

# **Unaudited Condensed IFRS Consolidated Financial Information of EADS N.V. for the three-month period ended 31 March 2014**

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## Unaudited Condensed IFRS Consolidated Income Statements

	1 January - 31 March 2014		1 January - 31 March 2013 *)		Deviation
	M €	%	M €	%	M €
<b>Revenues</b>	12,648	100	12,094	100	554
Cost of sales	-10,669	-84	-10,421	-86	-248
<b>Gross margin</b>	<b>1,979</b>	<b>16</b>	<b>1,673</b>	<b>14</b>	<b>306</b>
Selling, administrative & other expenses	-666	-5	-664	-5	-2
Research and development expenses	-727	-6	-617	-5	-110
Other income	52	0	61	0	-9
Share of profit from associates under the equity method and other income from investments	71	0	126	1	-55
<b>Profit before finance result and income taxes</b>	<b>709</b>	<b>5</b>	<b>579</b>	<b>5</b>	<b>130</b>
Interest income	36	0	40	0	-4
Interest expense	-130	-1	-126	-1	-4
Other financial result	-13	0	-187	-1	174
<b>Finance result</b>	<b>-107</b>	<b>-1</b>	<b>-273</b>	<b>-2</b>	<b>166</b>
Income taxes	-166	-1	-77	-1	-89
<b>Profit for the period</b>	<b>436</b>	<b>3</b>	<b>229</b>	<b>2</b>	<b>207</b>
<b>Attributable to:</b>					
Equity owners of the parent <b>(Net income)</b>	<b>439</b>	<b>3</b>	<b>227</b>	<b>2</b>	<b>212</b>
Non-controlling interests	-3	0	2	0	-5
<b>Earnings per share</b>					
	€		€		€
Basic	0.56		0.28		0.28
Diluted	0.56		0.28		0.28

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

## Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income

in M €	1 January - 31 March 2014	1 January - 31 March 2013
<b>Profit for the period <sup>*)</sup></b>	<b>436</b>	<b>229</b>
Items that will not be reclassified to profit or loss:		
Actuarial losses on defined benefit plans	7	0
Actuarial losses on defined benefit plans from investments using the equity method	5	-8
Tax on items that will not be reclassified to profit or loss	-2	0
Items that will be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations <sup>*)</sup>	-36	114
Net change in fair value of cash flow hedges <sup>*)</sup>	38	-1,846
Net change in fair value of available-for-sale financial assets	-64	-11
Changes in other comprehensive income from investments accounted for using the equity method <sup>*)</sup>	-13	27
Tax on items that will be reclassified to profit or loss <sup>*)</sup>	-8	555
<b>Other comprehensive income, net of tax</b>	<b>-73</b>	<b>-1,169</b>
<b>Total comprehensive income of the period</b>	<b>363</b>	<b>-940</b>
<b>Attributable to:</b>		
Equity owners of the parent	366	-939
Non-controlling interests	-3	-1
<b>Total comprehensive income of the period</b>	<b>363</b>	<b>-940</b>

<sup>\*)</sup> Previous year's figures are adjusted due to the application of IFRS 11.

