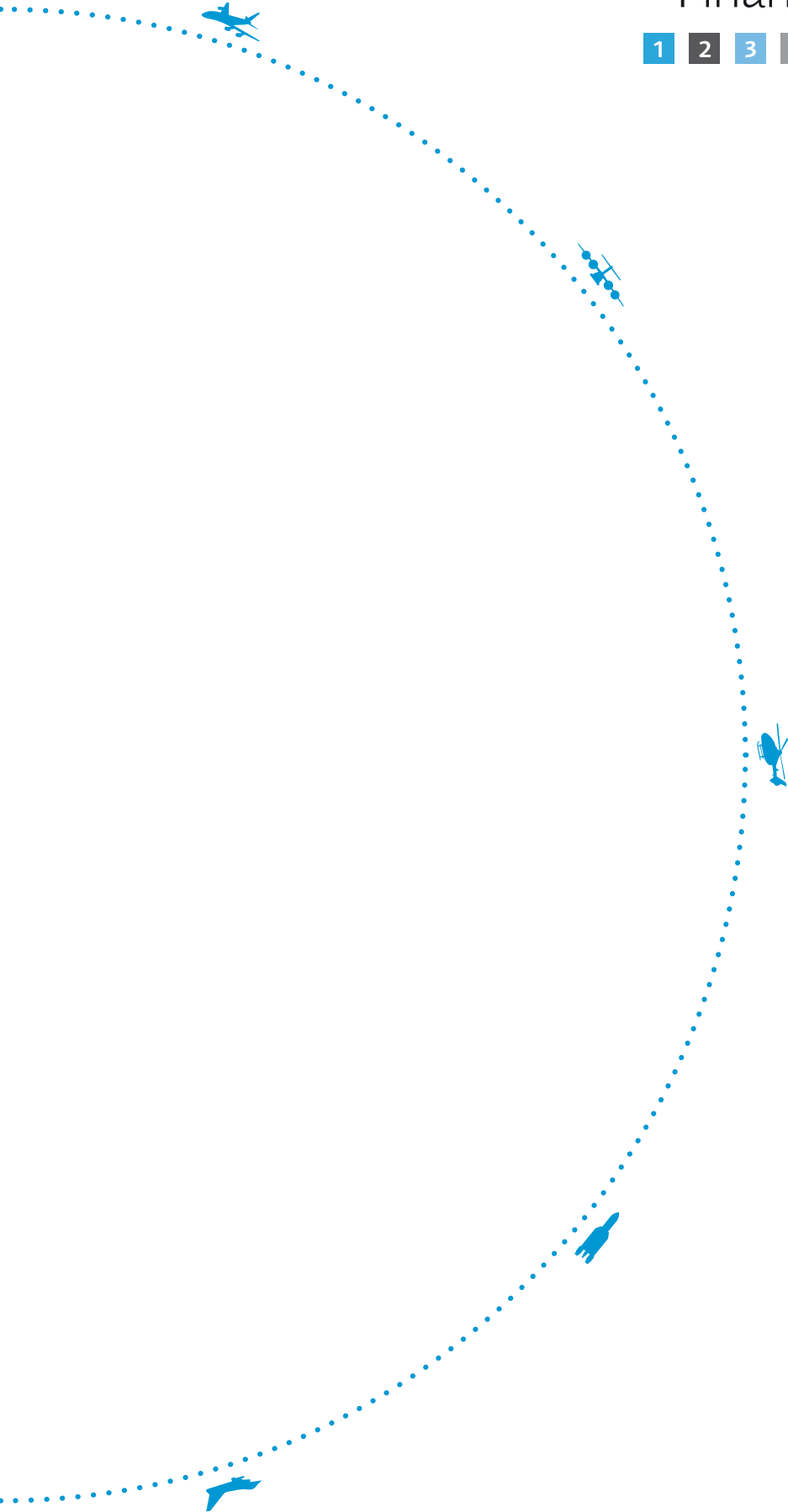


Financial Statements 2009



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EADS N.V. Consolidated Financial Statements (IFRS)

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EADS N.V. Consolidated Income Statements (IFRS) for the years ended 31 December 2009, 2008 and 2007

| (in €m) | Note | 2009 | 2008 | 2007 |
|---|------|---------------|---------------|---------------|
| Revenues | 6, 7 | 42,822 | 43,265 | 39,123 |
| Cost of sales | 8 | (38,383) | (35,907) | (34,802) |
| Gross margin | | 4,439 | 7,358 | 4,321 |
| Selling expenses | | (924) | (933) | (864) |
| Administrative expenses | | (1,272) | (1,253) | (1,314) |
| Research and development expenses | 9 | (2,825) | (2,669) | (2,608) |
| Other income | 10 | 170 | 189 | 233 |
| Other expenses | | (102) | (131) | (97) |
| Share of profit from associates accounted for under the equity method | 11 | 115 | 188 | 210 |
| Other income from investments | 11 | 19 | 23 | 86 |
| Profit (loss) before finance costs and income taxes | 6 | (380) | 2,772 | (33) |
| Interest income | | 356 | 617 | 502 |
| Interest expense | | (503) | (581) | (701) |
| Other financial result | | (445) | (508) | (538) |
| Total finance costs | 12 | (592) | (472) | (737) |
| Income taxes | 13 | 220 | (703) | 333 |
| Profit (loss) for the period | | (752) | 1,597 | (437) |
| <u>Attributable to:</u> | | | | |
| Equity owners of the parent (Net income (loss)) | | (763) | 1,572 | (446) |
| Non-controlling interests | | 11 | 25 | 9 |
| Earnings per share | | € | € | € |
| Basic | 39 | (0.94) | 1.95 | (0.56) |
| Diluted | 39 | (0.94) | 1.95 | (0.55) |

