as follows:

(In € million)	
Not later than 2013	164
Later than 2013 and not later than 2017	383
Later than 2017	369
Total	**916**

The respective maturities as of 31 December 2011 are as follows:

(In € million)	
Not later than 2012	131
Later than 2012 and not later than 2016	362
Later than 2016	475
Total	**968**

34. Information about Financial Instruments

a) Financial Risk Management

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

The financial risk management of EADS is generally carried out by the Central Treasury department at EADS Headquarters under policies approved by the Board of Directors or by the Chief Financial Officer. The identification, evaluation and hedging of the financial risks is in the responsibility of established treasury committees jointly with the Group's Divisions and Business Units.

Market Risk

Currency risk — Foreign exchange risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

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

Significant parts of EADS' revenues are denominated in US dollars, whereas a major portion of its costs is incurred in euros and to a smaller extent in GBP. Consequently, to the extent that EADS does not use financial instruments to cover its current and future foreign currency exchange rate exposure, its profits are affected by changes in the euro-US dollar exchange rate. As the Group intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, EADS uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

EADS endeavours to hedge the majority of its exposure based on firm commitments or forecasted transactions. For financial reporting purposes, foreign currency transactions qualify as a hedged item if they are included in the internally audited order book or are otherwise considered highly probable, *e.g.* because of contractual or planning evidence.

For products such as aircraft, EADS typically hedges firmly committed sales in US dollar. The hedged items are defined as first firmly committed future cash inflows for a given month based upon final payments at delivery. Usually, EADS designates a portion of the total monthly cash inflows as the hedged position to cover its expected foreign currency exposure. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. For the non-aircraft business EADS hedges in- and outflows in foreign currencies from firmly committed or forecast sales and purchase contracts. In the non-aircraft business, hedges are typically contracted in lower volumes but follow similar first flow logic or are designated based on agreed milestone payments. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot rates and interest rates as well as the robustness of the commercial cycle. As hedging instruments, EADS primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and at Airbus Commercial to a minor extent non-derivative financial instruments.

The Company also has foreign currency derivative instruments which are embedded in certain purchase and lease contracts denominated in a currency other than the functional currency of the significant parties to the contract, principally USD and GBP. Gains or losses relating to such embedded foreign currency derivatives are reported in other financial result if not designated as hedging instrument. In addition, EADS hedges currency risk arising from financial transactions in other currencies than euro, such as funding transactions or securities.

Interest rate risk — The Group uses an asset-liability management approach with the objective to limit its interest rate risk. The Group undertakes to match the risk profile of its assets with a corresponding liability structure. The remaining net interest rate exposure is managed through several types of interest rate derivatives in order to minimise risks and financial impacts. Hedging instruments that are specifically designated to debt instruments have at the maximum the same nominal amounts as well as the same maturity dates compared to the hedged item.

The cash and cash equivalents and securities portfolio of the Group is invested in financial instruments such as overnight deposits, certificates of deposits, commercial papers, other money market instruments and short-term as well as mid-term bonds. Any related interest rate hedges qualify for hedge accounting as either fair value hedges or cash flow hedges. For this portfolio, EADS holds on a regular basis an Asset Management Committee which aims at limiting the interest rate risk on a fair value basis through a value-at-risk approach.

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

Equity Price risk — EADS is to a small extent invested in equity securities mainly for operational reasons. Therefore, the Group assesses its exposure towards equity price risk as limited.

Sensitivities of Market Risks — The approach used to measure and control market risk exposure within EADS' financial instrument portfolio is amongst other key indicators the value-at-risk ("VaR"). The VaR of a portfolio is the estimated potential loss that will not be exceeded on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by EADS is based upon a 95% confidence level and assumes a 5-day holding period. The VaR model used is mainly based on the so called "Monte-Carlo-Simulation" method. Deriving the statistical behavior of the markets relevant for the portfolio out of market data from the previous two years and observed interdependencies between different markets and prices, the model generates a wide range of potential future scenarios for market price movements.

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

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

— a five-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.

— a 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a five percent statistical probability that losses could exceed the calculated VaR.

— the use of historical data as a basis for estimating the statistical behavior of the relevant markets and finally determining the possible range of future outcomes out of this statistical behavior may not always cover all possible scenarios, especially those of an exceptional nature.

The Group uses VaR amongst other key figures in order to determine the riskiness of its financial instrument portfolio and in order to optimise the risk-return ratio of its financial asset portfolio. Further, the Group's investment policy defines a VaR limit for the total portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the Asset Management Committee.

A summary of the VaR position of EADS' financial instruments portfolio at 31 December 2012 and 31 December 2011 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2012					
FX hedges for forecast transactions or firm commitments	916	0	937	0	91
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	122	122	38	0	14
Finance lease receivables and liabilities, foreign currency trade payables and receivables	30	0	5	0	27
Commodity contracts	18	0	0	18	0
Diversification effect	(204)	0	(85)	0	(30)
All financial instruments	**882**	**122**	**895**	**18**	**102**
31 December 2011					
FX hedges for forecast transactions or firm commitments	1,249	0	1,264	0	128
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	192	164	71	0	37
Finance lease receivables and liabilities, foreign currency trade payables and receivables	61	0	10	0	56
Commodity contracts	8	0	1	7	0
Diversification effect	(219)	0	(27)	0	(44)
All financial instruments	**1,291**	**164**	**1,319**	**7**	**177**

The decrease of total VaR compared to 31 December 2011 is mainly attributable to strong decrease of market volatilities, in particular FX volatilities, despite an increase of the foreign exchange portfolio in comparison to year end 2011. EADS uses its derivative instruments almost entirely as well as some of its non-derivative financial liabilities for hedging purposes. As such, the respective market risks of these hedging instruments are – depending on the hedges' actual effectiveness – offset by corresponding opposite market risks of the underlying forecast transactions, assets or liabilities. Under IFRS 7 the underlying forecast transactions do not qualify as financial instruments and are therefore not included in the tables shown above. The VaR of the FX hedging portfolio in the amount of €916 million (2011: €1,249 million) cannot be considered as a risk indicator for the Group in the economic sense.

Further, EADS also measures VaR of the Group-internal transaction risk arising on Group entities contracting in a currency different from its functional currency affecting Group profit and loss. However, these currency risks arise purely EADS internally and are in economic terms 100% compensated by the corresponding currency fluctuations recognised in a separate component of equity when translating the foreign entity into EADS functional currency. At 31 December 2012, the related total VaR amounts to €153 million (2011: €70 million).

Liquidity Risk

The Group's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. EADS manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion as of 31 December 2012 and 2011, respectively) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, EADS may issue bonds, notes and commercial papers. EADS continues to keep within the asset portfolio the focus on low counterparty risk, however, adverse changes in the capital markets could increase the Group's funding costs and limit its financial flexibility.

Further, the management of the vast majority of the Group's liquidity exposure is centralised by a daily cash concentration process. This process enables EADS to manage its liquidity surplus as well as its liquidity requirements according to the actual needs of its subsidiaries. In addition, Management monitors the Group's liquidity reserve as well as the expected cash flows from its operations based on a quarterly rolling cash forecast.

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year – 2 years	2 years – 3 years	3 years – 4 years	4 years – 5 years	More than 5 years
31 December 2012								
Non-derivative financial liabilities	(15,697)	(16,430)	(11,574)	(708)	(426)	(1,599)	(416)	(1,707)
Derivative financial liabilities	(2,011)	(2,168)	(753)	(678)	(514)	(126)	(28)	(69)
Total	**(17,708)**	**(18,598)**	**(12,327)**	**(1,386)**	**(940)**	**(1,725)**	**(444)**	**(1,776)**
31 December 2011								
Non-derivative financial liabilities	(15,742)	(16,512)	(11,513)	(314)	(610)	(340)	(1,567)	(2,168)
Derivative financial liabilities	(3,135)	(3,556)	(919)	(1,052)	(769)	(597)	(144)	(75)
Total	**(18,877)**	**(20,068)**	**(12,432)**	**(1,366)**	**(1,379)**	**(937)**	**(1,711)**	**(2,243)**

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

The amounts disclosed are the contractual undiscounted cash flows, comprising all outflows of a liability such as repayments and eventual interest payments.

Non-derivative financial liabilities comprise financing liabilities at amortised cost and finance lease liabilities as presented in the tables of Note 34b) "Carrying amounts and fair values of financial instruments". Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments refundable advances are not included in the above mentioned table with an amount of €6,112 million (2011: €5,737 million).

Credit Risk

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

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

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

European financial markets have recently experienced significant disruptions. Such disruptions affected the credit markets and created uncertainty regarding the near-term economic prospects of countries in the EU as well as the quality of loans to sovereign debtors and banks in the EU. There has also been an indirect impact on financial markets worldwide. If economic conditions in the relevant European countries or in Europe more generally were to deteriorate or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity and extreme volatility in credit, currency and equity markets. This could have a number of effects on EADS' business, including:

— continued de-leveraging as well as mergers and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by EADS for its businesses or restrict its ability to implement desired foreign currency hedges; and

— default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations.

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

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment. In order to support sales, primarily at Airbus Commercial and ATR, EADS may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus Commercial and ATR take into account the airline's credit rating and economic factors reflecting the relevant financial market conditions, together with appropriate assumptions as to the anticipated future value of the financed asset.

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' (*e.g.* airlines') creditworthiness by way of internal risk pricing methods.

The maximum exposure of the current portion of other long-term financial assets, trade receivables, receivables from related companies, loans and others included in current other financial assets to credit risk at the end of the reporting periods is the following:

(In € million)	**2012**	2011
Receivables, neither past due nor impaired	5,569	4,979[1]
Not past due following negotiations and not impaired	39	52
Receivables impaired individually	30	18
Receivables not impaired and past due ≤ 3 months	1,107	1,139
Receivables not impaired and past due >3 and ≤ 6 months	124	314
Receivables not impaired and past due >6 and ≤ 9 months	255	331
Receivables not impaired and past due >9 and ≤ 12 months	273	233
Receivables not impaired and past due > 12 months	807	835
Total	**8,204**	**7,901**

(1) Please refer to Note 4 "Acquisitions and disposals". Comparative information is adjusted retrospectively in accordance with IFRS 3.45.

b) Carrying Amounts and Fair Values of Financial Instruments

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party. Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could realise in a current market environment.

The following tables present the carrying amounts and fair values of financial instruments according to IAS 39 measurement categories as of 31 December 2012 and 2011 respectively:

31 December 2012	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities at amortised cost		Other[3]	**Financial Instruments Total**	
(In € million)	*Held for trading*	*Designated*	*Fair value*	*Book value*	*Fair Value*	*Amortised Cost*	*Fair Value*		*Book Value*	*Fair Value*
Assets										
Other investments and other long-term financial assets										
• thereof at amortised cost	-	-	-	-	-	1,115	1,115	201	1,316	1,316
• thereof at cost	-	-	-	341	[1]	-	-	-	341	[1]
• thereof Fair value via OCI	-	-	-	458	458	-	-	-	458	458
Current portion of other long-term financial assets	-	-	-	-	-	112	112	175	287	287
Non-current and current other financial assets	422	-	1,145	-	-	1,267	1,267	-	2,834	2,834
Trade receivables	-	-	-	-	-	6,790	6,790	-	6,790	6,790
Non-current and current securities	-	9	-	8,306	8,306	-	-	-	8,315	8,315
Cash and Cash Equivalents	-	2,296	-	3,323	3,323	3,137	3,137	-	8,756	8,756
Total	**422**	**2,305**	**1,145**	**12,428**	**12,087**	**12,421**	**12,421**	**376**	**29,097**	**28,756**
Liabilities										
Long-term and short-term financing liabilities	-	-	-	-	-	(4,598)	(4,892)	(181)	(4,779)	(5,073)
Non-current and current other financial liabilities	(278)	-	(1,787)	-	-	(7,108)	(7,108)[2]	-	(9,173)	(9,173)
Trade liabilities	-	-	-	-	-	(9,917)	(9,917)	-	(9,917)	(9,917)
Total	**(278)**	**-**	**(1,787)**	**-**	**-**	**(21,623)**	**(21,917)**	**(181)**	**(23,869)**	**(24,163)**

(1) Fair value is not reliably measurable.
(2) The European Governments refundable advances of €6,112 million are measured at amortised cost; a fair value cannot be measured reliably due to their risk sharing nature and uncertainty about the repayment dates. They may be reassessed as relating programmes approach the end of production.
(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables/payables approximate their fair values.