## Unaudited Condensed IFRS Consolidated Statements of Financial Position

	31 March 2014		31 December 2013 <sup>*)</sup>		Deviation	
	M €	%	M €	%	M €	%
<b>Non-current assets</b>						
Intangible assets	12,508	14	12,500	14	8	0
Property, plant and equipment	15,750	17	15,654	17	96	1
Investments in associates under the equity method	3,844	4	3,858	4	-14	0
Other investments and long-term financial assets	1,727	2	1,756	2	-29	-2
Other non-current assets	3,699	4	3,727	4	-28	-1
Deferred tax assets	3,643	4	3,733	4	-90	-2
Non-current securities	4,877	6	4,298	5	579	13
	46,048	51	45,526	50	522	1
<b>Current assets</b>						
Inventories	25,640	28	24,023	27	1,617	7
Trade receivables	6,101	7	6,628	7	-527	-8
Other current assets	4,827	5	4,311	5	516	12
Current securities	2,413	3	2,585	3	-172	-7
Cash and cash equivalents	5,864	6	7,201	8	-1,337	-19
	44,845	49	44,748	50	97	0
<b>Total assets</b>	<b>90,893</b>	<b>100</b>	<b>90,274</b>	<b>100</b>	<b>619</b>	<b>1</b>
<b>Total equity</b>						
Equity attributable to equity owners of the parent						
Capital stock	784	1	783	1	1	0
Reserves	7,737	8	7,202	8	535	7
Accumulated other comprehensive income	2,846	3	2,929	3	-83	-3
Treasury shares	-10	0	-50	0	40	-80
	11,357	12	10,864	12	493	5
Non-controlling interests	39	0	42	0	-3	-7
	11,396	12	10,906	12	490	4
<b>Non-current liabilities</b>						
Non-current provisions	9,506	10	9,604	11	-98	-1
Long-term financing liabilities	3,813	4	3,804	4	9	0
Deferred tax liabilities	1,473	2	1,454	2	19	1
Other non-current liabilities	18,713	21	18,155	20	558	3
	33,505	37	33,017	37	488	1
<b>Current liabilities</b>						
Current provisions	4,911	5	5,222	6	-311	-6
Short-term financing liabilities	2,794	3	1,826	2	968	53
Trade liabilities	9,059	10	9,668	11	-609	-6
Current tax liabilities	620	1	616	0	4	1
Other current liabilities	28,608	32	29,019	32	-411	-1
	45,992	51	46,351	51	-359	-1
<b>Total liabilities</b>	<b>79,497</b>	<b>88</b>	<b>79,368</b>	<b>88</b>	<b>129</b>	<b>0</b>
<b>Total equity and liabilities</b>	<b>90,893</b>	<b>100</b>	<b>90,274</b>	<b>100</b>	<b>619</b>	<b>1</b>

<sup>\*)</sup> Previous year's figures are adjusted due to the application of IFRS 10 and 11.

## Unaudited Condensed IFRS Consolidated Statements of Cash Flows

	1 January - 31 March 2014	1 January - 31 March 2013
	M €	M €
<b>Profit for the period attributable to equity owners of the parent (Net income)<sup>1)</sup></b>	<b>439</b>	<b>227</b>
Profit for the period attributable to non-controlling interests	-3	2
<i>Adjustments to reconcile profit for the period to cash provided by operating activities</i>		
Depreciation and amortization <sup>1)</sup>	471	434
Valuation adjustments <sup>1)</sup>	42	17
Deferred tax expense	77	27
Change in income tax assets, income tax liabilities and provisions for income tax <sup>1)</sup>	-9	-22
Results on disposals of non-current assets	-5	0
Results of companies accounted for by the equity method <sup>1)</sup>	-46	-109
Change in current and non-current provisions <sup>1)</sup>	42	80
Reimbursement from / contribution to plan assets	-13	-12
Change in other operating assets and liabilities <sup>1)</sup>	-2,545	-3,117
<b>Cash (used for) operating activities</b>	<b>-1,550</b>	<b>-2,473</b>
<i>Investments:</i>		
- Purchases of intangible assets, PPE <sup>1)</sup>	-553	-664
- Proceeds from disposals of intangible assets, PPE <sup>1)</sup>	23	15
- Proceeds from disposals of subsidiaries (net of cash)	-24	0
- Payments for investments in associates and other investments and long-term financial assets <sup>1)</sup>	-27	-88
- Proceeds from disposals of associates and other investments and long-term financial assets	84	36
Change of securities <sup>1)</sup>	-402	-243
<b>Cash (used for) investing activities</b>	<b>-899</b>	<b>-944</b>
Change in long-term and short-term financing liabilities <sup>1)</sup>	962	407
Changes in capital and non-controlling interests	16	101
Change in treasury shares	111	0
<b>Cash provided by financing activities</b>	<b>1,089</b>	<b>508</b>
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	23	49
<b>Net decrease of cash and cash equivalents</b>	<b>-1,337</b>	<b>-2,860</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,201</b>	<b>8,188</b>
<b>Cash and cash equivalents at end of period</b>	<b>5,864</b>	<b>5,328</b>

<sup>1)</sup> Previous year's figures are adjusted due to the application of IFRS 10 and 11.

