Year 2013 Report

Unaudited Condensed IFRS Consolidated Financial Information of EADS N.V. for the year ended 31 December 2013

26.02.2014

Unaudited Condensed IFRS Consolidated Income Statements

	1 January - 31 December 2013		1 January - 31 December 2012		Deviation
	M €	%	M €	%	M €
Revenues	59,256	100	56,480	100	2,776
Cost of sales *)	-50,895	-86	-48,582	-86	-2,313
Gross margin *)	**8,361**	**14**	**7,898**	**14**	**463**
Selling, administrative & other expenses *)	-3,176	-5	-3,098	-5	-78
Research and development expenses	-3,160	-5	-3,142	-5	-18
Other income	236	0	184	0	52
Share of profit from associates under the equity method and other income from investments	346	1	247	0	99
Profit before finance result and income taxes *)	**2,607**	**5**	**2,089**	**4**	**518**
Interest income	168	0	237	0	-69
Interest expense	-497	-1	-522	-1	25
Other financial result	-301	-1	-168	0	-133
Finance result	**-630**	**-1**	**-453**	**-1**	**-177**
Income taxes *)	-502	-1	-438	-1	-64
Profit for the period *)	**1,475**	**2**	**1,198**	**2**	**277**
Attributable to:					
Equity owners of the parent **(Net income) *)**	**1,465**	**2**	**1,197**	**2**	**268**
Non-controlling interests	10	0	1	0	9

Earnings per share	€	€	€
Basic *)	1.85	1.46	0.39
Diluted *)	1.84	1.46	0.38

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

Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income

in M €	1 January - 31 December 2013	1 January - 31 December 2012
Profit for the period*)	**1,475**	**1,198**
Items that will not be reclassified to profit or loss:		
Actuarial losses on defined benefit plans*)	-72	-987
Actuarial losses on defined benefit plans from investments using the equity method	4	-85
Tax on items that will not be reclassified to profit or loss*)	20	335
Items that will be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	-146	-47
Net change in fair value of cash flow hedges	2,291	1,964
Net change in fair value of available-for-sale financial assets	-19	189
Changes in other comprehensive income from investments accounted for using the equity method	-7	-126
Tax on items that will be reclassified to profit or loss	-711	-625
Other comprehensive income, net of tax *)	**1,360**	**618**
Total comprehensive income of the period	**2,835**	**1,816**
Attributable to:		
Equity owners of the parent	2,833	1,817
Non-controlling interests	2	-1
Total comprehensive income of the period	**2,835**	**1,816**

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

Unaudited Condensed IFRS Consolidated Statements of Financial Position

	31 December 2013		31 December 2012		Deviation	
	M €	%	M €	%	M €	%
Non-current assets						
Intangible assets *)	13,653	15	13,429	15	224	2
Property, plant and equipment	15,925	17	15,268	17	657	4
Investments in associates under the equity method	2,902	3	2,662	3	240	9
Other investments and long-term financial assets	1,864	2	2,115	2	-251	-12
Other non-current assets	3,729	4	2,801	3	928	33
Deferred tax assets *)	3,840	4	4,532	5	-692	-15
Non-current securities	4,300	5	5,987	6	-1,687	-28
	46,213	50	46,794	51	-581	-1
Current assets						
Inventories	25,060	27	23,216	25	1,844	8
Trade receivables *)	7,239	7	6,788	7	451	7
Other current assets	4,444	5	4,239	4	205	5
Current securities	2,590	3	2,328	3	262	11
Cash and cash equivalents	7,765	8	8,756	10	-991	-11
	47,098	50	45,327	49	1,771	4
Total assets	**93,311**	**100**	**92,121**	**100**	**1,190**	**1**
Total equity						
Equity attributable to equity owners of the parent						
Capital stock	783	1	827	1	-44	-5
Reserves *)	7,349	8	8,147	8	-798	-10
Accumulated other comprehensive income	2,929	3	1,513	2	1,416	94
Treasury shares	-50	0	-84	0	34	-40
	11,011	12	10,403	11	608	6
Non-controlling interests *)	43	0	17	0	26	153
	11,054	12	10,420	11	634	6
Non-current liabilities						
Non-current provisions *)	10,046	11	9,850	11	196	2
Long-term financing liabilities	3,956	4	3,506	4	450	13
Deferred tax liabilities *)	1,487	2	1,502	2	-15	-1
Other non-current liabilities	18,187	19	18,194	19	-7	0
	33,676	36	33,052	36	624	2
Current liabilities						
Current provisions *)	5,323	5	6,039	7	-716	-12
Short-term financing liabilities	1,645	2	1,273	1	372	29
Trade liabilities *)	10,372	11	9,921	11	451	5
Current tax liabilities	616	1	458	0	158	34
Other current liabilities *)	30,625	33	30,958	34	-333	-1
	48,581	52	48,649	53	-68	0
Total liabilities	82,257	88	81,701	89	556	1
Total equity and liabilities	**93,311**	**100**	**92,121**	**100**	**1,190**	**1**