31 December 2011	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities at amortised cost		Other[3]	Financial Instruments Total	
(In € million)	*Held for trading*	*Designated*	*Fair value*	*Book value*	*Fair Value*	*Amortised Cost*	*Fair Value*		*Book Value*	*Fair Value*
Assets										
Other investments and other long-term financial assets										
• thereof at amortised cost	-	-	-	-	-	1,270[4]	1,270[4]	432	1,702	1,702
• thereof at cost	-	-	-	279	[1]	-	-	-	279	[1]
• thereof Fair value via OCI	-	-	-	371	371	-	-	-	371	371
Current portion of other long-term financial assets	-	-	-	-	-	76	76	96	172	172
Non-current and current other financial assets	412	-	490	-	-	1,468	1,468	-	2,370	2,370
Trade receivables	-	-	-	-	-	6,394[4]	6,394[4]	-	6,394	6,394
Non-current and current securities	-	67	-	11,434	11,434	-	-	-	11,501	11,501
Cash and Cash Equivalents	-	365	-	2,842	2,842	2,077	2,077	-	5,284	5,284
Total	**412**	**432**	**490**	**14,926**	**14,647**	**11,285**	**11,285**	**528**	**28,073**	**27,794**
Liabilities										
Long-term and short-term financing liabilities	-	-	-	-	-	(4,920)	(5,180)	(184)	(5,104)	(5,364)
Non-current and current other financial liabilities	(131)	-	(3,060)	-	-	(6,689)	(6,689)[2]	-	(9,880)	(9,880)
Trade liabilities	-	-	-	-	-	(9,630)	(9,630)	-	(9,630)	(9,630)
Total	**(131)**	**-**	**(3,060)**	**-**	**-**	**(21,239)**	**(21,499)**	**(184)**	**(24,614)**	**(24,874)**

(1) Fair value is not reliably measurable.
(2) The European Governments refundable advances of €5,737 million are measured at amortised cost; a fair value can not be measured reliably due to their risk sharing nature and uncertainty about the repayment dates. They may be reassessed as relating programmes approach the end of production.
(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables / payables approximate their fair values.
(4) Please refer to Note 4 "Acquisitions and disposals". Comparative information is adjusted retrospectively in accordance with IFRS 3.45.

The fair value hierarchy consists of the following levels:

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

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

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

The following tables allocate the financial assets and liabilities measured at fair value to the three levels of the **fair value hierarchy** as of 31 December 2012 and 2011 respectively:

31 December 2012	Level 1	Level 2	Level 3	Total
(In € million)				
Financial assets measured at fair value				
Financial assets measured at fair value through profit or loss	2,296	390	41	2,727
Derivative financial instruments for hedge relations	-	1,137	8	1,145
Available for Sale financial assets	11,780	307	-	12,087
Total	**14,076**	**1,834**	**49**	**15,959**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit or loss	-	(278)	-	(278)
Financial instruments for hedge relations	-	(1,782)	(5)	(1,787)
Total	**-**	**(2,060)**	**(5)**	**(2,065)**

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

Financial assets and liabilities on Level 3	Balance at 1 January 2012	Total gains or losses in profit or loss	Total gains or losses in other comprehensive income	Purchases	Issues	Settlements	Reclassification	**Balance at 31 December 2012**
Financial assets								
Financial assets measured at fair value through profit or loss	39	-	-	39	-	(37)	-	41
Financial instruments for hedge relations	0	(1)	2	-	-	-	7	8
Total	**39**	**(1)**	**2**	**39**	**-**	**(37)**	**7**	**49**
Financial liabilities								
Financial instruments for hedge relations	(56)	(1)	(3)	-	-	62	(7)	(5)

31 December 2011 (In € million)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets measured at fair value through profit or loss	365	440	39	844
Derivative financial instruments for hedge relations	-	490	-	490
Available for Sale financial assets	11,649	2,998	-	14,647
Total	**12,014**	**3,928**	**39**	**15,981**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit or loss	-	(131)	-	(131)
Financial instruments for hedge relations	-	(3,004)	(56)	(3,060)
Total	**-**	**(3,135)**	**(56)**	**(3,191)**

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

Financial assets and liabilities on Level 3	Balance at 1 January 2011	Total gains or losses in profit or loss	Total gains or losses in other comprehensive income	Purchases	Issues	Settlements	Transfer to liabilities	Balance at 31 December 2011
Financial assets								
Financial assets measured at fair value through profit or loss	-	39	-	-	-	-	-	39
Financial liabilities								
Financial instruments for hedge relations	(101)	(5)	(1)	-	-	51	-	(56)

Financial Assets and Liabilities — Generally, fair values are determined by observable market quotations or valuation techniques supported by observable market quotations.

By applying a valuation technique, such as present value of future cash flows, fair values are based on estimates. However, methods and assumptions followed to disclose data presented herein are inherently judgmental and involve various limitations like estimates as of 31 December 2012 and 2011, which are not necessarily indicative of the amounts that the Company would record upon further disposal / termination of the financial instruments. Unquoted other investments are measured at cost as their fair value is not reliably determinable.

The methodologies used are as follows:

Short-term investments, cash, short-term loans, suppliers — The carrying amounts reflected in the annual accounts are reasonable estimates of fair value because of the relatively short period of time between the origination of the instruments and its expected realisation.

Securities — The fair value of securities included in available-for-sale investments is determined by reference to their quoted market price at the end of the reporting period. If a quoted market price is not available, fair value is determined on the basis of generally accepted valuation methods on the basis of market information available at the end of the reporting period.

Currency, Interest Rate and Commodity Contracts — The fair value of these instruments is the estimated amount that the Company would receive or pay to settle the related agreements as of 31 December 2012 and 2011. EADS determines the fair values of derivative financial instruments using recognised valuation techniques such as option-pricing models and discounted cash flow models. The valuation is based on market data such as currency rates, interest rates and credit spreads as well as price and rate volatilities obtained from recognised vendors of market data.

The fair value of ***financing liabilities*** as of 31 December 2012 and 2011 has been estimated including all future interest payments. It also reflects the interest rate as stated in the tables above. The fair value of the EMTN bonds has been assessed using public price quotations.

The following types of **financial assets** held at 31 December 2012 and 2011 respectively are designated at fair value through profit or loss:

(In € million)	**Nominal amount at initial recognition as of 31 December 2012**	**Fair value as of 31 December 2012**	Nominal amount at initial recognition as of 31 December 2011	Fair value as of 31 December 2011
Designated at fair value through profit or loss at recognition:				
Money Market Funds (accumulating)	2,296	2,296	365	365
Foreign currency Funds of Hedge Funds	14	9	19	17
Uncapped Structured Interest Rate Notes	0	0	50	50
Total	**2,310**	**2,305**	**434**	**432**

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

In addition, EADS invests in Money Market Funds paying interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to €3,117 million (2011: €2,609 million).

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

c) Notional Amounts of Derivative Financial Instruments

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

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

Year ended 31 December 2012	Remaining period								**Total**
(In € million)	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020+*	
Foreign Exchange Contracts:									
Net forward sales contracts	16,034	16,201	13,680	9,422	4,663	1,079	(118)	1	**60,962**
Foreign Exchange Options:									
Purchased USD call options	407	0	0	0	0	0	0	0	**407**
Purchased USD put options	880	0	0	0	0	0	0	0	**880**
Written USD call options	881	0	0	0	0	0	0	0	**881**
Other Purchased call options	5	0	0	0	0	0	0	0	**5**
FX swap contracts	1,689	211	0	172	0	0	0	0	**2,072**

Year ended 31 December 2011	Remaining period								Total
(In € million)	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019+*	
Foreign Exchange Contracts:									
Net forward sales contracts	13,457	14,707	12,916	8,567	2,359	(92)	(235)	(275)	**51,404**
Foreign Exchange Options:									
Purchased USD call options	1,525	415	0	0	0	0	0	0	**1,940**
Purchased USD put options	2,814	1,222	0	0	0	0	0	0	**4,036**
Written USD call options	2,723	1,236	0	0	0	0	0	0	**3,959**
FX swap contracts	4,821	130	225	0	228	0	0	0	**5,404**

The notional amounts of interest rate contracts are as follows:

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

Please also refer to Note 26 “Financing Liabilities”.

Year ended 31 December 2011	Remaining period										Total
(In € million)	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021+*	
Interest Rate Contracts	230	1,073	1,330	983	1,507	142	610	1,157	0	922	**7,954**

Notional amounts of commodity contracts:

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

Year ended 31 December 2011	Remaining period			Total
(In € million)	*2012*	*2013*	*2014*	
Commodity contracts	283	104	6	**393**

d) Derivative Financial Instruments and Hedge Accounting Disclosure

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2012 and 2011:

31 December 2012	EUR	USD	GBP
Interest rate in %			
6 months	0.16	0.52	0.62
1 year	0.47	0.88	0.96
5 years	0.63	0.82	1.02
10 years	1.45	1.74	1.86

31 December 2011	EUR	USD	GBP
Interest rate in %			
6 months	1.82	0.93	1.45
1 year	2.15	1.35	1.96
5 years	1.73	1.21	1.57
10 years	2.37	2.03	2.31

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2012 and 2011 is as follows:

(In € million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total
1 January 2011	**(1,373)**	**1**	**(1,372)**
Unrealised gains and losses from valuations, net of tax	(276)	1	(275)
Transferred to profit or loss for the period, net of tax	(124)	0	(124)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	(400)	1	(399)
31 December 2011 / 1 January 2012	**(1,773)**	**2**	**(1,771)**
Unrealised gains and losses from valuations, net of tax	718	(1)	717
Transferred to profit or loss for the period, net of tax	638	0	638
Changes in fair values of hedging instruments recorded in AOCI, net of tax	1,356	(1)	1,355
31 December 2012	**(417)**	**1**	**(416)**

In the year 2012 an amount of € -917 million (in 2011: € 171 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges. No material ineffectiveness arising from hedging relationship has been determined.

Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments is as follows:

	31 December 2012		31 December 2011	
(In € million)	*Assets*	*Liabilities*	*Assets*	*Liabilities*
Foreign currency contracts – Cash Flow Hedges	959	(1,484)	233	(2,742)
Foreign currency contracts – not designated in a hedge relationship	164	(51)	361	(55)
Interest rate contracts – Cash Flow Hedges	0	(81)	0	(61)
Interest rate contracts – Fair Value Hedges	178	(171)	257	(116)
Interest rate contracts – not designated in a hedge relationship	144	(144)	0	(19)
Commodity contracts – not designated in a hedge relationship	41	(32)	39	(28)
Embedded foreign currency derivatives – Cash Flow Hedges	0	(46)	0	(85)
Embedded foreign currency derivatives – not designated in a hedge relationship	32	(2)	0	(29)
Total	**1,518**	**(2,011)**	**890**	**(3,135)**

e) Net Gains or Net Losses

EADS net gains or net losses recognised in profit or loss in 2012 and 2011 respectively are as follows:

(In € million)	2012	2011
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	44	71
Designated on initial recognition	(1)	4
Loans and receivables	18	19
Financial liabilities measured at amortised cost	(27)	105

Interest income from financial assets or financial liabilities through profit or loss is included in net gains or losses.