### Unaudited Condensed IFRS Consolidated Statements of Changes in Equity

in M €	Equity attributable to equity owners of the parent	Non-controlling interests	total
<b>Balance at 1 January 2013</b>	<b>10,403</b>	<b>25</b>	<b>10,428</b>
Retrospective adjustment <sup>)</sup>	-143	-1	-144
<b>Balance at 1 January 2013, adjusted</b>	<b>10,260</b>	<b>24</b>	<b>10,284</b>
Profit for the period <sup>)</sup>	227	2	229
Other comprehensive income <sup>)</sup>	-1,166	-3	-1,169
Total comprehensive income	-939	-1	-940
Capital increase	99	2	101
Equity transactions (IAS 27)	-119	21	-98
<b>Balance at 31 March 2013</b>	<b>9,301</b>	<b>46</b>	<b>9,347</b>
<b>Balance at 1 January 2014</b>	<b>11,011</b>	<b>43</b>	<b>11,054</b>
Retrospective adjustment <sup>)</sup>	-147	-1	-148
<b>Balance at 1 January 2014</b>	<b>10,864</b>	<b>42</b>	<b>10,906</b>
Profit for the period	439	-3	436
Other comprehensive income	-73	0	-73
Total comprehensive income	366	-3	363
Capital increase	16	0	16
Change in treasury shares	111	0	111
<b>Balance at 31 March 2014</b>	<b>11,357</b>	<b>39</b>	<b>11,396</b>

<sup>)</sup> Previous year's figures are adjusted due to the application of IFRS 11.

## **Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at 31 March 2014**

### **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. The Group’s core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated Financial Statements for the three-month period ended 31 March 2014 were authorized for issue by the Airbus Group Board of Directors on 12 May 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 March 2014 and Part 9 of Book 2 of the Netherlands Civil Code. They comprise (i) IFRS, (ii) International Accounting Standards (“IAS”) and (iii) Interpretations originated by the IFRS Interpretations Committee (“IFRIC”) or former Standards Interpretation Committee (“SIC”).

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

Financial reporting rules applied for the first time as of 1 January 2014:

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

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

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

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

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

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

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



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

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

**Condensed consolidated income statement for the first three months ended 31 March 2013**

In M €	As previously reported	IFRS 10 and 11	As restated
<b>Revenues</b>	12,387	-293	12,094
Cost of sales	-10,640	219	-10,421
<b>Gross Margin</b>	<b>1,747</b>	<b>-74</b>	<b>1,673</b>
Selling, administrative & other expenses	-702	38	-664
Research and development expenses	-624	7	-617
Other income	58	3	61
Share of profit from associates and other income from investments	107	19	126
<b>Profit before finance result and income taxes</b>	<b>586</b>	<b>-7</b>	<b>579</b>
Interest result	-86		-86
Other financial result	-165	-22	-187
<b>Finance result</b>	<b>-251</b>	<b>-22</b>	<b>-273</b>
Income taxes	-92	15	-77
<b>Profit for the period</b>	<b>243</b>	<b>-14</b>	<b>229</b>

**Condensed consolidated statement of cash flow as of 31 March 2013**

in M €	As previously reported	IFRS 10 and 11	As restated
Cash (used for) operating activities	-2,464	-9	-2,473
Cash (used for) investing activities	-987	43	-944
Cash (used for) financing activities	517	-9	508
Others	41	8	49
<b>Cash and cash equivalents</b>	<b>-2,893</b>	<b>33</b>	<b>-2,860</b>

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

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

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

### 3. Acquisitions and other M&A transactions

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

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

Apart from the transactions mentioned above, other acquisitions and disposals are considered to have no material impact on the Group's consolidated financial statements.