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

Unaudited Condensed IFRS Consolidated Statements of Cash Flows

	1 January - 31 December 2013	1 January - 31 December 2012
	M €	M €
Profit for the period attributable to equity owners of the parent (Net income)*)	**1,465**	**1,197**
Profit for the period attributable to non-controlling interests	10	1
Adjustments to reconcile profit for the period to cash provided by operating activities		
Depreciation and amortization	1,968	2,053
Valuation adjustments*)	369	596
Deferred tax expense	32	40
Change in income tax assets, income tax liabilities and provisions for income tax	-1	33
Results on disposals of non-current assets	-58	-21
Results of companies accounted for by the equity method	-295	-241
Change in current and non-current provisions*)	828	1,114
Reimbursement from / contribution to plan assets	-223	-856
Change in other operating assets and liabilities	-2,164	-76
Cash provided by operating activities	**1,931**	**3,840**
Investments:		
- Purchases of intangible assets, PPE	-2,949	-3,270
- Proceeds from disposals of intangible assets, PPE	60	73
- Acquisitions of subsidiaries and joint ventures (net of cash)	-16	-201
- Payments for investments in associates and other investments and long-term financial assets	-292	-328
- Proceeds from disposals of associates and other investments and long-term financial assets	157	232
- Dividends paid by companies valued at equity	52	46
Change of securities	1,272	3,422
Change in cash from changes in consolidation	-26	0
Cash (used for) investing activities	**-1,742**	**-26**
Change in long-term and short-term financing liabilities	1,145	-125
Cash distribution to EADS N.V. shareholders	-467	-369
Dividends paid to non-controlling interests	-2	-10
Changes in capital and non-controlling interests	171	144
Change in treasury shares	-1,915	-5
Cash (used for) financing activities	**-1,068**	**-365**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	-112	23
Net decrease of cash and cash equivalents	**-991**	**3,472**
Cash and cash equivalents at beginning of period	**8,756**	**5,284**
Cash and cash equivalents at end of period	**7,765**	**8,756**

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

As of 31 December 2013, EADS' cash position (stated as cash and cash equivalents in the Unaudited Condensed IFRS Consolidated Statements of Cash Flows) includes 340 M € (374 M € as of 31

December 2012), which represents EADS' share in MBDA's cash and cash equivalents deposited at other shareholders. These funds are available for EADS upon demand.

Unaudited Condensed IFRS Consolidated Statements of Changes in Equity

in M €	Equity attributable to equity owners of the parent	Non-controlling interests	total
Balance at 1 January 2012	**8,850**	**15**	**8,865**
Retrospective adjustment *)	-7	0	-7
Balance at 1 January 2012, adjusted	**8,843**	**15**	**8,858**
Profit for the period *)	1,197	1	1,198
Other comprehensive income *)	621	-2	619
Total comprehensive income	1,818	-1	1,817
Cash distribution to shareholders/ dividends to non-controlling interests	-369	-10	-379
Capital increase	144	0	144
Equity transactions (IAS 27)	-46	14	-32
Change in treasury shares	-5	0	-5
Others	18	7	25
Balance at 31 December 2012	**10,403**	**25**	**10,428**
Retrospective adjustment *)	0	-8	-8
Balance at 31 December 2012	**10,403**	**17**	**10,420**
Profit for the period	1,465	10	1,475
Other comprehensive income	1,368	-8	1,360
Total comprehensive income	2,833	2	2,835
Cash distribution to shareholders/ dividends to non-controlling interests	-467	-2	-469
Capital decrease	-74	0	-74
Capital increase	242	2	244
Equity transactions (IAS 27)	-118	24	-94
Change in treasury shares	-1,915	0	-1,915
Share-based payment (IFRS 2)	107	0	107
Balance at 31 December 2013	**11,011**	**43**	**11,054**