Net gains or net losses of loans and receivables contain among others impairment losses.

Net gains or net losses of € 189 million (2011: € -20 million) are recognised directly in equity relating to available-for-sale financial assets.

In 2011, the net gains or net losses of financial liabilities measured at amortised cost include among others the gains from the release of European government refundable advances due to the termination of the A340 programme (see Note 27 "Other financial liabilities").

f) Total Interest Income and Total Interest Expenses

In 2012, the total interest income amounts to € 238 million (in 2011: € 372 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss € -522 million (in 2011: €-364 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

g) Impairment Losses

The following impairment losses on financial assets are recognised in profit or loss in 2012 and 2011 respectively:

(In € million)	2012	2011
Available-for-sale financial assets	(2)	(12)
Loans and receivables	(100)	(156)
Other[1]	(4)	(2)
Total	**(106)**	**(170)**

(1) Concerns finance lease receivables.

35. Share-Based Payment

a) Stock Option Plans (SOP) and Long-Term Incentive Plans (LTIP)

Based on the authorisation given to it by the Shareholders' Meetings (see dates below), the Group's Board of Directors approved (see dates below) stock option plans in 2006, 2005, 2004, 2003, 2002 and 2001. These plans provide to the Members of the Executive Committee as well as to the Group's senior management the grant of options for the purchase of EADS shares.

For all of EADS' Stock Option Plans, the granted exercise price was exceeding the share price at grant date.

In 2012, 2011, 2010, 2009, 2008 and 2007, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company. The grant of so called "units" will not physically be settled in shares (except with regard to EADS Executive Committee Members) but represents a cash settled plan in accordance with IFRS 2.

In 2012, compensation expense for Long-Term Incentive Plans was recognised for an amount of € 163 million (in 2011: € 99 million). The fair value of units granted per vesting date is as follows (LTIP plan 2012):

In € (per unit granted)	FV of restricted and performance units to be settled in cash
Expected vesting date	
May 2016	25.61
November 2016	25.07
May 2017	24.56
November 2017	24.04

As of 31 December 2012 provisions of € 253 million (2011: € 160 million) relating to LTIP have been recognised.

The lifetime of the performance and restricted units is contractually fixed (see within the description of the respective tranche). The measurement is based on an Option Pricing Model which is, next to other market data, mainly affected by the share price as of the end of the reporting period (€ 29.50 as of 31 December 2012) and the lifetime of the units.

The principal characteristics of the options as well as performance and restricted units as at 31 December 2012 are summarised in the various tables below:

	Fourth tranche
Date of Shareholders' Meeting	10 May 2001
Grant date	9 August 2002
Number of options granted	7,276,700
Number of options outstanding	-
Total number of eligible employees	1,562
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations").
Expiry date	8 August 2012
Conversion right	One option for one share
Vested	100%
Exercise price	€ 16.96
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	6,434,110

	Fifth tranche	Sixth tranche
Date of Shareholders' Meeting	6 May 2003	6 May 2003
Grant date	10 October 2003	8 October 2004
Number of options granted	7,563,980	7,777,280
Number of options outstanding	1,502,835	3,316,613
Total number of eligible employees	1,491	1,495
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations").	
Expiry date	9 October 2013	7 October 2014
Conversion right	One option for one share	
Vested	100%	100%[1]
Exercise price	€ 15.65	€ 24.32
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	5,403,571	1,909,745

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

	Seventh tranche
Date of Shareholders' Meeting	11 May 2005
Grant date	9 December 2005
Number of options granted	7,981,760
Number of options outstanding	5,333,695
Total number of eligible beneficiaries	1,608
Exercise date	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations"). As regards the seventh tranche, part of the options granted to the EADS top Executives are performance related.
Expiry date	8 December 2015
Conversion right	One option for one share
Vested	100%[(1)]
Exercise price	€33.91
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	0

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

	Eighth tranche
Date of Shareholders' Meeting	4 May 2006
Grant date	18 December 2006
Number of options granted	1,747,500
Number of options outstanding	1,202,000
Total number of eligible beneficiaries	221
Date from which the options may be exercised	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations").
Date of expiration	16 December 2016
Conversion right	One option for one share
Vested	100%
Exercise price	€25.65
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	350,000

		Ninth tranche
Grant date		7 December 2007
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted	1,693,940	506,060
Number of units outstanding	0	0
Total number of eligible beneficiaries		1,617
Vesting dates		The restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates. Vesting schedule is made up of 4 payments over two years: • 25% in May 2011; • 25% in November 2011; • 25% in May 2012; • 25% in November 2012.
Number of vested units	4,240	475,860

		Tenth tranche
Grant date		13 November 2008
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted(1)	2,192,740	801,860
Number of units outstanding(2)	1,409,592	377,575
Total number of eligible beneficiaries		1,684
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: • 25% in May 2012; • 25% in November 2012; • 25% expected in May 2013; • 25% expected in November 2013.
Number of vested units(2)	1,422,956	382,535

(1) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of EADS) during the performance period, the Board can decide to review the vesting of the Performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).
(2) Re-evaluation is based on 136% performance achievement for the remaining outstanding performance units.

		Eleventh tranche
Grant date		13 November 2009
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted(1)	2,697,740	928,660
Number of units outstanding	2,579,920	903,820
Total number of eligible beneficiaries		1,749
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: • 25% expected in May 2013; • 25% expected in November 2013; • 25% expected in May 2014; • 25% expected in November 2014.
Number of vested units	9,150	4,160

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

		Twelfth tranche
Grant date		10 November 2010
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted(1)	2,891,540	977,780
Number of units outstanding	2,835,240	947,160
Total number of eligible beneficiaries		1,711
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: • 25% expected in May 2014; • 25% expected in November 2014; • 25% expected in May 2015; • 25% expected in November 2015.
Number of vested units	0	700

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

		Thirteenth tranche
Grant date		9 November 2011
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted(1)	2,588,950	877,750
Number of units outstanding	2,559,950	877,125
Total number of eligible beneficiaries		1,771
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: • 25% expected in May 2015; • 25% expected in November 2015; • 25% expected in May 2016; • 25% expected in November 2016.
Number of vested units	0	625

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

		Fourteenth tranche
Grant date		13 December 2012
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted(1)	2,121,800	623,080
Number of units outstanding	2,121,800	623,080
Total number of eligible beneficiaries		1,797
Vesting dates		The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: • 25% expected in May 2016; • 25% expected in November 2016; • 25% expected in May 2017; • 25% expected in November 2017.
Number of vested units	0	0

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

The following table summarises the development of the number of stock options, shares as well as units:

	Number of Options				
Fourth Tranche	*Options granted*	*Balance at 1 January*	*Exercised*	*Forfeited*	*Balance at 31 December*
2002	7,276,700	-	-	(600)	7,276,100
2003	-	7,276,100	-	(70,125)	7,205,975
2004	-	7,205,975	(262,647)	(165,500)	6,777,828
2005	-	6,777,828	(2,409,389)	(9,250)	4,359,189
2006	-	4,359,189	(1,443,498)	(3,775)	2,911,916
2007	-	2,911,916	(189,532)	(15,950)	2,706,434
2008	-	2,706,434	-	(159,313)	2,547,121
2009	-	2,547,121	-	(87,845)	2,459,276
2010	-	2,459,276	(88,881)	(86,925)	2,283,470
2011	-	2,283,470	(664,727)	(25,200)	1,593,543
2012	-	1,593,543	(1,375,436)	(218,107)	0

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

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

	Number of Options				
Seventh Tranche	*Options granted*	*Balance at 1 January*	*Exercised*	*Forfeited*	*Balance at 31 December*
2005	7,981,760	-	-	-	7,981,760
2006	-	7,981,760	-	(74,160)	7,907,600
2007	-	7,907,600	-	(142,660)	7,764,940
2008	-	7,764,940	-	(1,469,989)	6,294,951
2009	-	6,294,951	-	(49,520)	6,245,431
2010	-	6,245,431	-	(149,040)	6,096,391
2011	-	6,096,391	-	(295,713)	5,800,678
2012	-	5,800,678	-	(466,983)	5,333,695

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	Number of Options				
Eighth Tranche	*Options granted*	*Balance at 1 January*	*Exercised*	*Forfeited*	*Balance at 31 December*
2006	1,747,500	-	-	-	1,747,500
2007	-	1,747,500	-	(5,500)	1,742,000
2008	-	1,742,000	-	(64,000)	1,678,000
2009	-	1,678,000	-	(11,000)	1,667,000
2010	-	1,667,000	-	(16,500)	1,650,500
2011	-	1,650,500	-	(11,000)	1,639,500
2012	-	1,639,500	(350,000)	(87,500)	1,202,000

Total options for all Tranches	**32,347,220**	**17,468,709**	**(14,097,426)**	**(6,894,651)**	**11,355,143**

	Number of Units				
Ninth Tranche	*Units granted*	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2007	1,693,940	-	-	-	1,693,940
Performance units in 2008	-	1,693,940	(1,680)	(38,760)	1,653,500
Performance units in 2009	-	1,653,500	(840)	(18,560)	1,634,100
Performance units in 2010	-	1,634,100	(1,720)	(29,100)	1,603,280
Performance units in 2011	-	1,603,280	-	(1,603,280)	0
Restricted units in 2007	506,060	-	-	-	506,060
Restricted units in 2008	-	506,060	-	(9,800)	496,260
Restricted units in 2009	-	496,260	-	(2,940)	493,320
Restricted units in 2010	-	493,320	(640)	(5,960)	486,720
Restricted units in 2011	-	486,720	(240,712)	(11,500)	234,508
Restricted units in 2012	-	234,508	(234,508)	-	0
Total units	**2,200,000**	**234,508**	**(480,100)**	**(1,719,900)**	**0**

Tenth Tranche	Number of Units					
	Units granted	*Balance at 1 January*	*Vested*	*Forfeited*	*Re-evaluation**	*Balance at 31 December*
Performance units in 2008	2,192,740	-	-	-		2,192,740
Performance units in 2009	-	2,192,740	(1,120)	(21,280)	-	2,170,340
Performance units in 2010	-	2,170,340	(2,520)	(29,120)	-	2,138,700
Performance units in 2011	-	2,138,700	(1,960)	(31,920)	-	2,104,820
Performance units in 2012	-	2,104,820	(1,417,356)	(29,764)	751,892	1,409,592
Restricted units in 2008	801,860	-	-	-	-	801,860
Restricted units in 2009	-	801,860	-	(6,480)	-	795,380
Restricted units in 2010	-	795,380	(2,940)	(10,480)	-	781,960
Restricted units in 2011	-	781,960	(840)	(19,700)	-	761,420
Restricted units in 2012	-	761,420	(378,755)	(5,090)	-	377,575
Total units	**2,994,600**	**2,866,240**	**(1,805,491)**	**(153,834)**	**751,892**	**1,787,167**

* Re-evaluation is based on 136% performance achievement for the remaining outstanding performance units.