### 4. Segment information

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

- *Airbus* — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.
- *Airbus Helicopters (before 1 January 2014: Eurocopter)* — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- *Airbus Defence & Space* — Military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communications solutions and logistics; training, testing, engineering and other related services; development, manufacturing, marketing and sale of missiles systems; development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services; development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

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

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

EADS N.V. (Airbus Group)  
 Unaudited Condensed IFRS Consolidated Financial Information for the three-month period  
 ended 31 March 2014

in M €	Airbus	Airbus Helicopters	Airbus Defence & Space	Total segments	Others/ HQ/ Conso.	<b>Consolidated</b>
<b>Three-month period ended 31 March 2014</b>						
Total revenues	8,937	1,182	2,743	12,862	149	13,011
Internal revenues	-184	-114	-60	-358	-5	-363
<b>Revenues</b>	<b>8,753</b>	<b>1,068</b>	<b>2,683</b>	<b>12,504</b>	<b>144</b>	<b>12,648</b>
Research and development expenses	-576	-73	-76	-725	-2	-727
Profit before finance result and income taxes	539	58	82	679	30	709
EBIT pre-goodwill imp. and exceptionals (see definition below)	546	58	85	689	30	719
Finance result						-107
Income taxes						-166
<b>Profit for the period</b>						<b>436</b>
<b>Three-month ended 31 March 2013</b>						
Total revenues *)	8,759	1,038	2,664	12,461	88	12,549
Internal revenues	-264	-116	-70	-450	-5	-455
<b>Revenues *)</b>	<b>8,495</b>	<b>922</b>	<b>2,594</b>	<b>12,011</b>	<b>83</b>	<b>12,094</b>
Research and development expenses *)	-482	-66	-65	-613	-4	-617
Profit before finance result and income taxes *)	457	20	81	558	21	579
EBIT pre-goodwill imp. and exceptionals (see definition below *)	463	20	84	567	22	589
Finance result *)						-273
Income taxes *)						-77
<b>Profit for the period *)</b>						<b>229</b>

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

## 5. EBIT pre-goodwill impairment and exceptionals

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

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

in M €	1 January - 31 March 2014	1 January - 31 March 2013
<b>Profit before finance result and income taxes *)</b>	<b>709</b>	<b>579</b>
<b>Goodwill and exceptionals:</b>		
Exceptional depreciation/ disposal (fixed assets in cost of sales)	10	10
<b>EBIT pre-goodwill impairment and exceptionals*)</b>	<b>719</b>	<b>589</b>

<sup>\*)</sup> Previous year’s figures are adjusted due to the application of IFRS 11.

## 6. Significant income statement items

**Revenues** of 12,648 M € (first quarter 2013 adjusted: 12,094 M €) increase by +554 M €, mainly at Airbus Commercial (+178 M €) and at Airbus Helicopter (+144 M €). All segments contributed positively to the increase of revenues.

The **Gross margin** increases by +306 M € to 1,979 M € compared to 1,673 M € (adjusted) in the first quarter of 2013. This improvement is mainly related a) to Airbus reflecting operational improvement and a positive balance sheet revaluation and mismatch and b) to a lesser extent at Airbus Helicopters and Airbus Defence & Space. The improvement is partly compensated by higher A350 support costs at Airbus. The A350 XWB Entry into service is scheduled for the end of 2014. Airbus continues to make significant progress on A350 XWB program. Since the first flight in June 2013 significant flight and static tests have been performed. Airbus is in the most critical phase of the A350 program. The industrial ramp up preparation is underway and associated risks will continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customers commitment.

**Research and development expenses** increase by -110 M € to -727 M € (first quarter 2013 adjusted: -617 M €) mainly reflecting phasing.

**Share of profit from associates under the equity method and other income from investments** of 71 M € (first quarter 2013 adjusted: 126 M €) mainly consists of the share of the result of Dassault Aviation of 36 M € (first quarter 2013: 83 M €). The Dassault Aviation equity accounted-for income in the first quarter 2014 includes a positive catch-up on 2013 results.

