9m 2007 Report

Unaudited Condensed Consolidated Financial Information of EADS N.V. for the first nine months 2007

Unaudited Condensed IFRS Consolidated Income Statements

	January 1 - September 30, 2007		January 1 - September 30, 2006		Deviation	
	M €	%	M €	%	M €	%
Revenues	27,767	100	27,469	100	298	1
Cost of sales*)	-24,996	-90	-23,065	-84	-1,931	8
Gross margin	**2,771**	**10**	**4,404**	**16**	**-1,633**	**-37**
Selling, administrative & other expenses	-1,681	-6	-1,694	-6	13	-1
Research and development expenses	-1,906	-7	-1,691	-6	-215	13
Other income	197	1	225	1	-28	-12
Share of profit from associates under the equity method and other income from investments	211	1	137	0	74	54
(Loss) profit before finance costs and income taxes	**-408**	**-1**	**1,381**	**5**	**-1,789**	**-130**
Interest income	386	1	341	1	45	13
Interest expenses	-560	-2	-419	-2	-141	34
Other financial result	-277	-1	-73	0	-204	279
Finance costs	**-451**	**-2**	**-151**	**-1**	**-300**	**199**
Income taxes*)	173	1	-371	-1	544	-147
(Loss) profit for the period*)	**-686**	**-2**	**859**	**3**	**-1,545**	**-180**
Attributable to:						
Equity holders of the parent **(Net loss / income)*)**	**-705**	**-2**	**867**	**3**	**-1,572**	**-181**
Minority interests	19	0	-8	0	27	-338

Earnings per share	€	€	€
Basic*)	-0.88	1.08	-1.96
Diluted*)	-0.88	1.08	-1.96

*) For retrospective adjustments concerning the first nine months 2006 please refer to Note 2 “Accounting policies” and Note 10 “Earnings per share”.

Unaudited Condensed IFRS Consolidated Income Statements for the third quarter 2007 and 2006

	July 1 - September 30, 2007		July 1 - September 30, 2006		Deviation	
	M €	%	M €	%	M €	%
Revenues	9,274	100	8,489	100	785	9
Cost of sales *)	-9,018	-97	-7,713	-91	-1,305	17
Gross margin	**256**	**3**	**776**	**9**	**-520**	**-67**
Selling, administrative & other expenses	-490	-5	-562	-7	72	-13
Research and development expenses	-638	-7	-552	-6	-86	16
Other income	65	0	29	0	36	124
Share of profit from associates and other income from investments	68	1	68	1	0	0
Loss before finance costs and income taxes	**-739**	**-8**	**-241**	**-3**	**-498**	**207**
Interest income	156	2	123	1	33	27
Interest expenses	-226	-2	-145	-1	-81	56
Other financial result	-169	-2	16	0	-185	-1,156
Finance costs	**-239**	**-2**	**-6**	**0**	**-233**	**3,883**
Income taxes*)	207	2	69	1	138	200
Loss for the period*)	**-771**	**-8**	**-178**	**-2**	**-593**	**333**
Attributable to:						
Equity holders of the parent (Net loss) *)	**-776**	**-8**	**-189**	**-2**	**-587**	**311**
Minority interests	5	0	11	0	-6	-55

Earnings per share	€	€	€
Basic *)	-0.97	-0.24	-0.73
Diluted *)	-0.96	-0.23	-0.73

*) For retrospective adjustments concerning the third quarter 2006 please refer to Note 2 "Accounting policies" and Note 10 "Earnings per share".