Eleventh Tranche	Number of Units				
	Units granted	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2009	2,697,740	-	-	-	2,697,740
Performance units in 2010	-	2,697,740	(4,250)	(29,400)	2,664,090
Performance units in 2011	-	2,664,090	(3,600)	(48,110)	2,612,380
Performance units in 2012	-	2,612,380	(1,300)	(31,160)	2,579,920
Restricted units in 2009	928,660	-	-	-	928,660
Restricted units in 2010	-	928,660	(400)	(1,400)	926,860
Restricted units in 2011	-	926,860	(3,000)	(13,500)	910,360
Restricted units in 2012	-	910,360	(760)	(5,780)	903,820
Total units	**3,626,400**	**3,522,740**	**(13,310)**	**(129,350)**	**3,483,740**

Twelfth Tranche	Number of Units				
	Units granted	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2010	2,891,540	-	-	(1,400)	2,890,140
Performance units in 2011	-	2,890,140	-	(46,700)	2,843,440
Performance units in 2012	-	2,843,440	-	(8,200)	2,835,240
Restricted units in 2010	977,780	-	-	(460)	977,320
Restricted units in 2011	-	977,320	-	(20,920)	956,400
Restricted units in 2012	-	956,400	(700)	(8,540)	947,160
Total units	**3,869,320**	**3,799,840**	**(700)**	**(86,220)**	**3,782,400**

Thirteenth Tranche	Number of Units				
	Units granted	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2011	2,588,950	-	-	-	2,588,950
Performance units in 2012	-	2,588,950	-	(29,000)	2,559,950
Restricted units in 2011	877,750	-	-	-	877,750
Restricted units in 2012	-	877,750	(625)	-	877,125
Total units	**3,466,700**	**3,466,700**	**(625)**	**(29,000)**	**3,437,075**

	Number of Units				
Fourteenth Tranche	*Units granted*	*Balance at 1 January*	*Vested*	*Forfeited*	*Balance at 31 December*
Performance units in 2012	2,121,800		-	-	2,121,800
Restricted units in 2012	623,080		-	-	623,080
Total units	**2,744,880**		**-**	**-**	**2,744,880**

b) Employee Stock Ownership Plan (ESOP)

In 2012 (and 2011), the Board of Directors approved an additional ESOP. For the 2012 and 2011 ESOP, eligible employees were able to purchase a fixed number of previously unissued shares at fair value (10, 30, 50, 100, 200 or 400 shares). EADS matched each fixed number of shares with a number of free EADS shares based on a determining ratio (10, 20, 30, 43, 67 and 107 free shares, respectively). During a lockup period of at least one year or, provided the purchase took place in the context of a mutual fund (regular saving plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who purchased directly EADS shares have in addition the ability to vote at the annual Shareholder Meetings. The subscription price was equal to the opening price at the Paris stock exchange on 31 May 2012 and amounted to €27.07 (in 2011 the subscription price for ESOP was equal to the opening price at the Paris stock exchange on 3 June 2011 and amounted to €21.49). Investing through the mutual fund led to a price which was the higher of the subscription price or the average opening price at the Paris stock during the 20 trading days immediately preceding 31 May 2012 (in 2011: preceding 3 June 2011), resulting in a price of €28.55 (in 2011: €22.15). EADS issued and sold 2,177,103 ordinary shares (in 2011: 2,445,527 ordinary shares) with a nominal value of €1.00 in total. Compensation expense of €18 million (in 2011: €15 million) was recognised in connection with ESOP.

36. Related Party Transactions

Related parties — The Group has entered into various business transactions with related companies in 2012 and 2011 that have all been carried out in the normal course of business. As 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 and the Spanish government (SEPI) and their related entities. Except for the transactions with the French and Spanish government, the transactions are not considered material to the Group either individually or in the aggregate. The transactions with the French government include mainly sales from Eurocopter, Astrium, Cassidian and Airbus Military for programmes like Tiger, M51 / M45 ballistic missiles and SCALP naval cruise missiles. The transactions with the Spanish government include mainly sales from Airbus Military and Cassidian for military programmes. The transactions with the joint ventures mainly concern the Eurofighter 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.

EADS intends to enter into an agreement with the French State by the Consummation pursuant to which EADS will:

— grant the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and

— commit to consult with the French State prior to making any decision at any General Meeting of Dassault Aviation.

This agreement will be conditional upon (A) obtaining the required regulatory approvals and (B) the Consummation occurring.

The following table discloses the related party transactions on a full EADS' share as of 31 December 2012:

(In € million)	Sales of goods and services and other income in 2012	Purchases of goods and services and other expense in 2012	Receivables due as of 31 December 2012	Payables due as of 31 December 2012	Other Liabilities/Loans received as of 31 December 2012[1]
French government	1,347	91	706	6	2,852
Spanish government (SEPI)	63	0	20	0	610
Daimler AG	1	15	1	0	0
Lagardère group	0	0	0	0	0
Total transactions with shareholder	**1,411**	**106**	**727**	**6**	**3,462**
Total transactions with French government related entities	**97**	**461**	**84**	**205**	**0**
Total transactions with joint ventures	**2,192**	**46**	**612**	**41**	**1,000**
Total transactions with associates	**488**	**97**	**13**	**7**	**24**

(1) Including European Governments refundable advances from the French and Spanish government.

As of 31 December 2012, EADS granted guarantees to the Spanish State in the amount of €52 million mainly relating to advance payments received and performance bonds and in the amount of €452 million to Air Tanker group in the UK, a loan to Daher-Socata SA in the amount of €24 million and a loan to OnAIR B.V. in the amount of €9 million.

The following table discloses the related party transactions being made comparable on a full EADS' share as of 31 December 2011:

(In € million)	Sales of goods and services and other income in 2011	Purchases of goods and services and other expense in 2011	Receivables due as of 31 December 2011	Payables due as of 31 December 2011	Other Liabilities/Loans received as of 31 December 2011[1]
French government	1,252	139	1,484	0	2,351
Spanish government (SEPI)	63	0	67	0	535
Daimler AG	2	16	1	3	0
Lagardère group	0	6	0	0	0
Total transactions with shareholder	**1,317**	**161**	**1,552**	**3**	**2,886**
Total transactions with French government related entities	**93**	**509**	**92**	**151**	**0**
Total transactions with joint ventures	**2,110**	**39**	**723**	**18**	**1,526**
Total transactions with associates	**315**	**25**	**31**	**6**	**0**

(1) Including European Governments refundable advances from the French and Spanish government.

As of 31 December 2011, EADS granted guarantees to the Spanish State in the amount of €181 million mainly relating to advance payments received and performance bonds and in the amount of €334 million to Air Tanker group in the UK, a loan to Daher-Socata SA in the amount of €24 million and a loan to OnAIR B.V. in the amount of €23 million.

On 7 June 2011, EADS N.V. acquired the remaining 25% in DADC Luft- und Raumfahrt Beteiligungs AG, Munich (Germany) from Daimler AG, please refer to Note 4 "Acquisitions and Disposals".

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

2012	Compensation expense	Pension	
(In € million)		*Defined benefit obligation*[(1)]	*Pension expense*[(2)]
Non-Executive Board Members[(3)]	1.7	-	-
Executive Board Member (former CEO Louis Gallois)[(4)]	1.2	3.9	-
Executive Board Member (current CEO Tom Enders)[(4)]	2.1	11.8	1.0
Other Executive Committee Members[(5)]	23.4	29.1	5.3

(1) Amount of the net pension defined benefit obligation.
(2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2012.
(3) Non-Executive Board Members in office as at 31 December 2012.
(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2012. Figures account for pro rata periods considering the change of EADS CEO during 2012.
(5) Executive Committee Members in office as at 31 December 2012, including specific exceptional bonus if any and EADS N.V. compensation.

2011	Compensation expense	Pension	
(In € million)		*Defined benefit obligation*[(1)]	*Pension expense*[(2)]
Non-Executive Board Members[(3)]	1.6	-	-
Executive Board Member[(4)]	3.0	2.9	0.6
Other Executive Committee Members[(5)]	17.0	32.0	3.1

(1) Amount of the net pension defined benefit obligation.
(2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2011.
(3) Non-Executive Board Members in office as at 31 December 2011.
(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2011.
(5) Executive Committee Members in office as at 31 December 2011, including specific exceptional bonus if any and EADS N.V. compensation.

Additionally, performance units granted in 2012 to the Chief Executive Officer and to the other Executive Committee Members represented 275,900 units.

The amounts detailed above do neither comprise the termination package nor the estimated cost of long-term incentives granted to Executive Committee Members.

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

EADS has not provided any loans to / advances to / guarantees on behalf of Directors, former Directors or Executive Committee Members except for salary and reimbursement advances and an undertaking to potentially assume certain legal defence costs for certain of its Executive Committee Members in relation with certain regulatory or judicial proceedings.

The Executive Committee Members are furthermore entitled to a termination indemnity when the departure results from a decision by the Company (good leaver). The maximum termination indemnity comprises 18 months of an annual total target salary.

The indemnity could be reduced pro rata or would even not be applicable depending on age and date of retirement.

In order to strengthen the alignment of EADS top management with the long-term growth objectives of the Company, the Board has requested EADS Executive Committee Members to acquire and to hold in the future EADS shares with a value equal to the individual annual contractual remuneration consisting of "annual base salary" and "annual variable remuneration (at 100% target level)". The Board has not set a specific time delay to acquire the requested number of EADS shares but expects Executive Committee Members to use specifically gains from EADS Long-term Incentive Plans to achieve this goal in a timely manner.

The Company grants the Members of the Executive Committee appropriate insurance coverage, in particular D&O insurance.

Executive Committee Members are also entitled to a company car.

37. Interest in Joint Ventures

The Group's principal investments in joint ventures and the proportion of ownership are included in Appendix "Information on principal investments". Joint ventures are consolidated using the proportionate method.

The following amounts represent the Group's proportional share of the assets, liabilities, income and expenses of the significant joint ventures (MBDA, Atlas, ATR, Signalis and Emiraje Systems) in aggregate:

(In € million)	**2012**	2011
Non-current assets	557	564
Current assets	2,526	3,049
Non-current liabilities	522	490
Current liabilities	2,567	2,607
Revenues	1,928	1,876
Profit for the period	148	154

The Group's proportional share in contingent liabilities of these joint ventures as of 31 December 2012 amounts in aggregate to € 495 million (2011: € 391 million).

38. Earnings per Share

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

	2012	2011	2010
Profit for the period attributable to equity owners of the parent (Net income)	€ 1,228 million	€ 1,033 million	€ 553 million
Weighted average number of ordinary shares	819,378,264	812,507,288	810,693,339
Basic earnings per share	€ 1.50	€ 1.27	€ 0.68

Diluted earnings per share — For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. After the end of the vesting period of the performance and restricted shares granted under the 8th tranche, the Group's only remaining category of dilutive potential ordinary shares is stock options. In 2012, the average share price of EADS exceeded the exercise price of the 5th, 6th and the 8th stock option plan (in 2011: the 4th and the 5th stock option plan, in 2010: the 5th stock option plan). Hence, 1,173,667 shares related to stock options (in 2011: 1,194,624 shares, in 2010: 242,591 shares) were considered in the calculation of diluted earnings per share.

	2012	2011	2010
Profit for the period attributable to equity owners of the parent (Net income)	€ 1,228 million	€ 1,033 million	€ 553 million
Weighted average number of ordinary shares (diluted)	820,551,931	813,701,912	810,935,930
Diluted earnings per share	€ 1.50	€ 1.27	€ 0.68

39. Number of Employees

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

40. Events after the Reporting Date

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 million to EADS Group revenues on a preconsolidated base.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 26 February 2013.