**Finance result** amounts to -107 M € (first quarter 2013 adjusted: -273 M €) comprising interest result of -94 M € (first quarter 2013 adjusted: -86 M €). Other financial result amounts to -13 M € (first quarter 2013 adjusted: -187 M €) and mainly includes the negative impact from unwinding of discounted provisions (-41 M €, first quarter 2013: -37 M €) nearly compensated by the positive impact from foreign exchange valuation of monetary items (+36 M €, first quarter 2013: -89 M €).

The **income tax** expense of -166 M € (first quarter 2013 adjusted: -77 M €) corresponds to an effective income tax rate of 28% (first quarter 2013 adjusted: 25%).

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

### Non-current assets

**Intangible assets** of 12,508 M € (prior year-end adjusted: 12,500 M €) include 9,866 M € (prior year-end adjusted: 9,872 M €) of goodwill. This mainly relates to Airbus Commercial (6,680 M €), Airbus Defence & Space (2,877 M €) and Airbus Helicopters (296 M €). The last annual impairment tests, which were performed in the fourth quarter, led to an impairment charge of 15 M € in 'Others/ HQ/ Conso.'. Capitalization for development costs of the A350 XWB programme started in the second quarter 2012. In the first quarter 2014, an amount of 49 M € has been capitalized resulting in a total amount of 770 M €.

**Property, plant and equipment** increase by +96 M € to 15,750 M € (prior year-end adjusted: 15,654 M €), including leased assets of 343 M € (prior year-end adjusted: 421 M €). The increase is mainly driven by the A350 programme. Property, plant and equipment also comprise "Investment property" amounting to 68 M € (prior year-end: 69 M €).

**Investments in associates under the equity method** of 3,844 M € (prior year-end adjusted: 3,858 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.

**Other investments and other long-term financial assets** of 1,727 M € (prior year-end adjusted: 1,756 M €) are related to Airbus for an amount of 777 M € (prior year-end adjusted: 702 M €), mainly concerning the non-current portion of aircraft financing activities.

**Other non-current assets** mainly comprise non-current derivative financial instruments and non-current prepaid expenses. The decrease by -28 M € to 3,699 M € (prior year-end adjusted: 3,727 M €) is mainly caused by the negative variation of the non-current portion of fair values of derivative financial instruments (-44 M €).

**Deferred tax assets** decrease by -90 M € to 3,643 M € (prior year-end adjusted: 3,733 M €)..

The fair values of **derivative financial instruments** are included in other non-current assets (1,949 M €, prior year-end: 1,993 M €), in other current assets (753 M €, prior year-end adjusted: 716 M €), in other non-current liabilities (559 M €, prior year-end: 671 M €) and in other current liabilities (339 M €, prior year-end adjusted: 302 M €) which corresponds to a total net fair value of +1,804 M € (prior year-end: +1,736 M €). The volume of hedged US dollar-contracts decreases from 75.9 billion US dollar as at 31 December 2013 to 72.1 billion US dollar as at 31 March 2014. The US dollar spot rate is 1.38 USD/ € at 31 March 2014 and at 31 December 2013. The average US dollar hedge rate for the hedge portfolio of the Group remains stable at 1.34 USD/ € as at 31 December 2013 and at 31 March 2014.

**Non-current securities** with a remaining maturity of more than one year increase by +579 M € to 4,877 M € (prior end adjusted: 4,298 M €). The movement is related to the cash management policy of the Group.

#### **Current assets**

**Inventories** of 25,640 M € (prior year-end adjusted: 24,023 M €) increase by +1,617 M €. This is mainly driven by Airbus (+1,363 M) and Airbus Helicopters (+275 M €).

**Trade receivables** decrease by -527 M € to 6,101 M € (prior year-end adjusted: 6,628 M €), mainly caused by Airbus Defence & Space (-422 M €) and by Airbus Helicopters (-196 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 +516 M € to 4,827 M € (prior year-end adjusted: 4,311 M €) comprises among others an increase of VAT receivables (+396 M €) and of prepaid expenses (+65 M €).