Unaudited Condensed IFRS Consolidated Balance Sheets

	September 30, 2007		December 31, 2006		Deviation	
	M €	%	M €	%	M €	%
Non-current assets						
Intangible assets	10,845	15	10,855	15	-10	0
Property, Plant and Equipment	13,704	19	14,315	20	-611	-4
Investments in associates under the equity method	2,161	3	2,095	3	66	3
Other investments and long-term financial assets	1,651	2	1,666	2	-15	-1
Non-current other assets	3,697	5	4,231	6	-534	-13
Deferred tax assets	2,698	4	2,624	4	74	3
Non-current securities	2,933	4	1,294	2	1,639	127
	37,689	52	37,080	52	609	2
Current assets						
Inventories	19,673	27	16,892	23	2,781	16
Trade receivables	4,448	6	4,852	7	-404	-8
Other current assets	5,206	7	4,545	6	661	15
Current securities	925	1	549	1	376	68
Cash and cash equivalents	5,392	7	8,143	11	-2,751	-34
	35,644	48	34,981	48	663	2
Non-current assets / disposal groups classified as held for sale	0	0	76	0	-76	-100
Total assets	**73,333**	**100**	**72,137**	**100**	**1,196**	**2**
Total equity						
Equity attributable to equity holders of the parent						
Capital Stock	814	1	816	1	-2	0
Reserves	6,948	9	7,593	11	-645	-8
Accumulated other comprehensive income	5,003	7	4,955	7	48	1
Treasury shares	-251	0	-349	0	98	-28
	12,514	17	13,015	19	-501	-4
Minority interests	147	0	137	0	10	7
	12,661	17	13,152	19	-491	-4
Non-current liabilities						
Non-current provisions	9,058	12	9,063	13	-5	0
Long-term financial liabilities	3,309	5	3,561	5	-252	-7
Deferred tax liabilities	2,511	3	2,465	3	46	2
Other non-current liabilities	13,222	18	12,680	17	542	4
	28,100	38	27,769	38	331	1
Current liabilities						
Current provisions	4,613	7	3,631	5	982	27
Short-term financial liabilities	1,427	2	2,196	3	-769	-35
Trade liabilities	6,784	9	7,461	10	-677	-9
Current tax liabilities	214	0	218	0	-4	-2
Other current liabilities	19,534	27	17,646	25	1,888	11
	32,572	45	31,152	43	1,420	5
Liabilities directly associated with non-current assets classified as held for sale	0	0	64	0	-64	-100
Total liabilities	60,672	83	58,985	81	1,687	3
Total equity and liabilities	**73,333**	**100**	**72,137**	**100**	**1,196**	**2**

Unaudited Condensed IFRS Consolidated Cash Flow Statements

	January 1 - September 30, 2007	January 1 - September 30, 2006
	M €	M €
(Loss) profit for the period attributable to equity holders of the parent **(Net loss / income)**[1)]	**-705**	**867**
Profit (loss) attributable to minority interests	19	-8
Adjustments to reconcile (loss) profit for the period (net loss / income) to cash provided by operating activities		
Depreciation and amortization	1,199	1,183
Valuation adjustments	675	163
Deferred tax expense (income)[1)]	-76	143
Change in income tax assets, income tax liabilities and provisions for actual income tax	9	141
Results of disposal of non-current assets	-123	-271
Results of companies accounted for by the equity method	-142	-107
Change in current and non-current provisions	2,175	424
Change in other operating assets and liabilities	-1,879	-1,754
Cash provided by operating activities	**1,152**	**781**
- Purchase of intangible assets, PPE	-1,351	-1,758
- Proceeds from disposals of intangible assets, PPE	136	47
- Acquisitions of subsidiaries and joint ventures (net of cash)	0	-72
- Proceeds from disposals of subsidiaries (net of cash)	34	81
- Payments for investments in associates and other investments and long-term financial assets	-526	-169
- Proceeds from disposals of associates and other investments and long-term financial assets	407	589
- Dividends paid by companies valued at equity	39	46
- Increase in equipment of leased assets	-29	-146
- Proceeds from disposals of leased assets	322	29
- Increase in finance lease receivables	-155	-9
- Decrease in finance lease receivables	104	54
Disposals of non-current assets / disposal groups classified as held for sale and liabilities directly associated with non-current assets classified as held for sale	26	374
Change of securities[2)]	-2,013	2,038
Cash (used for) provided by investing activities[2)]	**-3,006**	**1,104**
Change in long-term and short-term financial liabilities	-784	886
Cash distribution to EADS N.V. shareholders	-97	-520
Dividends paid to minorities	-14	0
Payments related to liability for puttable instruments	0	-129
Capital increase	43	85
Disposal (purchase) of treasury shares	2	-18
Cash (used for) provided by financing activities	**-850**	**304**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	-47	-13
Net (decrease) increase in cash and cash equivalents[2)]	**-2,751**	**2,176**
Cash and cash equivalents at beginning of period[2)]	**8,143**	**5,386**
Cash and cash equivalents at end of period[2)]	**5,392**	**7,562**

1) For retrospective adjustments concerning the first nine months 2006 due to the revised IAS 19 “Employee benefits” please refer to Note 2 “Accounting policies”.
2) For retrospective adjustments concerning the first nine months 2006 of “Cash and cash equivalents” please refer to Note 2 “Accounting policies” and Note 8 ”Significant cash flow items”.