2.6 Appendix "Information on Principal Investments" — Consolidation Scope

2012	%	2011	%	Company	Head office
Airbus Commercial					
F	100.00	F	100.00	AD Grundstückgesellschaft mbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Aerolia S.A.S.	Toulouse (France)
F	100.00	F	100.00	AFS Cayman II Ltd.	Cayman Islands
F	100.00	F	100.00	AIFS (Cayman) Ltd.	Cayman Islands
F	100.00	F	100.00	AIFS Cayman Liquidity Ltd.	Cayman Islands
F	100.00	F	100.00	AIFS Leasing Company Ltd.	Dublin (Ireland)
F	70.00	F	70.00	Airbus (Beijing) Engineering Centre Company Ltd.	Beijing (China)
F	100.00	F	100.00	Airbus (China) Enterprise Management & Services Company Ltd.	Beijing (China)
F	100.00	F	100.00	Airbus (TIANJIN) Delivery Center Ltd.	Tianjin (China)
P	51.00	P	51.00	Airbus (TIANJIN) Final Assembly Company Ltd.	Tianjin (China)
P	51.00	P	51.00	Airbus (TIANJIN) Jigs & Tools Company Ltd.	Tianjin (China)
F	100.00			Airbus (TIANJIN) Logistics Company Ltd.	Tianjin (China)
F	100.00	F	100.00	Airbus Americas Customer Services, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Engineering, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Sales, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus China Ltd.	Hong Kong (China)
F	100.00	F	100.00	Airbus Corporate Jet Centre S.A.S. (ACJC)	Toulouse (France)
		F	100.00	Airbus Denmark Holdings ApS	Copenhagen (Denmark)
F	100.00	F	100.00	Airbus Filton Limited	Bristol (United Kingdom)
F	100.00	F	100.00	Airbus Financial Service Unlimited	Dublin (Ireland)
F	100.00			Airbus Flight Hour Services Ltd.	Dublin (Ireland)
E	50.00	E	50.00	Airbus Freighter Conversion GmbH	Dresden (Germany)
F	100.00	F	100.00	Airbus Invest	Blagnac (France)
F	100.00	F	100.00	Airbus Invest II S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Operations GmbH	Hamburg (Germany)
F	100.00	F	100.00	Airbus Operations Ltd.	Filton (United Kingdom)
F	100.00	F	100.00	Airbus Operations S.A.S.	Toulouse (France)
F	100.00	F	100.00	Airbus Operations S.L.	Madrid (Spain)
F	100.00	F	100.00	Airbus ProSky S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Real Estate Premium AEROTEC Nord GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Airbus S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
F	100.00	F	100.00	Airbus UK Limited	Bristol (United Kingdom)
F	100.00	F	100.00	Aviateur Finance Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Aviateur International Ltd.	Dublin (Ireland)

F: Fully consolidated P: Proportionate consolidated E: At equity consolidated
The stated percentage of ownership is related to EADS N.V.
* Regarding associated investments, only the parent company is stated in this list.

2012	%	2011	%	Company	Head office
F	100.00	F	100.00	Aviateur Leasing Ltd.	Dublin (Ireland)
E	33.33	E	33.33	Blue Sky Alliance GmbH	Kaltenkirchen (Germany)
F	100.00	F	100.00	CIMPA GmbH	Hamburg (Germany)
F	100.00	F	100.00	CIMPA Ltd.	Bristol (United Kingdom)
F	100.00	F	100.00	CIMPA S.A.S.	Blagnac (France)
F	100.00	F	100.00	CTC GmbH	Stade (Germany)
F	100.00	F	100.00	EADS Real Estate Premium AEROTEC Augsburg GmbH & Co. KG	Augsburg (Germany)
F	100.00	F	100.00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
P	50.00	P	50.00	Hua-Ou Aviation Support Centre Ltd.	Beijing (China)
P	50.00	P	50.00	Hua-Ou Aviation Training Centre Ltd.	Beijing (China)
F	100.00	F	100.00	IFR France S.A.S.	Colomiers (France)
F	100.00	F	100.00	Metron Aviation, Inc.	Dulles, VA (USA)
F	100.00	F	100.00	Metron Holdings, Inc.	Dulles, VA (USA)
E	30.05	E	30.05	OnAir N.V.	Amsterdam (Netherlands)
F	74.90	F	74.90	PFW Aerospace AG	Speyer (Germany)
F	100.00	F	100.00	Premium AEROTEC GmbH	Augsburg (Germany)
F	100.00	F	100.00	Satair A/S	Kastrup (Denmark)
F	100.00	F	100.00	Satair China	Beijing (China)
F	100.00	F	100.00	Satair Pte Ltd.	Singapore (Singapore)
F	100.00	F	100.00	Satair UK Ltd.	Heston (United Kingdom)
F	100.00	F	100.00	Satair USA, Inc.	Atlanta, GA (USA)
F	100.00	F	100.00	Star Real Estate S.A.S.	Toulouse (France)
E	29.50	E	29.50	Telair International Services Pte Ltd.	Singapore (Singapore)
Additionally consolidated are 28 SPEs.					
Airbus Military					
F	90.00	F	90.00	Airbus Military S.L.	Madrid (Spain)
E	40.00	E	40.00	AirTanker Holdings Ltd.*	London (United Kingdom)
F	100.00	F	100.00	EADS CASA North America, Inc.	Chantilly, VA (USA)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Airbus Military)	Madrid (Spain)
F	78.54	F	78.54	EADS PZL "WARSZAWA-OKECIE" S.A.	Warsaw (Poland)
Eurocopter					
F	100.00	F	100.00	AA Military Maintenance Pty. Ltd.	Brisbane (Australia)
F	100.00	F	100.00	AA New Zealand Pty. Ltd.	Bankstown (Australia)
F	100.00	F	100.00	American Eurocopter Corp.	Dallas, TX (USA)
F	100.00	F	100.00	Australian Aerospace Composites Pty Ltd.	Sydney (Australia)
F	100.00	F	100.00	Australian Aerospace Ltd.	Bankstown (Australia)
F	100.00	F	100.00	EADS SECA S.A.S.	Le Bourget (France)
F	100.00	F	100.00	EIP Holding Pty. Ltd.	Bankstown (Australia)
F	75.00	F	75.00	Eurocopter South East Asia Pte. Ltd.	Singapore (Singapore)
F	100.00	F	100.00	Eurocopter Canada Ltd.	Ontario (Canada)
F	100.00			Eurocopter Chile S.A.	Santiago (Chile)
F	100.00			Eurocopter Cono Sur S.A.	Montevideo (Uruguay)
F	100.00	F	100.00	Eurocopter de Mexico Planta Queretaro S.A. de C.V.	Queretaro (Mexico)
F	100.00	F	100.00	Eurocopter de Mexico S.A.	Mexico D.F. (Mexico)

F: Fully consolidated   P: Proportionate consolidated   E: At equity consolidated
The stated percentage of ownership is related to EADS N.V.
* Regarding associated investments, only the parent company is stated in this list.

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2012	%	2011	%	Company	Head office
F	100.00	F	100.00	Eurocopter Deutschland GmbH	Donauwörth (Germany)
F	100.00	F	100.00	Eurocopter Deutschland Real Estate GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Eurocopter España S.A.	Madrid (Spain)
F	100.00	F	100.00	Eurocopter Financial Services Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Eurocopter Holding S.A.	Paris (France)
F	100.00	F	100.00	Eurocopter International Services Ltd.	Dublin (Ireland)
F	90.00	F	90.00	Eurocopter Japan Co. Ltd.	Tokyo (Japan)
F	90.00	F	90.00	Eurocopter Japan RG Co.Ltd.	Tokyo (Japan)
		F	90.00	Eurocopter Japan T&E Co. Ltd.	Osaka (Japan)
F	100.00	F	100.00	Eurocopter Malaysia Sdn. Bhd.	Subang Selongor (Malaysia)
F	100.00			Eurocopter Malaysia Simulation Center Sdn. Bhd.	Subang Selongor (Malaysia)
F	95.00	F	95.00	Eurocopter S.A.S.	Marignane (France)
F	100.00	F	100.00	Eurocopter South Africa Pty. Ltd.	Lanseria (South Africa)
F	100.00	F	100.00	Eurocopter Training Services S.A.S.	Marignane (France)
F	100.00	F	100.00	Eurocopter UK Ltd.	Oxford (United Kingdom)
F	100.00			Eurovertol LLC	Moscow (Russia)
F	85.66	F	85.66	Helibras - Helicopteros do Brasil S.A.	Itajuba (Brazil)
F	50.00	F	50.00	Heliescuela S.A.P.I. de C.V.	Mexico D.F. (Mexico)
E	25.00	E	25.00	HFTS Helicopter Flight Training Services GmbH	Hallbergmoos (Germany)
F	100.00	F	100.00	Korean Helicopter Development Support Ltd.	Sacheon-si (South Korea)
F	100.00			Motorflug Baden-Baden GmbH	Baden-Baden (Germany)
F	100.00			Spaero Trade GmbH	Rheinmünster (Germany)
F	100.00	F	100.00	The Sigma Aerospace Pension Trustee Ltd.	Croydon (United Kingdom)
F	100.00	F	100.00	Vector Aerospace (UK-Holdings) Ltd.	Aberdeen (United Kingdom)
F	100.00	F	100.00	Vector Aerospace Africa Pty. Ltd.	Lanseria (South Africa)
F	100.00			Vector Aerospace Australia Pty. Ltd.	Brisbane (Australia)
F	100.00	F	100.00	Vector Aerospace Corporation	Toronto (Canada)
F	100.00	F	100.00	Vector Aerospace Engine Services UK Ltd.	Croydon (United Kingdom)
F	100.00	F	100.00	Vector Aerospace Engine Services-Atlantic, Inc.	Toronto (Canada)
F	100.00			Vector Aerospace Financial Services Ltd.	Dublin (Ireland)
F	67.70	F	67.70	Vector Aerospace Helicopter Services California, Inc.	Sacramento, CA (USA)
F	100.00	F	100.00	Vector Aerospace Helicopter Services, Inc.	Toronto (Canada)
F	100.00	F	100.00	Vector Aerospace Holdings Ltd.	Toronto (Canada)
F	100.00	F	100.00	Vector Aerospace International Ltd.	Gosport (United Kingdom)
F	100.00	F	100.00	Vector Aerospace USA Holdings, Inc.	Las Vegas, NV (USA)
F	100.00	F	100.00	Vector Aerospace USA, Inc.	Montgomery, AL (USA)
F	100.00	F	100.00	Vector Holding S.A.S.	Marignane (France)
Cassidian					
E	24.01	E	24.01	Advanced Lithium Systems Europe S.A.	Athens (Greece)
F	100.00	F	100.00	Apsys S.A.	Suresnes (France)
E	14.70	E	14.70	Atlas Defence Technology Sdn. Bhd.	Kuala Lumpur (Malaysia)
P	49.00	P	49.00	Atlas Elektronik Finland Oy	Helsinki (Finland)
P	49.00	P	49.00	Atlas Elektronik GmbH	Bremen (Germany)
P	49.00	P	49.00	Atlas Elektronik Pty. Ltd.	Sydney (Australia)