**Current securities** with a remaining maturity of one year or less correspond to 2,413 M € (prior year-end adjusted: 2,585 M €) and decrease by -172 M €. (Please refer to "non-current securities").

**Cash and cash equivalents** decrease from 7,201 M € (adjusted) to 5,864 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 11,357 M € (prior year-end adjusted: 10,864 M €). The increase is mainly due to a net income of +439 M € and by the sale of treasury shares of +111 for LTIP hedging purposes, partly compensated by changes in accumulated other comprehensive income of -83 M €.

**Non-controlling interests** decrease to 39 M € (prior year-end adjusted: 42 M €).

#### **Non-current liabilities**

**Non-current provisions** of 9,506 M € (prior year-end adjusted: 9,604 M €) include the non-current portion of pension provisions which increases by +55 M € to 5,921 M € (prior year-end adjusted: 5,866 M €).

Moreover, other provisions are included in non-current provisions, which decrease by -153 M € to 3,585 M € (prior year-end adjusted: 3,738 M €).

The provision for contract losses as part of other provisions mainly relates to Airbus Defence & Space in conjunction with the A400M and to the A350 XWB programme in Airbus. After 2 deliveries in 2013, the 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.

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

commercial relationships, contracts adjustments may occur, and be considered on a case by case basis.

**Long-term financing liabilities**, mainly comprising bonds and liabilities to financial institutions increase by +9 M € to 3,813 M € (prior year-end adjusted: 3,804 M €).

**Other non-current liabilities**, comprising “Non-current other financial liabilities”, “Non-current other liabilities” and “Non-current deferred income”, increase in total by +558 M € to 18,713 M € (prior year-end adjusted: 18,155 M €). Advance payments received increase by +627 M € whereas the negative fair values of financial instruments decrease by -112 M €.

### **Current liabilities**

**Current provisions** decrease by -311 M € to 4,911 M € (prior year-end adjusted: 5,222 M €) and comprise the current portions of pensions (373 M €) and of other provisions (4,538 M €). The decrease is mainly linked to the A400M Program on which inventories are presented net of the respective portion of the contract loss provision.

**Short-term financing liabilities** increase by +968 M € to 2,794 M € (prior year-end adjusted: 1,826 M €), mainly due to higher liabilities in the commercial paper programme and to transactions related to repo agreements (short-term cash collection).

**Trade liabilities** decrease by -609 M € to 9,059 M € (prior year-end adjusted: 9,668 M €), mainly at Airbus Defence and Space (-369 M €) and at Airbus (-277 M €).

**Other current liabilities** include “Current other financial liabilities”, “Current other liabilities” and “Current deferred income”. They decrease by -411 M € to 28,608 M € (prior year-end adjusted: 29,019 M €), mainly due to a decrease of advance payments received (-825 M €) partly compensated by higher outstanding wages, salaries and holiday payments (+296 M €).

## **8. Significant cash flow items**

**Cash (used for) operating activities** increases by +923 M € to -1,550 M € (first quarter 2013 adjusted: -2,473 M €). Cash (used for) operating activities before changes in other operating assets and liabilities of +995 M € increases compared to the prior period's level (first quarter 2013 adjusted: +644 M €). Changes in other operating assets and liabilities amount to -2,545 M € (first quarter 2013 adjusted: -3,117 M €) mainly reflecting an increase in inventories due to a ramp-up for programmes at Airbus and Airbus Helicopters and due to lower trade liabilities, mainly at Airbus Defence & Space.

**Cash (used for) investing activities** amounts to -899 M € (first quarter 2013 adjusted: -944 M €). This mainly comprises purchases of intangible assets and property, plant and equipment of -553 M € (first quarter 2013 adjusted: -664 M €) (mainly in Airbus) and changes in securities of -402 M € (first quarter 2013 adjusted: -243 M €).

**Cash provided by financing activities** increases by +581 M € to +1,089 M € (first quarter 2013 adjusted: +508 M €). This mainly comprises changes in long-term and short-term financing liabilities of +962 M € (first quarter 2013 adjusted: +407 M €) (please refer to Note 7 “Significant items of the statement of financial positions”) and changes in treasury shares of +111 M € (2012: 0 M €).