As of September 30, 2007, EADS' cash position (stated as cash and cash equivalents in the unaudited consolidated cash flow statements) includes 700 M € (597 M € as of December 31, 2006), which represent 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 Recognised Income and Expense

in M €	January 1 - September 30, 2007	January 1 - September 30, 2006
Foreign currency translation differences for foreign operations	-153	-215
Changes in fair value of cash flow hedges	121	1,140
Net change in fair value of available-for-sale financial assets	-68	86
Changes in actuarial gains and losses*)	400	-33
Others	-45	0
Tax on income and expense recognised directly in equity	-39	-401
Income and expense recognised directly in equity	216	577
(Loss) profit for the period *)	-686	859
Total recognised income and expense of the period	**-470**	**1,436**
Attributable to:		
Equity holders of the parent	-493	1,442
Minority interests	23	-6
Total recognised income and expense of the period	**-470**	**1,436**

*) For retrospective adjustments concerning the first nine months 2006 due to the revised IAS 19 "Employee benefits" please refer to Note 2 "Accounting policies".

Additional Information: Unaudited Condensed IFRS Consolidated Reconciliation of Movement in Equity attributable to equity holders of the parent and Minority interests

in M €	Equity attributable to equity holders of the parent	Minority interests	total
Balance at January 1, 2006	**13,726**	**176**	**13,902**
Retrospective adjustments *)	-672	-23	-695
Balance at January 1, 2006, adjusted	**13,054**	**153**	**13,207**
Total recognised income and expense*)	1,442	-6	1,436
Cash distribution to shareholders	-520	-1	-521
Capital Increase	85	0	85
Disposals of treasury shares	-18	0	-18
Others	31	5	36
Balance at September 30, 2006	**14,074**	**151**	**14,225**
Balance at January 1, 2007	**13,015**	**137**	**13,152**
Total recognised income and expense	-493	23	-470
Cash distribution to shareholders	-97	-14	-111
Capital Increase	43	1	44
Purchases of treasury shares	2	0	2
Others	44	0	44
Balance at September 30, 2007	**12,514**	**147**	**12,661**

*) For retrospective adjustments as of January 1, 2006 and concerning the first nine months 2006 please refer to Note 2 "Accounting policies".

Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at September 30, 2007

1. The Company

The accompanying Condensed Interim Consolidated Financial Statements (unaudited) present the operations of European Aeronautic Defence and Space Company EADS N.V. and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands), and are prepared and reported in Euros ("€"). EADS' core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated Financial Statements for the first nine months 2007 were authorized for issue by EADS' Board of Directors on November 7, 2007.

2. Accounting policies

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU). EADS' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB") as endorsed by the EU as at September 30, 2007. They comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the International Financial Reporting Interpretations Committee ("IFRIC") or former Standards Interpretation Committee ("SIC").

As of January 1, 2007, the following amendment to existing Standards, new Standard and new Interpretations became mandatory to EADS. The corresponding announcements have been released by the IASB throughout 2005 and 2006:

EADS applies new IFRS 7 "Financial Instruments: Disclosures" and the complementary amendment to IAS 1 "Presentation of Financial Statements" regarding "Capital Disclosures" (August 2005). Furthermore, EADS applies new Interpretations IFRIC 7 "Applying the Restatement Approach under IAS 29", IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of Embedded Derivatives" and IFRIC 10 "Interim Financial Reporting and Impairment".

IFRS 7 Financial Instruments: Disclosures

The application of IFRS 7 will lead to disclosures in the annual financial statements regarding the significance of EADS' different financial instruments. Many of these requirements have previously been covered by IAS 32. In addition, the Standard requires the disclosure of qualitative and quantitative information about an entity's risk exposure arising from these financial instruments, including sensitivity analyses of market risks.

Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosure

The IAS 1 amendment introduces new qualitative and quantitative annual disclosure requirements regarding managing capital in order to provide useful information for assessing an entity's risk profile as well as its ability to withstand unexpected adverse events. The requirements include information about an entity's objectives, policies and processes for managing capital as well as quantitative data about what it regards as capital.

The application of the IAS 1 amendment and new IFRS 7 will lead to additional disclosures in EADS' annual Consolidated Financial Statements prepared for year end 2007. However, neither the new Standard, nor the amendment, nor the new Interpretations mentioned above have a major impact on these Condensed Interim Consolidated Financial Statements.