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P	49.00	P	49.00	Atlas Elektronik UK (Holdings) Ltd.	Newport (United Kingdom)
P	49.00	P	49.00	Atlas Elektronik UK Ltd.	Newport (United Kingdom)
P	49.00	P	49.00	Atlas Hydrographic GmbH	Bremen (Germany)
P	49.00	P	49.00	Atlas Maridan ApS	Horsholm (Denmark)
P	49.00	P	49.00	Atlas Naval Engineering Company	Kyungnam (South Korea)
E	24.01			Atlas Naval Support Centre Ltd.	Bangkok (Thailand)
P	49.00	P	49.00	Atlas Naval Systems Malaysia Sdn. Bhd.	Kuala Lumpur (Malaysia)
P	49.00	P	49.00	Atlas North America LLC	Virginia Beach, VA (USA)
F	43.89	F	43.89	Aviation Defense Service S.A.	Saint-Gilles (France)
P	37.50	P	37.50	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
F	100.00	F	100.00	Cassidian Aviation Training Services S.A.S.	Paris (France)
F	100.00	F	100.00	Cassidian Belgium N.V.	Oostkamp (Belgium)
F	100.00	F	100.00	Cassidian Communications GmbH	Ulm (Germany)
F	100.00	F	100.00	Plant Holdings, Inc.	Temecula, CA (USA)
F	100.00			Cassidian Cybersecurity GmbH	Ottobrunn (Germany)
F	100.00			Cassidian Cybersecurity S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Finland Oy	Helsinki (Finland)
F	100.00	F	100.00	Cassidian Ltd.	Newport (United Kingdom)
F	100.00	F	100.00	Cassidian Ltd. - Holding	Newport (United Kingdom)
F	100.00			Cassidian Optronics GmbH	Oberkochen (Germany)
F	70.00			Cassidian Optronics Pty. Ltd.	Irene (South Africa)
F	100.00	F	100.00	Cassidian Real Estate Manching GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Cassidian Real Estate Ulm/ Unterschleißheim GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Cassidian S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Solutions S.A.U.	Madrid (Spain)
F	100.00	F	100.00	Cassidian Test & Services Ltd.	Wimborne (United Kingdom)
F	100.00	F	100.00	Cassidian Test & Services S.A.S.	Velizy (France)
E	19.60	E	19.60	Cybicom Atlas Defence Pty. Ltd.	Umhlanga Rocks (South Africa)
F	100.00	F	100.00	Dornier Consulting GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Military Aircraft)	Madrid (Spain)
F	100.00	F	100.00	Cassidian Saudi Ltd.	Riyadh (Saudi Arabia)
F	100.00	F	100.00	EADS Deutschland GmbH (Unit: Cassidian)	Ottobrunn (Germany)
F	100.00	F	100.00	EADS Operations & Services UK Ltd.	Newport (United Kingdom)
		F	100.00	EADS Secure Networks S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Mexico SA de C.V.	Mexico D.F. (Mexico)
P	49.00	P	49.00	Emiraje Systems LLC	Abu Dhabi (United Arab Emirates)
E	30.00	E	30.00	ESG Elektroniksystem- und Logistikgesellschaft mbH	Munich (Germany)
E	24.50	E	24.50	ET Marinesysteme GmbH	Wilhelmshaven (Germany)
F	100.00	F	100.00	Fairchild Controls Corporation	Frederick, MD (USA)
F	100.00	F	100.00	FmElo Elektronik- und Luftfahrtgeräte GmbH	Ottobrunn (Germany)
F	100.00	F	100.00	Get Electronique S.A.S.	Castres (France)
F	100.00	F	100.00	GFD Gesellschaft für Flugzieldarstellung mbH	Hohn (Germany)
F	75.00	F	87.40	GEW Technologies Pty. Ltd.	Pretoria (South Africa)

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P	49.00	P	49.00	Hagenuk Marinekommunikation GmbH	Flintbek (Germany)
P	50.00	P	50.00	Maîtrise d'Oeuvre Système S.A.S.	Issy-les-Moulineaux (France)
P	37.50	P	37.50	Matra Electronique S.A.S.	Le Plessis-Robinson (France)
E	49.00	E	49.00	Matrium GmbH	Karlsruhe (Germany)
P	37.50	P	37.50	MBDA Deutschland GmbH	Schrobenhausen (Germany)
P	37.50	P	37.50	MBDA España S.L.	Madrid (Spain)
P	37.50	P	37.50	MBDA France S.A.S.	Velizy (France)
P	75.00	P	75.00	MBDA Holding S.A.S.	Velizy (France)
P	37.50	P	37.50	MBDA International Ltd.	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA Italy SpA	Roma (Italy)
P	37.50	P	37.50	MBDA Reinsurance Ltd.	Dublin (Ireland)
P	37.50	P	37.50	MBDA S.A.S.	Velizy (France)
P	37.50	P	37.50	MBDA Services S.A.	Velizy (France)
P	37.50	P	37.50	MBDA Treasury Ltd.	Jersey (United Kingdom)
P	37.50	P	37.50	MBDA UAE	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA UK Ltd.	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA, Inc.	Westlack, CA (USA)
F	99.84			NETASQ S.A	Villeneuve d'Asq (France)
E	26.80	E	26.80	Patria Oyj	Helsinki (Finland)
F	80.00	F	80.00	Pentastar S.A.	Paris (France)
F	51.00			Rheinmetall Airborne Systems GmbH	Bremen (Germany)
E	18.75	E	18.75	Roxel S.A.	Saint-Médard-en-Jalles (France)
P	79.60	P	79.60	Signalis GmbH	Bremen (Germany)
P	79.60	P	79.60	Signalis Holding GmbH	Unterschleißheim (Germany)
P	79.60	P	79.60	Signalis S.A.S.	Bozons (France)
P	49.00	P	49.00	Sonartech Atlas Pty. Ltd.	Sydney (Australia)
P	25.13	P	25.13	TAURUS Systems GmbH	Schrobenhausen (Germany)
P	37.50	P	37.50	TDW- Ges. für verteidigungstechnische Wirksysteme GmbH	Schrobenhausen (Germany)
E	50.00	E	50.00	United Monolithic Semiconductors Holding*	Orsay (France)
F	90.00	F	90.00	UTE CASA y Aeronautica industrial S.A.	Madrid (Spain)
Astrium					
F	100.00	F	100.00	Astrium Americas, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Astrium GmbH (Unit: Satellites)	Munich (Germany)
F	100.00	F	100.00	Astrium GmbH (Unit: Services)	Munich (Germany)
F	100.00	F	100.00	Astrium GmbH (Unit: Space Transportation)	Munich (Germany)
F	100.00			Astrium GmbH (Unit: HQs & Holdings)	Munich (Germany)
F	100.00	F	100.00	Astrium Holding S.A.S.	Paris (France)
F	100.00			Astrium Ltd. (Unit: HQs & Holdings)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium Ltd. (Unit: Satellites)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium Ltd. (Unit: Services)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium Pte Ltd.	Singapore (Singapore)
F	100.00	F	100.00	Astrium S.A.S. (Unit: HQs & Holdings)	Les Muraux (France)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Satellites)	Toulouse (France)

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F	100.00	F	100.00	Astrium S.A.S. (Unit: Services)	Paris (France)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Space Transportation)	Les Muraux (France)
F	100.00			Astrium s.r.l.	Rome (Italy)
F	100.00	F	100.00	Astrium Services AS	Lysaker (Norway)
F	100.00	F	100.00	Astrium Services BC AS	Lysaker (Norway)
F	100.00	F	100.00	Astrium Services BC B.V.	's-Gravenhage (Netherlands)
F	100.00	F	100.00	Astrium Services BC GmbH	Köln (Germany)
F	100.00	F	100.00	Astrium Services BC KK	Tokyo (Japan)
F	65.00	F	65.00	Astrium Services BC Ltd.	Dar es Salaam (Tansania)
F	100.00	F	100.00	Astrium Services BC MEPE	Athen (Greece)
F	100.00	F	100.00	Astrium Services BC S.A.	Brussels (Belgium)
F	100.00	F	100.00	Astrium Services BC S.A.S.	Paris (France)
F	100.00	F	100.00	Astrium Services BC S.r.o.	Bratislava (Slovakia)
F	100.00	F	100.00	Astrium Services BC, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Astrium Services BCFZ LLC	Dubai (United Arab Emirates)
F	100.00	F	100.00	Astrium Services Enterprises AS	Holmestrand (Norway)
F	100.00	F	100.00	Astrium Services Enterprises S.A.S.	Choisy-le-Roi (France)
F	100.00	F	100.00	Astrium Services GmbH	Ottobrunn (Germany)
F	100.00	F	100.00	Astrium Services Government, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Astrium Services Holding S.A.S.	Paris (France)
F	100.00	F	100.00	Astrium Services Maritime GmbH	Hamburg (Germany)
F	100.00	F	100.00	Astrium Services UK Ltd.	Stevenage (United Kingdom)
F	98.86	F	98.86	Axio-Net GmbH	Hannover (Germany)
F	54.40	F	54.40	Beijing Spot Image Co Ltd.	Beijing (China)
F	56.76			Collaborative Engineering s.r.l.	Rome (Italy)
F	100.00	F	100.00	Computadoras, Redes e Ingenieria SA (CRISA)	Madrid (Spain)
F	99.99	F	99.99	DMC International Imaging Ltd.	Surrey (United Kingdom)
F	100.00	F	100.00	Dutch Space B.V.	Leiden (Netherlands)
F	100.00	F	100.00	Astrium B.V.	The Hague (Netherlands)
F	100.00	F	100.00	Astrium España S.L.	Madrid (Spain)
F	100.00	F	100.00	EADS CASA Espacio S.L.	Madrid (Spain)
F	100.00	F	100.00	GPT Special Project Management Ltd.	Riyadh (Saudi Arabia)
F	76.85	F	76.85	i-cubed LLC	Fort Collins, CL (USA)
F	100.00	F	100.00	Imass Holding Limited	Newcastle (United Kingdom)
F	100.00	F	100.00	Imass Ltd.	Newcastle (United Kingdom)
F	100.00	F	100.00	Infoterra GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	Infoterra Ltd.	Leicester (United Kingdom)
F	100.00	F	100.00	Jena-Optronik GmbH	Jena (Germany)
F	100.00	F	100.00	Matra Marconi Space UK Ltd.	Stevenage (United Kingdom)
F	74.90	F	74.90	MilSat Services GmbH	Bremen (Germany)
F	100.00	F	100.00	Mobsat Group Holding S.A.R.L.	Munsbach (Luxembourg)
F	100.00	F	100.00	Mobsat Holding 1BV	Amsterdam (Netherlands)
F	100.00	F	100.00	Mobsat Holding 2BV	Amsterdam (Netherlands)
F	100.00	F	100.00	Mobsat Holding Norway AS	Lysaker (Norway)
F	75.10	F	75.10	ND SatCom Defence GmbH	Immenstaad (Germany)

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F	75.10	F	75.10	ND Satcom GmbH	Immenstaad (Germany)
F	75.10	F	75.10	ND SatCom Products GmbH	Immenstaad (Germany)
F	75.10	F	75.10	ND SatCom Satellite Communication Systems (Beijing) Co. Ltd.	Beijing (China)
F	75.10	F	75.10	ND SatCom FZE	Dubai (United Arab Emirates)
F	75.10	F	75.10	ND Satcom, Inc.	Richardson, TX (USA)
F	100.00	F	100.00	Paradigm Secure Communications Ltd.	Stevenage (United Kingdom)
F	100.00	F	100.00	Paradigm Services Ltd.	Stevenage (United Kingdom)
E	99.99	E	99.99	Responsive Geospatial Systems	Fort Collins, CL (USA)
F	89.98	F	89.98	Sodern S.A.	Limeil Brevannes (France)
F	66.78			Space Engineering SpA	Rome (Italy)
F	69.24	F	69.24	Spot Asia Pte Ltd.	Singapore (Singapore)
F	98.91	F	98.91	Spot Image Brasil Servicios en Image	São Paulo (Brazil)
F	98.91	F	98.91	Spot Image Corporation, Inc.	Chantilly, VA (USA)
F	98.91	F	98.91	Spot Image S.A.	Toulouse (France)
F	99.81	F	98.81	Spot Imaging Services Pty. Ltd.	Weston Creek (Australia)
F	99.99	F	99.99	Surrey Satellite Investments Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Services Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Technology Holdings, Inc.	Delaware (USA)
F	99.99	F	99.99	Surrey Satellite Technology Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Technology Ltd.	Isle of Man
F	99.99	F	99.99	Surrey Satellite Technology US LLC	Delaware (USA)
F	66.78			Teleinformatica e Sistemi s.r.l.	Rome (Italy)
F	100.00	F	100.00	TESAT-Spacecom Geschäftsführung GmbH	Backnang (Germany)
F	100.00	F	100.00	TESAT-Spacecom GmbH & Co. KG	Backnang (Germany)
F	98.91	F	98.91	Tokyo Spot Image	Tokyo (Japan)
F	100.00	F	100.00	Vizada Networks B.V.	Hoofddorp (Netherlands)
Other Businesses					
P	50.00	P	50.00	ATR Eastern Support Pte. Ltd.	Singapore (Singapore)
P	50.00	P	50.00	ATR G.I.E.	Blagnac (France)
P	50.00	P	50.00	ATR India Customer Support Pte. Ltd.	Bangalore (India)
P	50.00	P	50.00	ATR International S.A.S.	Blagnac (France)
P	50.00	P	50.00	ATR North America, Inc.	Washington, VA (USA)
P	50.00	P	50.00	ATR North American Training Center, Inc.	Montreal (Canada)
P	50.00	P	50.00	ATR South African Training Center (Proprietary) Ltd.	Illovo (South Africa)
P	50.00	P	50.00	ATR Training Center S.A.R.L.	Blagnac (France)
P	50.00	P	50.00	ATRiam Capital Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Composites Aquitaine S.A.	Salaunes (France)
F	100.00	F	100.00	Composites Atlantic Ltd.	Halifax (Canada)
E	30.00	E	30.00	Daher - Socata S.A.*	Louey (France)
F	100.00	F	100.00	EADS ATR S.A.	Colomiers (France)
F	100.00	F	100.00	EADS North America Holdings, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	EADS North America, Inc.	Arlington, VA (USA)
F	100.00	F	100.00	EADS Sogerma S.A.	Mérignac (France)
F	100.00	F	100.00	EADS Supply Services, Inc.	Rockville, MD (USA)