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

Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at 31 December 2013

1. The Company

The accompanying Unaudited Condensed IFRS Consolidated Financial Statements present the operations of **European Aeronautic Defence and Space Company EADS N.V.** and its subsidiaries (the “Group”), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands), and are prepared and reported in Euros (“€”). On 2 January 2014, the Group has been rebranded to **Airbus Group** as part of a wider reorganization including integration of the Group’s space and defence activities with associated restructuring measures. EADS’ core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated Financial Statements for year ended 31 December 2013 were authorized for issue by EADS’ Board of Directors on 25 February 2014.

2. Accounting policies

These Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union (EU) as at 31 December 2013 and Part 9 of Book 2 of the Netherlands Civil Code.

a) New, Revised or Amended Standards

The application of the following amended standards is mandatory for EADS for the fiscal year starting 1 January 2013. If not otherwise stated, the following amended standards did not have a material impact on EADS’s Consolidated Financial Statements as well as its basic and diluted earnings per share.

In December 2010, the IASB issued **amendments to IAS 12** “Income Taxes” providing practical guidance for the measurement of deferred tax relating to an asset by introducing the presumption that recovery of the carrying amount of that asset will normally be through sale. Respective amendments supersede SIC 21 “Income Taxes – Recovery of Revalued Non Depreciable Assets”. The amendments were endorsed in December 2012 and are applicable for annual periods beginning 1 January 2013.

In June 2011, the IASB issued an **amended version of IAS 19** “Employee Benefits” (endorsed June 2012). The amendment eliminates both the option of deferred recognition of actuarial gains and losses (known as the “corridor method”) and the option of immediately recognising them in profit or loss, to improve comparability of financial statements. Under the amendment, full recognition of actuarial gains and losses directly in equity becomes mandatory. EADS already applied this method of accounting for actuarial gains and losses. Furthermore, the revised standard introduces a net interest approach, under which for defined benefit obligation and plan assets the same interest rate is applied, and it requires past service costs to be fully recognized 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 requires retrospective application.

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

Applying the amended standard retrospectively in 2013, EADS’ consolidated opening net equity (retained earnings) as of 1 January 2011 has been adjusted by -7 M €.

Comparative consolidated statement of income for 2012 (and 2011) has been restated leading to an impact for 2012 of -42 M € (for 2011 of -72 M €) on profit before finance result and income taxes and for 2012 of -31 M € (for 2011 of -53 M €) on profit for the period. The impact on earnings per share for 2012 amounts to -0.04 € on basic and diluted earnings per share (for 2011 -0.06 € on basic and -0.07 € on diluted earnings per share). If the Group had not applied IAS 19R beginning 1 January 2013, EADS’ profit before finance costs and income taxes would have increased by around +75 M €, while basic and diluted earnings per share would have had a positive impact of approximately +0.08 € in 2013.

Regarding past service costs, the initial application of the revised standard in 2013 has no significant effect on EADS Consolidated Net income. The retrospective adjustments in the opening balance sheet as of 1 January 2011 results in an increase of pension liabilities of 45 M € and a decrease of retained earnings of 29 M €.

Regarding German early retirement programmes, the initial application of the revised standard in 2013 has no significant effect on EADS Consolidated Net income. The retrospective adjustments in the opening balance sheet as of 1 January 2011 result in a decrease of provisions of 34 M € and an increase of retained earnings of 23 M €.

Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”, which were issued in June 2011, require separate presentation of items of other comprehensive income that are reclassified subsequently to profit or loss (recyclable) and those that are not reclassified to profit or loss (non-recyclable). The amended standard became effective for financial periods beginning on or after 1 July 2012. The amendments were endorsed in June 2012.