Amendment to IAS 19 Employee Benefits

With the application of amended IAS 19 "Employee Benefits" in 2006, EADS changed its accounting policy regarding the recognition of actuarial gains and losses which led to retrospective adjustments in the Consolidated Financial Statements for the prior period presented:

The amendment to IAS 19 introduced the recognition of actuarial gains and losses outside the income statement within retained earnings as a third option ("Equity Option"). As of January 1, 2006, EADS applied the newly introduced alternative and changed its accounting policy regarding the recognition of actuarial gains and losses arising from defined benefit plans for its 2006 Consolidated Financial Statements from the formerly applied corridor approach. Variations of actuarial gains and losses are now directly recognised in equity in the period in which they occur. Prior period figures presented have been adjusted accordingly as required under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (please refer to Note 7 "Significant balance sheet items").

Compared to the corridor approach, the accounting of actuarial gains and losses as at January 1, 2006 led to an increase in pension provision of 1,118 M € and in deferred tax assets of 423 M € and to a decrease in equity of 672 M € and in minority interests of 23 M €.

The 2006 change in the accounting policy for the recognition of actuarial gains and losses from the corridor to the equity approach implied the reversal of actuarial gains and losses under the corridor approach accounted for as expenses. In the first nine months 2006, the application of the equity approach led to positive impacts of 33 M € to EBIT and 19 M € to Net Income. This impact on the EBIT has been allocated to Airbus (+9 M €), Eurocopter (+6 M €), Defence & Security (+12 M €), Astrium (+3 M €) and Headquarters (+3 M €).

Changes in actuarial gains and losses in interim periods are only recognized, if there is a significant change in actuarial assumptions applied for the calculation of pension provisions.

Since 2006 year-end closing, EADS accounts for its participation in BAE Systems' UK pension plans by applying defined benefit accounting based on information provided by BAE Systems in December 2006. Before that date, the information provided by BAE Systems was judged not to be sufficient to identify EADS' share in the UK pension schemes for accounting purposes. Consequently in previous years, EADS had expensed the contributions made to the pension schemes as if the plans were defined contribution plans.

The new 2006 information basis resulted in a change in accounting estimates as at 2006 year-end closing and was accounted for accordingly under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The inclusion of EADS' share in BAE Systems' pension schemes as of December 31, 2006, with the application of the newly introduced equity approach contributed 897 M € to the total increase in pension provisions, 44 M € to the increase of deferred tax assets, 827 M € to the decrease in equity and 26 M € to the decrease in minority interests.

Cash and cash equivalents

For 2006 year-end Consolidated Financial Statements EADS restricted its interpretation of the cash equivalents' definition as provided in IAS 7 "Cash Flow Statements" to better reflect its short term investment strategy. IAS 7 states that "cash equivalents are held for short-term cash commitments […], must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short-term maturity of, say, three months or less from the date of acquisition." EADS now strictly limits its cash equivalents to such investments having a maturity of three months or less from acquisition date. Prior periods have been adjusted accordingly as required under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Besides consequential changes as mentioned above the accounting policies used in the preparation of the Condensed Interim Consolidated Financial Statements are consistent with those used for the annual Consolidated Financial Statements for the year ended December 31, 2006, which are disclosed as an integral part of the Group's Annual Report 2006. The annual Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on March 8, 2007.

3. Changes in the consolidation perimeter of EADS

In January 2007, EADS transferred its naval business to the Atlas Elektronik group. In connection with this contribution, EADS increased its percentage of ownership from 40% to 49%. Atlas Elektronik group is proportionately consolidated.

Following an agreement dated January 10, 2007, EADS sold the remaining 60% shares of Sogerma Services as well as the shares of its subsidiaries Barfield and Sogerma Tunisia.

Apart from these transactions, other acquisitions or disposals by the Group that occurred in the first nine months of 2007 are not material.

4. Segment information

The Group operates in five divisions (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 and the development and manufacturing of aircraft for military use.
- *Military Transport Aircraft* — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft.
- *Eurocopter* — Development, manufacturing, marketing and sale of civil and military helicopters and maintenance services.
- *Defence & Security* — Development, manufacturing, marketing and sale of missiles systems; military combat and training aircraft; provision of defence electronics, defence-related telecommunications solutions; and logistics, training, testing, engineering and other related services.
- *Astrium* — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; and provision of space services.