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F	100.00	F	100.00	Manhattan Beach Holding Company	Herndon, VA (USA)
F	100.00	F	100.00	Maroc Aviation S.A.	Casablanca (Morocco)
F	100.00	F	100.00	Matra Aerospace, Inc.	Herndon, VA (USA)
Headquarters					
F	100.00			Aelis Mexico LLP	Querétaro (Mexico)
F	60.00			Aero Equipement S.A.S.	Boulogne-Billancourt (France)
F	100.00	F	100.00	Aero Ré S.A.	Luxembourg (Luxembourg)
F	100.00	F	100.00	EADS Aeroassurance S.N.C.	Paris (France)
F	99.73	F	99.73	AL Objekt Taufkirchen Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald (Germany)
F	100.00	F	100.00	DADC Luft- und Raumfahrt Beteiligungs AG	Munich (Germany)
E	46.32	E	46.32	Dassault Aviation S.A.*	Paris (France)
F	100.00	F	100.00	Dornier GmbH – Zentrale	Friedrichshafen (Germany)
F	100.00	F	100.00	EADS CASA France S.A.S.	Paris (France)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Headquarters)	Madrid (Spain)
F	100.00	F	100.00	EADS Deutschland GmbH (Unit: Headquarters)	Ottobrunn (Germany)
F	100.00	F	100.00	EADS Finance B.V.	Amsterdam (Netherlands)
F	100.00	F	100.00	EADS France S.A.S.	Paris (France)
F	100.00	F	100.00	EADS Management Service GmbH	Munich (Germany)
F	100.00	F	100.00	EADS Real Estate Dornier Grundstücke GmbH & Co. KG	Taufkirchen (Germany)
F	100.00	F	100.00	EADS Real Estate Taufkirchen GmbH & Co. KG	Pullach (Germany)
F	100.00	F	100.00	EADS UK Ltd.	London (United Kingdom)
E	30.00			Elson Ltd.	Hong Kong (China)
F	100.00			Eltra Aeronautics Pte Ltd.	Singapore (Singapore)
F	99.00			Eltra Aeronautique S.A.S.	Marseille (France)
F	49.00			Eltra Beijing Outou	Beijing (China)
F	100.00			Eltra Holdings Pte Ltd.	Singapore (Singapore)
F	100.00			Eltra Services Ltd.	Hong Kong (China)
F	100.00			Immobilière AELIS S.A.S.	Paris (France)
F	100.00	F	100.00	Matra Défense S.A.S.	Velizy (France)
F	100.00	F	100.00	Matra Holding GmbH	Kehl (Germany)
F	100.00	F	100.00	OBRA Grundstücks-Verwaltungsgesellschaft mbH	Grünwald (Germany)
F	100.00	F	100.00	OOO “EADS”	Moscow (Russia)
E	33.00			Pesola Ltd.	São José dos Campos (Brazil)
E	30.00			Sinelson Aero	Tianjin (China)
E	34.00			Sopecaero Ltd.	São José dos Campos (Brazil)

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

Independent Auditors' report

To: The EADS N.V. Shareholders:

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements 2012 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the consolidated statement of financial position as at 31 December 2012, the Consolidated Statements of income, comprehensive income, cash flow and changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the report of the Board of Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b-h has been annexed. Further, we report that the report of the Board of Directors, to the extent we can assess, is consistent with the Consolidated Financial Statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 26 February 2013	Rotterdam, 26 February 2013
KPMG Accountants N.V.	Ernst & Young Accountants LLP
J.C.M. van Rooijen RA	C.T. Reckers RA

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Company Financial Statements

Balance Sheet of the Company Financial Statements

(In € million)	Note	At 31 December 2012	At 31 December 2011
Assets			
Fixed assets			
Goodwill	2	4,354	4,354
Financial fixed assets	2	11,337	9,802
Non-current securities	4	5,786	7,103
		21,477	**21,259**
Non-fixed assets			
Receivables and other assets	3	8,654	6,362
Current securities	4	2,228	4,140
Cash and cash equivalents	4	6,962	3,394
		17,844	**13,896**
Total assets		**39,321**	**35,155**
Liabilities and stockholders' equity			
Stockholders' equity(1)	5		
Issued and paid up capital		827	820
Share premium		7,253	7,519
Revaluation reserves		146	(1,207)
Legal reserves		4,143	3,544
Treasury shares		(84)	(113)
Retained earnings		(3,104)	(2,746)
Result of the year		1,228	1,033
		10,409	**8,850**
Non-current liabilities			
Financing liabilities	6	3,078	3,090
		3,078	**3,090**
Current liabilities			
Other current liabilities	7	25,834	23,215
		25,834	**23,215**
Total liabilities and stockholders' equity		**39,321**	**35,155**

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

Income Statement of the Company Financial Statements

(In € million)	Note	2012	2011
Income from investments		1,168	1,010
Other results		60	23
Net result	8	**1,228**	**1,033**

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Notes to the Company Financial Statements

Contents

1. Basis of presentation

1.1 General

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

The Company Financial Statements are part of the 2012 financial statements of EADS N.V.

The description of the company's activities and the Group structure, as included in the notes to the Consolidated Financial Statements, also apply to the Company Financial Statements. In accordance with article 402 Book 2 of the Dutch Civil Code the Income Statement is presented in abbreviated form.

1.2 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company Financial Statements, EADS N.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. As from 2005, the Netherlands Civil Code allows that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company Financial Statements of EADS N.V. are the same as those applied for the Consolidated EU-IFRS Financial Statements. These Consolidated EU-IFRS Financial Statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (herein referred to as EU-IFRS). Please see Note 2 of the Consolidated Financial Statements for a description of these principles.

Subsidiaries, over which significant influence is exercised, are stated on the basis of the Net Asset Value.

The share in the result of participating interests consists of the share of EADS N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between EADS N.V. and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

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

2. Fixed assets

At the end of 2012, goodwill acquisition cost amounts to €5,676 million (2011: €5,676 million) and the cumulative amortisation and impairments to €1,322 million (2011: €1,322 million).

The movements in financial fixed assets are detailed as follows:

(In € million)	Subsidiaries	Participations	Loans	**Total**
Balance at 31 December 2010	**5,902**	**149**	**1,909**	**7,960**
Additions	110		1,625	1,735
Redemptions			(109)	(109)
Share based payments	16			16
Net income from investments	1,004	6		1,010
Actuarial gains/losses IAS 19	(579)			(579)
Dividends received	(75)			(75)
Translation differences/other changes	(252)	(6)	102	(156)
Balance at 31 December 2011	**6,126**	**149**	**3,527**	**9,802**
Additions	138	9	367	514
Redemptions		(4)	(328)	(332)
Share based payments	18			18
Net income from investments	1,150	18		1,168
Actuarial gains/losses IAS 19	(770)			(770)
Dividends received	(240)	(12)		(252)
Translation differences/other changes	1,213	2	(26)	1,189
Balance at 31 December 2012	**7,635**	**162**	**3,540**	**11,337**

The investments in subsidiaries are included in the balance sheet based on their net asset value in accordance with the aforementioned accounting principles of the Consolidated Financial Statements. The participations include available-for-sale securities measured at fair value and investments in associated companies accounted for using the equity method.

The translation differences/other changes reflect mainly the impact in the other comprehensive income related to the application of IAS 39.

Significant subsidiaries, associates and joint ventures are listed in the Appendix “Information on principal investments” to the Consolidated Financial Statements.

The loans in the amount of €3,540 million (2011: €3,527 million) include loans provided to subsidiaries in the amount of €2,990 million (2011: €2,981 million) and the loans provided to participations in the amount of €58 million (2011: €63 million). The increase of loans is mainly driven by loans provided to the subsidiaries Astrium Holding SAS, Astrium Services Holding SAS and Astrium Americas Inc. The item redemptions mainly reflects early repayments of loans provided to Astrium BV and Astrium Holding SAS. An amount of €1,434 million has a maturity between five and ten years and an amount of €319 million matures after ten years. On average, the interest rate of the loans is 3.5%.

3. Receivables and other assets

(In € million)	2012	2011
Receivables from subsidiaries	8,410	5,907
Other assets	244	455
Total receivables and other assets	**8,654**	**6,362**

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

Other assets include deferred tax assets amounting to €0 million (2011: €20 million).

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

4. Securities, Cash and cash equivalents

The securities comprise mainly available-for-sale securities. The available-for-sale security portfolio contains a non-current portion of €5,786 million (2011: €7,103 million). For further information please see Note 22 of the Consolidated Financial Statements.

EADS limits its cash equivalents to such investments having a maturity of three months or less from acquisition date.

5. Stockholders' equity

(In € million)	Capital stock	Share premiums	Revaluation reserves	Legal reserves	Treasury shares	Retained earnings	Result of the year	Total equity
Balance at 31 December 2010	**816**	**7,645**	**(989)**	**3,532**	**(112)**	**(2,604)**	**553**	**8,841**
Capital increase	4	59						63
Net income							1,033	1,033
Cash distribution		(178)						(178)
Share based payments						15		15
Transfer to legal reserves				86		(86)		
Purchase/sale of treasury shares		(7)			(1)			(8)
Others			(218)	(74)		(624)		(916)
Appropriation of result						553	(553)	
Balance at 31 December 2011	**820**	**7,519**	**(1,207)**	**3,544**	**(113)**	**(2,746)**	**1,033**	**8,850**
Capital increase	7	137						144
Net income							1,228	1,228
Cash distribution		(369)						(369)
Share based payments						18		18
Transfer to legal reserves				593		(593)		
Purchase/sale of treasury shares					(5)			(5)
Cancellation of treasury shares		(34)			34			
Others			1,353	6		(816)		543
Appropriation of result						1,033	(1,033)	
Balance at 31 December 2012	**827**	**7,253**	**146**	**4,143**	**(84)**	**(3,104)**	**1,228**	**10,409**

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

As of 31 December 2012, the item 'Revaluation reserves' relates to €564 million (2011: €566 million) resulting from unrealised positive fair values of securities classified as available for sale and fair values of cash flow hedges, recognised directly in equity with a negative amount of €418 million (2011: €1,773 million negative fair values). The cash flow hedges are included in "Subsidiaries".

The legal reserves are related to EADS' share in the undistributed results from investments for €1,412 million (2011: €1,237 million), internally generated capitalised development costs of €1,365 million (2011: €947 million) and €1,366 million (2011: €1,360 million) resulting from currency translation effects of affiliated companies.

The internally generated development costs reflect capitalised development costs in the consolidated subsidiaries and are allocated to other legal reserves in accordance with Article 2:389 paragraph 6 of the Dutch Civil Code.