In May 2011, the IASB issued **IFRS 13** “Fair Value Measurement” (endorsed in December 2012). IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 seeks to reduce complexity and improve consistency in the application of fair value measurement principles. The new standard defines fair value as an exit price, i.e. as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. It further establishes a three level fair value hierarchy regarding the inputs used for fair value determination. IFRS 13 has been applied prospectively from 1 January 2013. The Group did not make a significant revision of its valuation methods that are deemed consistent with IFRS 13 guidance; credit and debit value adjustments had been incorporated in the valuation of derivative financial instruments prior to the application of IFRS 13. Accordingly, the initial application of IFRS 13 did not have a material impact on EADS Consolidated Financial Statements.

In December 2011, the IASB issued **amendments to IFRS 7** "Financial Instruments: Disclosures" (endorsed in December 2012) expanding disclosure requirements for financial assets and liabilities that are set off in the statement of financial position or subject to netting agreements. EADS provides the disclosure required by the amendments retrospectively for all periods presented.

The IASB issued various amendments to IFRS Standards within the Annual Improvements 2009-2011 Cycle, which have become applicable as of 1 January 2013. The amendments refer to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

b) New or Amended Interpretations

There are no new or amended interpretations which became effective for the financial period beginning after 31 December 2012.

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

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2013 and have not been applied in preparing these Consolidated Financial Statements. The potential impacts from the application of those newly issued standards, amendments and interpretations are currently under investigation:

- **IFRS 9** "Financial Instruments" (not yet endorsed);
- **IFRS 10** "Consolidated Financial Statements", **IFRS 11** "Joint Arrangements", **IFRS 12** "Disclosure of Interests in Other Entities" and consequential amendments to **IAS 27** "Separate Financial Statements" and **IAS 28** "Investments in Associates and Joint Ventures". All of the new or amended standards have been endorsed in December 2012;
- Transition Guidance (**Amendments for IFRS 10, IFRS 11 and IFRS 12**) (endorsed in April 2013);
- Amendments to **IAS 32** "Financial Instruments: Presentation" (endorsed in December 2012);
- Amendments to **IAS 39** "Novation of Derivatives and Continuation of Hedge Accounting" (endorsed in December 2013);
- Amendments to **IAS 36** "Recoverable Amount Disclosures for Non-Financial Assets" (endorsed in December 2013)
- **IFRIC 21** "Levies" (not yet endorsed);
- Amendments to **IAS 19** "Employee Contributions" (not yet endorsed);
- **Annual Improvements 2010-2012** Cycle (not yet endorsed). The amendments refer to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38; and
- **Annual Improvements 2011-2013** Cycle (not yet endorsed). The amendments refer to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

3. Acquisitions and other M&A transactions

For some M&A transactions recognized during 2012, EADS received new information about facts and circumstances that existed at the respective acquisition dates of the companies concerned. According to IFRS 3.45, comparative information is adjusted retrospectively.

The following individually insignificant M&A activities of EADS divisions were finalised during the business year 2013 resulting in a total investment of 16 M € and a total goodwill of 13 M €. All acquired companies contributed a total amount of 6 M € to EADS' group revenues 2013. The section does not necessarily provide a comprehensive list of all purchase transactions, which are in process and are not yet closed as at the balance sheet date.

On 31 January 2013, ST Aerospace Ltd., Singapore (Singapore) acquired a 35% non-controlling interest in Elbe Flugzeugwerke, Dresden (Germany) (EFW). EADS as the former sole shareholder retains 65% of the shares of EFW.

On 1 March 2013, Cassidian terminated its Joint Venture with Odebrecht Group by selling its 50% share to Odebrecht Defesa e Tecnologia SA, Sao Paolo (Brazil).

On 17 May 2013, Cassidian Cybersecurity SAS, Elancourt (France) acquired a 83.9% controlling interest in Arkoon Network Security SA, Lyon (France). On 14 June 2013 Cassidian Cybersecurity SAS made a mandatory simplified public offering on the remaining shares of Arkoon Network Security in line with General Regulations of the French Financial Market Authority ("AMF"). As a result of the tender offer that ended 4 July 2013 Cassidian's interest in Arkoon increased to 97.3%. Subsequent squeeze-out procedure of remaining shareholders was finalized on 15 July 2013 leaving Cassidian as sole shareholder of Arkoon.