The following table presents information with respect to the Group's business segments. Consolidation effects, the holding function of EADS headquarters and other activities not allocable to the divisions are disclosed in the column "HQ/ Conso.". "Other Businesses" comprises the development, manufacturing, marketing and sale of regional turboprop aircraft and light commercial aircraft, aircraft components as well as civil and military aircraft conversion and maintenance services.

in M €	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security	Astrium	Other Businesses	HQ/ Conso.	**Consoli-dated**
Nine months ended September 30, 2007								
Revenues	18,856	1,014	2,599	3,414	2,191	877	-1,184	**27,767**
Research and development expenses	-1,586	-13	-61	-121	-52	-5	-68	**-1,906**
EBIT pre-goodwill imp. and exceptionals (see definition below)	-677	-144	113	133	71	69	92	**-343**
Nine months ended September 30, 2006								
Revenues	18,570	1,699	2,364	3,553	1,960	922	-1,599	**27,469**
Research and development expenses	-1,413	-10	-54	-130	-49	-4	-31	**-1,691**
EBIT pre-goodwill imp. and exceptionals (see definition below) *)	1,150	22	131	160	48	-187	102	**1,426**

*) For retrospective adjustments concerning the first nine months 2006 please refer to Note 2 "Accounting policies".

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.

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

in M €	January 1- September 30, 2007	January 1- September 30, 2006
(Loss) profit before finance costs and income taxes *)	**-408**	**1,381**
Goodwill and exceptionals:		
Disposal of Goodwill	12	0
Fair value adjustments	53	45
EBIT pre-goodwill impairment and exceptionals*)	**-343**	**1,426**

*) For retrospective adjustments concerning the first nine months 2006 please refer to Note 2 “Accounting policies”.

6. Significant income statement items

Revenues of 27,767 M € (first nine months 2006: 27,469 M €) increase by 1% mainly due to Airbus, Eurocopter and Astrium. This was partly offset by negative developments at MTA, Defence & Security and Other Businesses.

The **Gross Margin** decreases by -1,633 M € to 2,771 M € compared to 4,404 M € in the first nine months 2006. This decrease mainly results from Airbus (in particular due to the negative impact of the estimated level of charges resulting from the revised delivery schedule for the A400M, accrued “Power 8” restructuring charges and A350 XWB charges) and MTA whereas Astrium records an increased level of gross margin.

Research and development expenses of -1,906 M € (first nine months 2006: -1,691 M €) mainly increase because of aircraft programs at Airbus. With A380 development moving from basic to continuing development, EADS capitalized no further development costs for A380 in the first nine months of 2007 (in the first nine months 2006: 194 M €).

Other income decreases by -28 M € to 197 M €, mainly due to the non-recurring gain of 106 M € resulting from the sale of LFK GmbH and TDW GmbH to MBDA Group accounted for in the first nine months 2006. In the first nine months 2007, other income includes among others gains from the sale of land and buildings.

Share of profit from associates under the equity method and other income from investments of 211 M € (first nine months 2006: 137 M €) is mainly influenced by the result of Dassault Aviation of 140 M € (first nine months 2006: 105 M €). The result in the first nine months 2007 of Dassault Aviation includes positive 2006 IFRS catch up adjustments amounting to 19 M € (first nine months 2006: 0 M €). Additionally in the first nine months of 2007, the sale of EADS’ interest in Embraer resulted in a non-recurring gain of 46 M €.

Net **finance costs** amount to -451 M € (first nine months 2006: -151 M €) including the update of the present value of A380 and A350 provisions which are discounted under IFRS principles and negative exchange effects in Airbus division.

An **income tax** benefit of +173 M € (first nine months 2006: a charge of -371 M €) corresponds to an effective income tax rate of 20.1 %. Tax rate changes in Germany and UK, effective in 2008, led to an expense of 85 M €, due to revaluation of net deferred tax assets.

7. Significant balance sheet items

Non-current assets

Intangible assets of 10,845 M € (prior year-end: 10,855 M €) include 9,561 M € (prior year-end: 9,565 M €) of Goodwill. It mainly stems from Airbus (6,374 M €), Defence & Security (2,465 M €), Astrium (583 M €) and Eurocopter (111 M €). The related annual impairment tests, which were performed at the end of the prior year, did not lead to any impairment charges. Considering that the increasing weakness of the USD / € rate during the first nine months 2007 constituted a triggering event, EADS has reassessed the value of the Airbus goodwill by performing an impairment test as at September 30, 2007. On the basis of the current operating plan assumptions and figures (unchanged from 2006), no impairment of the Airbus Goodwill is concluded at the end of the third quarter 2007. The annual Airbus Goodwill impairment test will be performed at year-end 2007, based on the then available information. This will take into account, among others, the then prevailing USD foreign exchange rates, an updated Airbus operating plan, the Power 8 expected achievements as well as impacts from potential further management actions.

Eliminating foreign exchange-rate effects of -201 M €, **property, plant and equipment** decrease by -410 M € to 13,704 M € (prior year-end: 14,315 M €), including leased assets of 1,424 M € (prior year-end: 1,992 M €). Property, plant and equipment comprises “Investment property” amounting to 86 M € (prior year-end: 137 M €).