The retained earnings include actuarial losses arising from defined benefit plans, recognised in equity, with an amount of €3,158 million (2011: €2,388 million).

Pursuant to Dutch law, limitations exist relating to the distribution of stockholders' equity with an amount of €5,534 million (2011: €4,930 million). The limitations relate to capital stock of €827 million (2011: €820 million) and to legal reserves of €4,143 million (2011: €3,544 million). In 2012, unrealised gains related to revaluation reserves with an amount of €564 million (2011: €566 million) were not distributable. In general, gains related to available for sale securities, fair values of cash flow hedges, currency translation effects of affiliated companies and capitalised development costs reduce the distributable stockholders' equity.

6. Non-current financing liabilities

The non-current financing liabilities in the amount of €3,078 million (2011: €3,090 million) include two long-term loans, granted by the European Investment Bank to EADS with an amount of US$1,142 million, a US$300 million loan granted in 2012 by the Development Bank of Japan and two loans granted by EADS Finance B.V. with an amount of €1,494 million. The latter two loans originate from the issuance of two euro denominated bonds under EADS' EMTN Programme by EADS Finance B.V. Terms and conditions of both loans basically match those of the underlying EMTN bonds.

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

7. Current liabilities

(In € million)	2012	2011
Liabilities to subsidiaries	24,577	21,609
Liabilities to participations	891	1,392
Other liabilities	366	214
Total	**25,834**	**23,215**

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

8. Net income

The net income in 2012 amounts to €1,228 million (2011: net income of €1,033 million).

9. Financial instruments

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest risks. EADS uses financial instruments in order to limit these financial risks. Information to the terms and conditions of the financial instruments and the respective fair values is provided in Note 34 of the Consolidated Financial Statements.

10. Commitments and contingent liabilities

EADS N.V. issues guarantees on behalf of consolidated companies with an amount of €6,358 million. The commitments of these companies to third parties mainly relate to their operating business as described in Note 33 and Note 36 to the Consolidated Financial Statements. The company is heading a fiscal unity, which also includes EADS Finance B.V., Astrium B.V. and Dutch Space B.V. and therefore the company is several and jointly liable for income tax liabilities of the fiscal unity as a whole.

11. Remuneration

The total **remuneration** of the Non-Executive and the Executive Members of the Board of Directors and former Directors related to the reporting periods 2012 and 2011 can be summarised as follows:

Non-Executive Members of the Board:

(In €)	**2012**	2011
Fixum	1,158,335	1,170,000
Fees	510,000	425,000

Executive Members of the Board:

(In €)	**2012**	2011
Base Salary	1,229,169	990,000
Annual Variable Pay	2,108,698	1,993,475

Summary table of the remuneration of the Non-Executive Directors

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

	Directors' remuneration related to 2012[(1)]		Directors' remuneration related to 2011[(1)]	
	Fixum (in €)	*Attendance Fees (in €)*	*Fixum (in €)*	*Attendance Fees (in €)*
Current Non-Executive Board Members[(1)]				
Bodo Uebber	157,500	55,000	210,000	90,000
Dominique D'Hinnin	120,000	55,000	120,000	45,000
Arnaud Lagardère	164,167	80,000	100,000	30,000
Hermann-Josef Lamberti	130,000	50,000	130,000	35,000
Lakshmi N. Mittal	80,000	40,000	80,000	30,000
Sir John Parker	130,000	50,000	130,000	35,000
Michel Pébereau	100,000	40,000	100,000	35,000
Wilfried Porth	108,334	35,000	120,000	40,000
Josep Piqué i Camps[(2)]	46,667	35,000	N/A	N/A
Jean-Claude Trichet[(2)]	46,667	40,000	N/A	N/A
Former Non-Executive Board Members[(2)]				
Rolf Bartke	41,667	15,000	100,000	45,000
Juan Manuel Eguiagaray Ucelay	33,333	15,000	80,000	40,000
Total	**1,158,335**	**510,000**	**1,170,000**	**425,000**

(1) The Fixum related to 2011 was paid in 2012; the Fixum related to 2012 will be paid in 2013.
(2) Pro rata in accordance with their periods of membership with the Board of Directors.

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

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

	Directors' remuneration in respect of 2012		Directors' remuneration in respect of 2011	
	Base Salary (in €)	*Annual Variable Pay (in €)*	*Base Salary (in €)*	*Annual Variable Pay (in €)*
Executive Board Members				
Louis Gallois (1 January to 31 May 2012)	412,500	830,615	990,000	1,993,475
Tom Enders (1 June to 31 December 2012)	816,669	1,278,083	N/A	N/A
Total	**1,229,169**	**2,108,698**	**990,000**	**1,993,475**

The bonus conditions are disclosed in the Board Report, chapter 4.3.1.2.

The table below gives an overview of the interests of the current Executive Board Directors under the various **long-term incentive plans** of EADS:

Stock option plans

Number of options

Year of plan	Initially granted	As at 1 Jan 2012	Granted in 2012	Exercised during 2012	As at 31 Dec 2012	Exercise price in Euro	Expiry date
Louis Gallois							
2006	67,500	67,500	-	-	67,500	25.65	Dec. 16, 2016
Tom Enders							
2003	50,000	25,000	-	-	25,000	15.65	Oct. 9, 2013
2004	50,000	37,500	-	-	37,500	24.32	Oct. 7, 2014
2005	135,000	67,500	-	-	67,500	33.91	Dec. 8, 2015
2006	67,500	67,500	-	-	67,500	25.65	Dec. 16, 2016

Performance units plan

Number of performance units[(1)]:

	Granted in 2008	Vested in 2012
Louis Gallois	40,000	27,200 (Re-evaluation of Performance Units based on 136% performance achievement). Remaining vesting schedule: • 25% expected in May 2013 • 25% expected in November 2013
Tom Enders	40,000	27,200 (Re-evaluation of Performance Units based on 136% performance achievement). Remaining vesting schedule: • 25% expected in May 2013 • 25% expected in November 2013

	Granted in 2009	Vesting date
Louis Gallois	46,000	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2013 • 25% expected in November 2013 • 25% expected in May 2014 • 25% expected in November 2014
Tom Enders	46,000	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2013 • 25% expected in November 2013 • 25% expected in May 2014 • 25% expected in November 2014

	Granted in 2010	Vesting date
Louis Gallois	54,400	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2014 • 25% expected in November 2014 • 25% expected in May 2015 • 25% expected in November 2015
Tom Enders	54,400	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2014 • 25% expected in November 2014 • 25% expected in May 2015 • 25% expected in November 2015

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

	Granted in 2011	Vesting date
Louis Gallois	51,400	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2015 • 25% expected in November 2015 • 25% expected in May 2016 • 25% expected in November 2016
Tom Enders	51,400	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2015 • 25% expected in November 2015 • 25% expected in May 2016 • 25% expected in November 2016

	Granted in 2012	Vesting date
Tom Enders	50,300	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2016 • 25% expected in November 2016 • 25% expected in May 2017 • 25% expected in November 2017

Stock option plans

To the other current Members of the Executive Committee and to the Group's senior management, the number of outstanding stock options amounted to 11,355,143 at 31 December 2012 (2011: 17,468,709).

During the year 2012, the Executive Committee Members have exercised 80,000 options granted under the various EADS stock option plans. 279,175 options were exercised by former Executive Board Directors. Exercises of options by the EADS Executive Committee Members are disclosed on the EADS internet website in accordance with the applicable regulations.

Performance and Restricted unit plans

To the current Members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted units amounted to 15,235,262 at 31 December 2012 (2011: 13,890,028).

The expense accounted for in 2012 for performance shares and performance units granted to the Chief Executive Officer was € 1.399 million (2011: € 1.1 million for long-term incentive plans and stock options).

For further information on these various plans, please see Note 35 and 36 of the Consolidated IFRS Financial Statements.

The **pension benefit** obligation for the Executive Committee Members is as follows:

The Members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS, payable once they reach retirement age.

These rights can gradually increase to 60% after a second term, usually after ten years of service in the EADS Executive Committee. However, in order to reach this 60% replacement ratio the respective Member of the Executive Committee must also have 12 years of seniority within the Group.

These pension schemes have been implemented through collective executive pension plans in France and Germany. These pension promises have also separate rules *e.g.* for minimum length of service and other conditions to comply with national regulations.

The former Chief Executive Officer, Louis Gallois, has retired 1 June 2012, with a pension promise worth € 3,869,637 (defined benefit obligation (*i.e.* the book cash value)).

For the Chief Executive Officer, Tom Enders, the amount of the pension defined benefit obligation (*i.e.* the book cash value) amounted to € 11,800,233 as of 31 December 2012, while the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2012 represented an expense of € 1,000,769. This obligation has been accrued in the Consolidated Financial Statements. The defined benefit obligation for the Company pension of Tom Enders results from EADS Executive Committee pension policy as described above and takes into account (1) the seniority of Tom Enders in EADS and its Executive Committee and (2) the significant lower public pension promise deriving from the German social security pension system compared to public pensions resulting from the membership in the French public pension system.

Other benefits

All amounts reported above for the Executive Board Directors (current and former) are free of benefits in kind, as explained below, they are entitled to, as well as all national social and income tax impacts. The company grants to the Members of the Executive Committee appropriate insurance coverage, in particular a Directors and Officers liability insurance.

The Chief Executive Officer, Tom Enders, is entitled to a company car. The residual value of his company car was worth €57,134 (excluding VAT) as of 31 December 2012.

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

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

12. Employees

The number of persons employed by the company at year end 2012 was 2 (2011: 2).

13. Related party transactions

An interest free loan was granted by Lagardère and the French State to EADS in 2007. The amount of €29 million was repaid in 2011.

For further information on the related party transactions, please see Note 36 of the Consolidated Financial Statements.

14. Auditor Fees

Services of Statutory Auditors and Members of their Network rendered to the Group for the financial years 2012 and 2011:

	KPMG Accountants N.V.				Ernst & Young Accountants LLP			
	2012		2011		**2012**		2011	
	Amount in €K	*%*	*Amount in €K*	*%*	*Amount in €K*	*%*	*Amount in €K*	*%*
Audit								
Audit process, certification, examination of individual and consolidated accounts	5,780	55.0	5,675	70.0	5,836	61.3	5,851	69.2
Additional tasks(1)	3,725	35.5	1,678	20.7	3,158	33.2	2,338	27.6
Sub-total	**9,505**	**90.5**	**7,353**	**90.7**	**8,994**	**94.5**	**8,189**	**96.8**
Other services as relevant								
Legal, tax, employment	961	9.2	715	8.8	519	5.5	201	2.4
Information Technology	20	0.1	37	0.5			70	0.8
Other	22	0.2	6	0.1				
Sub-total	**1,003**	**9.5**	**758**	**9.3**	**519**	**5.5**	**271**	**3.2**
Total	**10,508**	**100.0**	**8,111**	**100.0**	**9,513**	**100.0**	**8,460**	**100.0**

(1) Mainly transaction related work.

Supplementary Information

Independent Auditors' report

To: The EADS N.V. Shareholders:

Report on the Company Financial Statements

We have audited the accompanying Company Financial Statements 2012 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the company balance sheet as at 31 December 2012, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Company Financial Statements and for the preparation of the report of the Board of Directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these Company Financial Statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Company Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Company Financial Statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report of the Board of Directors, to the extent we can assess, is consistent with the Company Financial Statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 26 February 2013

KPMG Accountants N.V.
J.C.M. van Rooijen RA

Rotterdam, 26 February 2013

Ernst & Young Accountants LLP
C.T. Reckers RA

Other Supplementary Information

1. Appropriation of result

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The General Meeting of Shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the net income of € 1,228 million as shown in the income statements for the financial year 2012 is to be added to retained earnings and that a payment of a gross amount of € 0.60 per share shall be made to the shareholders.

2. Subsequent events

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

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