## 9. Financial instruments

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

31 March 2014 in M €	Financial Instruments Total	
	Book Value	Fair Value
Other investments and long-term financial assets		
- Equity instruments	359	359 <sup>*)</sup>
Long-term and short-term financing liabilities	6,607	6,737

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

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

<sup>\*\*)</sup> Previous year's figures are adjusted due to the application of IFRS 10 and 11.

The following table allocates the financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy as of 31 March 2014:

<b>31 March 2014</b>				
<b>in M €</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at fair value				
Other investments and long-term financial assets				
Equity Instruments	203	-	-	203
Other non-current and current assets				
Derivative Instruments	-	2,671	32	2,703
Securities	7,284	6	-	7,290
Cash equivalents	2,224	1,990	-	4,214
<b>Total</b>	<b>9,711</b>	<b>4,667</b>	<b>32</b>	<b>14,410</b>
Financial liabilities measured at fair value				
Derivative instruments	-	(898)	-	(898)
Other liabilities	-	-	(180)	(180)
<b>Total</b>	<b>-</b>	<b>(898)</b>	<b>(180)</b>	<b>(1,077)</b>

<b>31 December 2013<sup>*)</sup></b>				
<b>in M €</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at fair value				
Other investments and long-term financial assets				
Equity Instruments	252	-	-	252
Other non-current and current assets				
Derivative Instruments	-	2,677	34	2,711
Securities	6,876	7	-	6,883
Cash equivalents	3,777	1,286	-	5,063
<b>Total</b>	<b>10,905</b>	<b>3,970</b>	<b>34</b>	<b>14,909</b>
Financial liabilities measured at fair value				
Derivative instruments	-	(974)	-	(974)
Other liabilities	-	-	(180)	(180)
<b>Total</b>	<b>-</b>	<b>(974)</b>	<b>(180)</b>	<b>(1,154)</b>

<sup>\*)</sup> Previous year's figures are adjusted due to the application of IFRS 10 and 11

The fair value hierarchy consists of the following levels:

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

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

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

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

Financial assets and liabilities on Level 3	Balance at 1 January 2014	Total gains or losses in		Issues	Settlements	Reclassification	Balance at 31 March 2014
		profit or loss	other comprehensive income				
Financial assets – Derivative instruments							
Commodity swap agreements	26	7	-	-	(9)	-	24
Other derivative instruments	8			-	-	-	8
<b>Total</b>	<b>34</b>	<b>7</b>		<b>-</b>	<b>(9)</b>	<b>-</b>	<b>32</b>
Financial liabilities – Other liabilities							
Written put options on non-controlling interests	(129)	-					(129)
Earn-out agreements	(51)			-	-	-	(51)
<b>Total</b>	<b>(180)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(180)</b>

Financial assets and liabilities on Level 3	Balance at 1 January 2013	Total gains or losses in		Issues	Settlements	Reclassification	Balance at 31 December 2013
		profit or loss	other comprehensive income				
Financial assets - Derivative instruments							
Commodity swap agreements	41	35	-	-	(50)	-	26
Other derivative instruments	8	(1)	1	-	-	-	8
<b>Total</b>	<b>49</b>	<b>34</b>	<b>1</b>	<b>-</b>	<b>(50)</b>	<b>-</b>	<b>34</b>
Financial liabilities – Other liabilities							
Written put options on non-controlling interests	-	-	1	(101)	3	(32) <sup>1)</sup>	(129)
Earn-out agreements	-	1	-	-	-	(52) <sup>2)</sup>	(51)
Other	(5)	-	-	-	5	-	(0)
<b>Total</b>	<b>(5)</b>	<b>1</b>	<b>1</b>	<b>(101)</b>	<b>8</b>	<b>(84)</b>	<b>(180)</b>

- 1) Reclassification of 32 M € for written put options on non-controlling interest issued in 2012 from financial liabilities recognised at amortised cost during 2013.
- 2) 52 M € of earn-outs for entities acquired in 2012 have been recorded within Other Provisions of 2012 Consolidated Financial Statements and have been reclassified to Level 3 financial liabilities at fair value through profit or loss.