Investments in associates under the equity method of 2,161 M € (prior year-end: 2,095 M €) increase due to the change in the equity investment in Dassault Aviation, amounting to 2,060 M € (prior year-end: 1,985 M €).

Other investments and long-term financial assets of 1,651 M € (prior year-end: 1,666 M €) are allocated to Airbus in the amount of 1,126 M € (prior year-end: 1,012 M €), mainly concerning the non-current portion of aircraft financing activities. The increase at Airbus is more than compensated by the sale of Embraer shares (-123 M €).

Non-current other assets mainly comprise “Non-current derivative financial instruments” and “Non-current prepaid expenses”. The decrease by -534 M € to 3,697 M € (prior year-end: 4,231 M €) is mainly caused by the variation of the non-current portion of fair values of derivative financial instruments (-524 M €).

Deferred tax assets of 2,698 M € (prior year-end: 2,624 M €) are presented as non-current assets as required by IAS 1.

Non-current securities increase by +1,639 M € to 2,933 M € (prior year-end: 1,294 M €) due to a higher level of purchases of medium-term securities.

The fair values of **derivative financial instruments** are included in non-current other assets with an amount of 2,711 M € (prior year-end: 3,235 M €), in current other assets (2,570 M €, prior year-end: 2,007 M €), in non-current provisions (209 M €, prior year-end: 152 M €) and in current provisions (74 M €, prior year-end: 79 M €) which corresponds to a total net fair value of 4,998 M € (prior year-end: 5,011 M €). The volume of hedged US dollar-contracts increases from 45.1 bn US dollar as at December 31, 2006 to 48.4 bn US dollar as at September 30, 2007. The US dollar exchange rate became less favourable (USD / € spot rate of 1.42 at September 30, 2007 vs. 1.32 at December 31, 2006). The average US dollar hedge rate for the hedge portfolio of the Group changed from 1.16 as at December 31, 2006 to 1.22 as at September 30, 2007 (US dollar / € rate respectively).

Current assets

Inventories of 19,673 M € (prior year-end: 16,892 M €) increase by 2,781 M € in all divisions. This is mainly driven by a higher level of unfinished goods and services, mostly for Airbus (+545 M € as well as advance payments made with an amount of +339 M €), an increase in Eurocopter (+677 M €) due to a ramp-up of all commercialized programs (mainly SuperPuma) and delays in governmental programs, a higher level of unfinished goods and services at Defence & Security (+396 M €) and a higher work in progress at Astrium (+386 M €), boosted by all Business Units. At MTA, an amount of -65 M € of inventories was written off following a new obsolescence assessment on slow moving inventory.

Other current assets include “Current portion of long-term financial assets”, “Current other assets”, “Current tax assets” and “Current prepaid expenses”. The increase of +661 M € to 5,206 M € (prior year-end: 4,545 M €) comprises among others an increase of +563 M € in positive fair values of derivative financial instruments.

Cash and cash equivalents decrease from 8,143 M € to 5,392 M € (see also note 8 “Significant cash flow items”).

Total equity

Equity attributable to equity holders of the parent (including purchased treasury shares) amounts to 12,514 M € (prior year-end: 13,015 M €). The decrease is mainly due to income and expense recognised in equity of -493 M €, primarily resulting from the loss for the period. Positive effects from changes in fair values of derivative financial instruments and changes in actuarial gains and losses (please refer to “non-current provisions”) partly compensate this decrease. A cash distribution to shareholders leads to a reduction in equity. The January 1, 2006 figure had been adjusted retrospectively by -672 M € because of the application of the Equity option of IAS 19 as amended in 2006 (please refer to Note 2 “Accounting policies”).

Minority interests increase to 147 M € (prior year-end: 137 M €) due to the allocation of recognised income and expense.

Non-current liabilities

Non-current provisions of 9,058 M € (prior year-end: 9,063 M €) comprise the non-current portion of pension provisions with a decrease of -286 M € to 5,316 M € (prior year-end: 5,602 M €). Compared with year-end 2006, the assumed discount rate in Euro-countries for the calculation of pension provisions increases from 4.5 % to 5.2 %, thus leading to a decrease in the net actuarial losses of -400 M €. Since EADS applies the equity approach for actuarial gains and losses, the effect is considered in non-current pension provisions with a corresponding net of tax increase in equity (please refer to Note 2 “Accounting policies” and “Equity”). Actuarial gains and losses for the EADS’ share in BAE Systems’ pension schemes have not been adjusted, since not all necessary information is available.