On 31 May 2013, Astrium Services GmbH, Ottobrunn (Germany) acquired remaining non-controlling interest of 24.9% in ND Satcom GmbH, Immenstaad (Germany) from SES S.A., Betzdorf (Luxemburg).

On 16 December 2013, Airbus Group has entered into a Share Purchase Agreement with Raiffeisenverband Salzburg to acquire 100% shares in Salzburg München Bank AG, a fully-licensed bank based in Munich with approximately €350 million total assets serving small and medium enterprises and private clients. The acquisition of Salzburg München Bank aims to provide additional financing options for the Group's businesses and is subject to obtaining regulatory approvals, i.e. the Ownership Control Procedures with the German Financial Supervisory Authority ("BaFin") and approval from the German competition authority ("BKartA").

The transactions above are considered to have no material impact on EADS' consolidated financial statements.

4. Segment information

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

- *Airbus Commercial* — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services. Additionally, the development, manufacturing, marketing and sale of regional turboprop aircraft - ATR group - and aircraft components - Sogerma Group - are reclassified from "Other Businesses" and are managed by Airbus Commercial from 1 January 2013 onwards.
- *Airbus Military* — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

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

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

The following table presents information with respect to the Group's business segments. As a rule, inter-segment transfers are carried out on an arm's length basis. After the reclassification of ATR group and Sogerma group to "Airbus Commercial", "Other Businesses" comprises the Group's activities managed in the US. Combined together with consolidation effects, the holding function of EADS Headquarters and other activities not allocable to the reportable segments, they are disclosed in the column "Others/ HQ / Conso.".

in M €	Airbus Commer-cial	Airbus Military	Euro-copter	Astrium	Cassidian	Total segments	Others/ HQ/ Conso.	**Consoli-dated**
Year ended 31 December 2013								
Total revenues	39,889	2,893	6,297	5,784	5,976	60,839	457	61,296
Internal revenues	-933	-251	-486	-24	-345	-2,039	-1	-2,040
Revenues	**38,956**	**2,642**	**5,811**	**5,760**	**5,631**	**58,800**	**456**	**59,256**
Research and development expenses	-2,438	-6	-306	-127	-248	-3,125	-35	**-3,160**
Profit before finance result and income taxes	1,569	165	396	343	426	2,899	-292***)	**2,607**
EBIT pre-goodwill imp. and exceptionals (see definition below)	1,595	166	397	347	432	2,937	-276***)	**2,661**
Finance result								-630
Income taxes								-502
Profit for the period								**1,475**
Year ended 31 December 2012								
Total revenues **)	37,624	2,131	6,264	5,817	5,740	57,576	639	58,215
Internal revenues **)	-625	-279	-540	-23	-232	-1,699	-36	-1,735
Revenues **)	**36,999**	**1,852**	**5,724**	**5,794**	**5,508**	**55,877**	**603**	**56,480**
Research and development expenses **)	-2,428	-11	-297	-128	-234	-3,098	-44	**-3,142**
Profit before finance result and income taxes *), **)	1,122	92	308	307	122	1,951	138	**2,089**
EBIT pre-goodwill imp. and exceptionals (see definition below) *), **)	1,147	93	309	311	128	1,988	156	**2,144**
Finance result								-453
Income taxes *)								-438
Profit for the period								**1,198**

*) Previous year's figures are adjusted due to revised IAS 19.
**) Previous year's figures are adjusted due to the inclusion of ATR group and Sogerma group into Airbus Commercial and the remaining activities of 'Other Businesses' into 'Others/ HQ/ Conso.'.
***) includes -292 M € expenses for restructuring provisions associated to the Group's reorganisation mainly in the defence and space business .