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

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

The Financial liabilities measured at fair value that are classified as Level 3 consist of several written put options on non-controlling interest (“NCI puts”) of Airbus Group subsidiaries. The fair

values of these NCI puts vary, among others with the weighted average cost of capital ("WACC") and the growth rate used to determine the terminal value. An increase (decrease) of the discount rates by 50 basis points results in a decrease (increase) of the NCI put values by 5 M € (6 M €). An increase (decrease) in the growth rates by 50 basis point increases (decreases) the NCI put values by 5 M € (4 M €) respectively. (Changes correspond to those disclosed for prior year-end).

## 10. Number of shares

The total number of shares issued is 783,639,993 and 783,157,635 as of 31 March 2014 and as of 31 December 2013. The increase is mainly caused by the issuance of new shares. The Group's shares are exclusively ordinary shares with a par value of 1.00 €.

During the first quarter 2014, the number of treasury stock held by Airbus Group decreased from 2,835,121 as of 31 December 2013 to 572,118 as of 31 March 2014. While most of these shares were sold back to the market, 56,993 shares (in the first three months 2013: 0 shares) were cancelled.

In 2014, the Group issued 539,351 new shares due to the exercise of stock options (in the first three months 2013: 3,758,204 new shares).

## 11. Earnings per share

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

	1 January to 31 March 2014	1 January to 31 March 2013
Net income attributable to equity owners of the parent <sup>*)</sup>	439 M €	227 M €
Weighted average number of ordinary shares outstanding	780,878,364	823,522,587
Basic earnings per share <sup>*)</sup>	0.56 €	0.28 €

<sup>\*)</sup> Previous year's figures are adjusted due to the application of IFRS 11.

For calculation of the **diluted earnings per share**, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's categories of dilutive potential ordinary shares are stock options and share-settled performance units for Executive Committee members relating to long-term incentive plans for 2009 to 2013. Since in the first three months 2014 the average price of Airbus Group shares exceeded the exercise price of the 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> stock option plan as well as the share-settled performance units (in the first three months 2013: the 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> stock option plan), 2,483,434 potential shares (in the first three months 2013: 1,602,232 shares) were considered in the calculation of diluted earnings per share.

	1 January to 31 March 2014	1 January to 31 March 2013
Net income attributable to equity owners of the parent <sup>*)</sup>	439 M €	227 M €
Weighted average number of ordinary shares outstanding (diluted)	783,361,798	825,124,819
Diluted earnings per share <sup>*)</sup>	0.56 €	0.28 €

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

## 12. Related party transactions

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

In the first months 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.

## 13. Number of employees

The number of employees as at 31 March 2014 is 138,924 as compared to 138,830 (adjusted) as at 31 December 2013.

## 14. Litigation and claims

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

### WTO

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

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

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

On 23 March 2012, the WTO adopted the Appellate Body's final report in the case brought by the EU assessing funding to Boeing from the US. On 23 September 2012, the US informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the EU did not agree, the matter is now under WTO panel review pursuant to WTO rules.

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

### **Securities Litigation**

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

### **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 Airbus Group acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by Airbus Group, relating to activities conducted by GPT in Saudi Arabia. Following the allegations, Airbus Group 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, Airbus Group 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 Airbus Group to the SFO in March 2012. Separately, in August 2012, the SFO announced that it had opened a formal criminal investigation into the matter. Airbus Group is cooperating fully with this investigation.

### **Eurofighter Austria**

In March 2012, the German public prosecutor, following a request for assistance by the Austrian public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust by current and former employees of EADS Deutschland GmbH 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.

### **15. Subsequent events**

On 2 April 2014, Airbus Group successfully issued a 1 billion € bond with a 10 year-maturity. The bond will pay a 2.375% coupon, which is the lowest ever for the Group.