Moreover, other provisions are included in non-current provisions, which increase by +281 M € to 3,742 M €. A significant part of the increase is dedicated to the non-current portion of the restructuring provisions for the “Power 8” program. Provisions for derivative financial instruments according to IAS 39 increased by +57 M € to 209 M €. Other provisions include among others aircraft financing activities and obligations for settlement and buy-out charges for the A380 and A350 programs. A reclassification to “Other non-current liabilities” is made for those obligations for which an agreement is signed.

Long-term financial liabilities of 3,309 M € (prior year-end: 3,561 M €), excluding foreign exchange-rate effects of -98 M €, decrease by -154 M € in particular due to Airbus.

Other non-current liabilities comprise “Non-current other liabilities” and “Non-current deferred income” and increase in total by +542 M € to 13,222 M € (prior year-end: 12,680 M €). They mainly include non-current customer advance payments received of 6,620 M € (prior year-end: 6,308 M €) and the non-current portion of European Government refundable advances amounting to 5,026 M € (prior year-end: 5,029 M €). The main part of non-current deferred income of 822 M € (prior year-end: 1,110 M €) is linked to deferred revenues of Airbus and ATR according to Residual Value Guarantee clauses. The remaining portfolio, which is included in non-current deferred income, is depreciated over the guaranteed period. Moreover, obligations from signed agreements for settlement or buy-out charges in connection with the A380 and A350 programs have been reclassified from “Non-current other provisions”.

Current liabilities

Current provisions increase by +982 M € to 4,613 M € (prior year-end: 3,631 M €) and comprise the current portions of pensions (281 M €) and other provisions (4,332 M €). The build-up mainly reflects an increase in provisions for loss-making contracts dedicated to the A400M program (+1.3 bn €) and an increase due to the current portion of restructuring provisions for the “Power 8” program (+258 M €). This is partly compensated by a decrease in miscellaneous other provisions (-589 M €), including a reclassification to “Other current liabilities” regarding signed agreements of settlement charges in connection with the A380 program.

The production costs considered for the calculation of the A 380 loss making contract provision have been updated at September 30, 2007. The assessed margin of A 350 XWB contracts will be reviewed in the fourth quarter 2007 based on the then technical status of the aircraft definition.

Short-term financial liabilities of 1,427 M € (prior year-end: 2,196 M €) decrease by -769 M €.

Trade liabilities decrease by -677 M € to 6,784 M € (prior year-end: 7,461 M €), mainly coming from Airbus (-645 M €), Defence & Security (-173 M €) and Astrium (-65 M €), partly offset by Eurocopter (+191 M €).

Other current liabilities include “Current other liabilities” and “Current deferred income”. They increase by +1,888 M € to 19,534 M € (prior year-end: 17,646 M €). Other current liabilities mainly comprise current customer advance payments of 15,900 M € (prior year-end: 14,172 M €). Obligations from signed agreements in connection with the A380 program have been reclassified from “Current provisions”.

8. Significant cash flow items

Cash provided by operating activities increases by +371 M € to 1,152 M € (first nine months 2006: 781 M €). Gross cash flow from operations (excluding working capital change) with 3,031 M € exceeds prior year’s level (first nine months 2006: 2,535 M €), while changes in other operating assets and liabilities (working capital change) amount to -1,879 M € (first nine months 2006: -1,754 M €).

Cash used for investing activities amounts to -3,006 M € (cash provided by investing activities in the first nine months 2006: 1,104 M €). This comprises purchases of intangible assets and property, plant and equipment, namely in Airbus and Astrium, customer financing activities of Airbus and a net purchase of securities of -2,013 M €.

Cash used for financing activities decreases by -1,154 M € to -850 M € (cash provided by financing activities in the first nine months 2006: +304 M €). The outflow mainly contains the net repayment of financial liabilities and the cash distribution to shareholders.

Since EADS restricted its interpretation of the cash equivalents definition (please refer to Note 2 "Accounting policies"), cash and cash equivalents at January 1, 2006 were decreased from 9,546 M € to 5,386 M € and at September 30, 2006 from 9,366 M € to 7,562 M €. The amounts concerned have been reclassified to securities. Consequently the line "change in securities" for the first nine months 2006 records an amount of +2,038 M €, compared to -318 M € under the previous interpretation. Cash provided by investing activities is shown with an amount of 1,104 M €, compared to -1,252 M € before. Instead of an increase of +2,176 M €, cash and cash equivalents decreased under the previous interpretation by -180 M € during the first nine months 2006.