5. EBIT pre-goodwill impairment and exceptionals

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

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

in M €	1 January - 31 December 2013	1 January - 31 December 2012
Profit before finance result and income taxes *)	**2,607**	**2,089**
Goodwill and exceptionals:		
Impairment and disposal of goodwill	15	17
Exceptional depreciation/ disposal (fixed assets in cost of sales)	39	38
EBIT pre-goodwill impairment and exceptionals*)	**2,661**	**2,144**

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

6. Significant income statement items

Revenues of 59,256 M € (2012: 56,480 M €) increase by +2,776 M €, mainly at Airbus Commercial (+2,265 M €). All segments except for Astrium contributed positively to the increase of revenues.

The **Gross margin** increases by +463 M € to 8,361 M € compared to 7,898 M € (adjusted) in 2012. This improvement is mainly related to Airbus Commercial due to higher deliveries of the long range and single aisle programs, better operational performance, an improvement at the A380 as well as lower expenses for A380 wing rib provisioning and no-one off charges in Cassidian. The improvement is partly compensated by higher A350 programme support cost, negative currency one-offs at Airbus Commercial compared to 2012 and an update of the A350 loss making contract provision (-434 M € net charge) to reflect mainly the higher level of recurring cost.

The A350 XWB Entry into service is scheduled for the end of 2014. Airbus continues to make significant progress on A350 XWB program. Since the first flight in June 2013, the entire flight programme envelope has been cleared and first tests of all major aircraft systems successfully performed. Airbus is in the most critical phase of the A350 programme.

In 2013, Airbus commercial booked a net charge of 434 M€ on A350 Loss Making Contracts reflecting a re-assessment of actual and estimated unit cost.

The industrial ramp up preparation is underway and associated risks will continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customers commitments.

Based on an updated technical solution concept to fix permanently the retrofit of the A380 wing rib issue, an additional amount of 85 M € was recognized for the repair costs on delivered aircraft this year. Contractually, Airbus Commercial is not liable versus airlines for loss of use, revenue or profit or for any other direct, incidental or consequential damages related to wing ribs issue. However, in view of overall commercial relationships, contracts adjustments may occur, and be considered on a case by case basis.

Research and development expenses increase by -18 M € to -3,160 M € (2012: -3,142 M €) mainly reflecting an increase for the A350XWB partly compensated by a decrease for the A380.

Share of profit from associates under the equity method and other income from investments of 346 M € (2012: 247 M €) mainly consists of the share of the result of Dassault Aviation of 247 M € (2012: 198 M €). The Dassault Aviation equity accounted-for income in 2013 includes a positive catch-up on 2012 results. Since for the second half-year 2013 no published financial information is yet available from Dassault Aviation at the date of authorization for issue of 2013 financial statements, EADS uses a best estimate for the net income of Dassault Aviation.

Finance result amounts to -630 M € (2012: -453 M €) comprising interest result of -329 M € (2012: -285 M €). Other financial result amounts to -301 M € (2012: -168 M €) and mainly includes the negative impact from foreign exchange valuation of monetary items (-64 M €, 2012: positive impact: +41 M €) and the effects from the unwinding of discounted provisions (-171 M €, 2012: -180 M €).

The **income tax** expense of -502 M € (2012 adjusted: -438 M €) corresponds to an effective income tax rate of 25% (2012: 27%).

7. Significant items of the statement of financial position

Non-current assets

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

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

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

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

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

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

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

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

Current assets

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

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

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

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

Cash and cash equivalents decrease from 8,756 M € to 7,765 M € (see also note 8 “Significant cash flow items”).

Total equity

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

Non-controlling interests increase to 43 M € (prior year-end adjusted: 17 M €), mainly due to the EFW transaction (please refer to note 3 "Acquisitions and other M&A transactions").

Non-current liabilities

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

Moreover, other provisions are included in non-current provisions, which increase by +146 M € to 3,837 M € (prior year-end adjusted: 3,691 M €). Included in the other provisions are additions for restructuring measures defined for the Group's Defence and Space business in order to improve competitiveness by reducing costs, create synergies in the operations and product portfolio and better focus Research and Development efforts. Accordingly, a plan including temporary contract termination, non-replacement of attrition, redeployment, partial and early retirement as well as voluntary leaves in Germany, France, the UK and Spain has been communicated to the Group's employees and the European Works Council in December 2013. As a result the Group has increased non-current and current restructuring provisions by 292 M € in total.

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

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

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

Current liabilities

Current provisions decrease by -716 M € to 5,323 M € (prior year-end adjusted: 6,039 M €) and comprise the current portions of pensions (406 M €) and of other provisions (4,917 M €) including

85 M € of restructuring provisions (see above). The decrease mainly linked to the A400M Program on which inventories are presented net of the respective portion of the contract loss provision.

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

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

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

8. Significant cash flow items

Cash provided by operating activities decreases by -1,909 M € to +1,931 M € (2012: +3,840 M €). Gross cash flow from operations (before changes in other operating assets and liabilities) of +4,095 M € increases compared to the prior period’s level (2012: +3,916 M €). Changes in other operating assets and liabilities amount to -2,164 M € (2012: -76 M €), mainly reflecting an increase in inventories due to a ramp-up for new programmes at Airbus and Eurocopter partly compensated by higher trade liabilities, mainly at Airbus.

Cash (used for) investing activities amounts to -1,742 M € (2012: -26 M €). This mainly comprises purchases of intangible assets and property, plant and equipment of -2,949 M € (2012: -3,270 M €) (mainly in Airbus) and payments for investments in associates and other investments and long-term financial assets of -292 M € (2012: -328 M €), partly balanced by changes in securities of +1,272 M € (2012: +3,422 M €).

Cash (used for) financing activities decreases by -703 M € to -1,068 M € (2012: -365 M €). This mainly comprises changes in treasury shares of -1,915 M € (2012: -5 M €) following the share buy-back program and a cash distribution to shareholders of -467 M € (2012: -369 M €), partly compensated by changes in long-term and short-term financing liabilities of +1,145 M € (please refer to Note 7 “Significant items of the statement of financial positions”) (2012: -125 M €) and by changes in capital and non-controlling interests of +171 M € (2012: +144 M €), mainly due to the exercise of stock options and the issuance of shares for 2013 Employee Stock Ownership Plan.

9. Number of shares

The total number of shares issued is 783,157,635 and 827,367,945 as of 31 December 2013 and 2012, respectively. The decrease is mainly caused by the share buy-back programme comprising 50,748,348 shares in 2013. EADS’ shares are exclusively ordinary shares with a par value of 1.00 €.

During the year 2013, the number of treasury stock held by EADS decreased from 5,226,305 as of 31 December 2012 to 2,835,121 as of 31 December 2013. Shares in the amount of 52,280,691 were bought back from the market, while 53,197,232 shares have been already cancelled in 2013.

In 2013, EADS issued 8,986,922 new shares due to the exercise of stock options and due to the 2013 Employee Share Ownership Plan (“ESOP”) (in 2012: 7,438,887 new shares).

Besides the annual ESOP, a free share plan was implemented during the third quarter due to the new shareholding structure and governance of the Group. Each eligible employee was granted ten free shares in EADS resulting in a distribution of 1,461,540 shares in November 2013. Such shares were bought from the market and therefore had no impact on the issued share capital.

10. Earnings per share

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

	1 January to 31 December 2013	1 January to 31 December 2012
Net income attributable to equity owners of the parent*)	1,465 M €	1,197 M €
Weighted average number of ordinary shares outstanding	792,466,862	819,378,264
Basic earnings per share*)	1.85 €	1.46 €

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

For calculation of the **diluted earnings per share**, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's categories of dilutive potential ordinary shares are stock options and share-settled performance units for Executive Committee members relating to long-term incentive plans for 2009 to 2012.Since in 2013 the average price of EADS shares exceeded the exercise price of the 5th, 6th, 7th and 8th stock option plan as well as the share-settled performance units (in 2012: the 5th, 6th and 8th stock option plan), 1,660,950 potential shares (in 2012: 1,173,667 shares) were considered in the calculation of diluted earnings per share.