9. Number of shares

The total number of shares outstanding is 804,017,011 and 801,467,988 as of September 30, 2007 and 2006, respectively. EADS' shares are exclusively ordinary shares with a par value of 1.00 €.

During the first nine months 2007, the number of treasury shares held by EADS decreased from 13,800,531 as of December 31, 2006 to 9,808,480 as of September 30, 2007.

424,537 new shares (in the first nine months 2006: 4,263,405 shares) were issued as a result of the exercise of stock options in compliance with the implemented stock option plans. Under the 2007 Employee Stock Ownership Plan, 2,037,835 shares were issued in May 2007. (In 2006, no Employee Stock Ownership Plan was issued).

10. Earnings per share

Basic earnings per share are calculated by dividing loss (profit) for the period attributable to equity holders of the parent (Net loss / 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:

	January 1 to September 30, 2007	January 1 to September 30, 2006
Net loss/income attributable to equity holders of the parent	-705 M €	867 M €
Weighted average number of ordinary shares outstanding	802,805,702	799,634,560
Basic earnings per share	-0.88€	1.08 €

The effect from applying in the first nine months 2006 the IAS 19 equity approach instead of the previously applied corridor approach contributes 0.02 € to basic earnings per share. For further details please refer to Note 2 “Accounting policies”.

For calculation of the **diluted earnings per share**, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group’s only category of dilutive potential ordinary shares is stock options. Since the average price of EADS shares during the first nine months 2007 exceeded the exercise price of the stock options under the 1st, 2nd, 4th and 5th stock option plans (in the first nine months of 2006: the 1st, 2nd, 3rd, 4th, 5th and 6th stock option plans) initiated by the Group, the inclusion of the related potential ordinary shares increases the weighted average number of shares. 2,524,149 shares (first nine months 2006: 5,081,257 shares) are considered dilutive according to IAS 33.

	January 1 to September 30, 2007	January 1 to September 30, 2006
Net loss/income attributable to equity holders of the parent	-705 M €	867 M €
Weighted average number of ordinary shares outstanding (diluted)	805,329,851	804,715,817
Diluted earnings per share	-0.88 €	1.08 €

The effect from applying in the first nine months 2006 the IAS 19 equity approach instead of the previously applied corridor approach contributes 0.03 € to diluted earnings per share. For further details please refer to Note 2 “Accounting policies”.

11. Related party transactions

The Group has entered into various transactions with related companies in the first nine months 2007 and 2006 that have all been carried out in the normal course of business. As is the Group’s policy, all related party transactions have to be carried out at arm’s length. Transactions with related parties include the French State, Daimler, Lagardère, and SEPI (Spanish State). Except for the transactions with the French State, such transactions are not considered material to the Group either individually or in the aggregate. The transactions with the French State include mainly sales from the Eurocopter, Defence & Security and Astrium divisions.

12. Number of employees

The number of employees at September 30, 2007 is 117,266 as compared to 116,805 at December 31, 2006.

13. Subsequent events

Starting in the second half-year 2007, EADS implemented a contractual trust arrangement (CTA) following the Board of Directors’ decision to fund pension obligations with an amount to be determined each year. Funds transferred into the CTA will only be available to cover spending of EADS’ future pension payments. The initial contribution amounts to 500 M €, funded in the fourth quarter 2007 and mirrored by a corresponding decrease of the pension provision.

In an Extraordinary General Meeting held on October 22, 2007, EADS shareholders formalised the changes in the Group's management and leadership structure by adopting the proposed resolutions. EADS will be led by a single Chairman and a single Chief Executive Officer. Elected for a five-year-term (ending at the close of the Annual General Meeting which shall be held in 2012) the EADS Board of Directors includes four independent members and is composed as follows:

- Mr. Rüdiger Grube, Chairman of the EADS Board of Directors,
- Mr. Louis Gallois, Chief Executive Officer of EADS,
- Mr. Rolf Bartke, Chairman of Kuka AG,
- Mr. Dominique D'Hinnin, Chief Financial Officer of Lagardère SCA,
- Mr. Juan Manuel Eguiagaray Ucelay, Director of Studies at Fundación Alternativas,
- Mr. Arnaud Lagardère, General Partner and CEO of Lagardère SCA,
- Mr. Hermann-Josef Lamberti, Member of the Management Board of Deutsche Bank AG,
- Mr. Lakshmi N. Mittal, President and Chief Executive Officer of Arcelor Mittal,
- Sir John Parker, Chairman of National Grid,
- Mr. Michel Pébereau, Chairman of BNP Paribas,
- Mr. Bodo Uebber, Member of the Board of Management of Daimler AG.