	1 January to 31 December 2013	1 January to 31 December 2012
Net income attributable to equity owners of the parent*)	1,465 M €	1,197 M €
Weighted average number of ordinary shares outstanding (diluted)	794,127,812	820,551,931
Diluted earnings per share*)	1.84 €	1.46 €

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

11. Related party transactions

On 5 December 2012, EADS had announced that their Board of Directors and core shareholders had agreed on a far-reaching change of the company's shareholding structure and governance. This agreement aimed at normalising and simplifying the governance of EADS while securing a shareholding structure that allows France, Germany and Spain to protect their legitimate strategic interests. On 27 March 2013, the shareholders approved in an Extraordinary General Meeting all resolutions that were required to authorize the Completion ("Consummation") of the Multiparty Agreement announced on 5 December 2012. On 2 April 2013, the Completion ("Consummation") of the Multiparty Agreement occurred, following the authorization by the shareholders. Previously existing shareholder agreements were terminated. From this date onwards EADS considers that governmental shareholders are not meeting the definition of a related party under IAS 24.

Before 2 April 2013, transactions with related parties included the French government, Daimler AG, Lagardère group and the Spanish government (SEPI) and its related entities. The Group has entered into various transactions with related entities that have all been carried out in the normal course of business.

12. Number of employees

The number of employees as at 31 December 2013 is 144,061 as compared to 140,405 as at 31 December 2012.

13. Litigation and claims

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

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 carried out an investigation based on the same facts. In November 2013 the investigating judge decided to send the case to trial (*renvoi devant le tribunal correctionnel*) against 7 current and former executives that exercised their stock options in March 2006 and the two core shareholders. All other parties will not stand trial.

CNIM

On 30 July 2010, *Constructions Industrielles de la Méditerrannée* ("**CNIM**") brought an action against 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. While preparing appeal, CNIM offered to withdraw its claims in exchange for the Airbus Group withdrawing their claims. On 5 December 2013, the Court took note of the dismissal of CNIM and its acceptance by the defendants, thereby declaring the case closed.

GPT

Prompted by a whistleblower's allegations, the Company has conducted internal audits and commissioned an external investigation relating to GPT Special Project Management Ltd. ("**GPT**"), a subsidiary that EADS acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by EADS, relating to activities conducted by GPT in Saudi Arabia. Following the allegations, EADS conducted comprehensive internal audits in 2010 that did not detect any violations of law. The UK Serious Fraud Office (the "**SFO**") subsequently commenced a review of the matter. In 2011, EADS retained PricewaterhouseCoopers ("**PwC**") to conduct an independent review, the scope of which was agreed with the SFO. In the period under review and based on the work it undertook, nothing came to PwC's attention to suggest that improper payments were made by GPT. Further, the review did not find evidence to suggest that GPT or through GPT, any other Group company, asked specific third parties to make improper payments on their behalves. The PwC review was conducted between November 2011 and March 2012, and a copy of its report was provided by 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, the German public prosecutor, following a request for assistance by the Austrian public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust by current and former employees of EADS Deutschland GmbH and Eurofighter Jagdflugzeug GmbH as well as by third parties relating to the sale of Eurofighter aircraft to Austria in 2003. EADS is cooperating fully with this investigation and has also engaged external legal counsel to conduct an independent review of the matter.

Commercial disputes

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

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

14. Subsequent events

On 2 January 2014, the Group has been rebranded as “Airbus Group”. The rebranding is the first step of the reorganization under which the Group reduces its number of Divisions from formerly four to three Divisions and also renames two: i) Airbus (focussing on commercial aircraft activities); ii) Airbus Defence and Space (integrating the Group’s defence and space activities from Cassidian, Astrium, and Airbus Military); and iii) Airbus Helicopters (comprising all commercial and military helicopter activities).

The Company’s legal name change into Airbus Group N.V. shall be submitted to the Company’s Annual General Meeting of Shareholders scheduled for end of May 2014. The Company’s subsidiaries may change their legal names in line with the Group’s rebranding.

On 21 January 2014, Airbus Group signed an agreement with Astronics Corporation to sell substantially all of the assets and liabilities of its EADS North America Test and Services (“EADS NA T&S”) business located in Irvine, California. EADS NA T&S is a provider of highly engineered automatic test systems, subsystems and instruments for the semi-conductor, consumer electronics, commercial aerospace and defense industries. The closing of the transaction is yet subject to approval by the US antitrust authorities (Hart-Scott-Rodino Act).