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

EADS N.V. Consolidated Statements of Comprehensive Income (IFRS) for the years ended 31 December 2009, 2008 and 2007

| (in €m) | 2009 | 2008 | 2007 |
|---|--------------|----------------|--------------|
| Profit (loss) for the period | (752) | 1,597 | (437) |
| Currency translation adjustments for foreign operations | (262) | 417 | (196) |
| Effective portion of changes in fair value of cash flow hedges | 2,939 | (2,971) | 2,124 |
| Net change in fair value of cash flow hedges transferred to profit or loss | (1,456) | (2,456) | (1,884) |
| Net change in fair value of available-for-sale financial assets | 162 | 6 | 4 |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss | 0 | (6) | (54) |
| Actuarial gains (losses) on defined benefit plans | (595) | (346) | 608 |
| Tax on income and expense recognised directly in equity | (381) | 1,722 | (46) |
| Other comprehensive income, net of tax | 407 | (3,634) | 556 |
| Total comprehensive income of the period | (345) | (2,037) | 119 |
| <u>Attributable to:</u> | | | |
| Equity owners of the parent | (354) | (2,056) | 78 |
| Non-controlling interests | 9 | 19 | 41 |

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

EADS N.V. Consolidated Statements of Financial Position (IFRS) at 31 December 2009 and 2008

| (in €m) | | | |
|---|------|---------------|---------------|
| Assets | Note | 2009 | 2008 |
| Non-current assets | | | |
| Intangible assets | 14 | 11,060 | 11,171 |
| Property, plant and equipment | 15 | 12,508 | 12,156 |
| Investment property | 16 | 78 | 87 |
| Investments in associates accounted for under the equity method | 17 | 2,514 | 2,356 |
| Other investments and other long-term financial assets | 17 | 2,210 | 1,712 |
| Non-current other financial assets | 20 | 1,607 | 1,612 |
| Non-current other assets | 21 | 1,176 | 1,034 |
| Deferred tax assets | 13 | 2,656 | 2,756 |
| Non-current securities | 22 | 3,983 | 3,040 |
| | | 37,792 | 35,924 |
| Current assets | | | |
| Inventories | 18 | 21,577 | 19,452 |
| Trade receivables | 19 | 5,587 | 5,267 |
| Current portion of other long-term financial assets | 17 | 230 | 177 |
| Current other financial assets | 20 | 2,043 | 2,495 |
| Current other assets | 21 | 1,698 | 1,466 |
| Current tax assets | | 267 | 452 |
| Current securities | 22 | 4,072 | 3,912 |
| Cash and cash equivalents | 32 | 7,038 | 6,745 |
| Non-current assets/disposal groups classified as held for sale | 23 | 0 | 263 |
| | | 42,512 | 40,229 |
| Total assets | | 80,304 | 76,153 |
| Equity and liabilities | | | |
| Equity attributable to equity owners of the parent | | | |
| Capital stock | | 816 | 815 |
| Reserves | | 7,182 | 8,558 |
| Accumulated other comprehensive income | | 2,646 | 1,758 |
| Treasury shares | | (109) | (109) |
| | | 10,535 | 11,022 |
| Non-controlling interests | | 106 | 104 |
| Total equity | 24 | 10,641 | 11,126 |
| Non-current liabilities | | | |
| Non-current provisions | 26 | 8,137 | 7,479 |
| Long-term financing liabilities | 27 | 2,867 | 3,046 |
| Non-current other financial liabilities | 28 | 6,175 | 7,499 |
| Non-current other liabilities | 29 | 9,091 | 8,907 |
| Deferred tax liabilities | 13 | 751 | 953 |
| Non-current deferred income | 31 | 266 | 418 |
| | | 27,287 | 28,302 |
| Current liabilities | | | |
| Current provisions | 26 | 5,883 | 4,583 |
| Short-term financing liabilities | 27 | 2,429 | 1,458 |
| Trade liabilities | 30 | 8,217 | 7,824 |
| Current other financial liabilities | 28 | 1,200 | 1,714 |
| Current other liabilities | 29 | 23,547 | 19,968 |
| Current tax liabilities | | 220 | 201 |
| Current deferred income | 31 | 880 | 822 |
| Liabilities directly associated with non-current assets classified as held for sale | 23 | 0 | 155 |
| | | 42,376 | 36,725 |
| Total liabilities | | 69,663 | 65,027 |
| Total equity and liabilities | | 80,304 | 76,153 |

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

EADS N.V. Consolidated Statements of Cash Flows (IFRS) for the years ended 31 December 2009, 2008 and 2007

| (in €m) | Note | 2009 | 2008 | 2007 |
|---|------|----------------|----------------|----------------|
| Profit (loss) for the period attributable to equity owners of the parent (Net income (loss)) | | (763) | 1,572 | (446) |
| Profit for the period attributable to non-controlling interests | | 11 | 25 | 9 |
| <i>Adjustments to reconcile profit (loss) for the period to cash provided by operating activities:</i> | | | | |
| Interest income | | (356) | (617) | (502) |
| Interest expense | | 503 | 581 | 701 |
| Interest received | | 382 | 657 | 480 |
| Interest paid | | (331) | (471) | (370) |
| Income tax (income) expense | | (220) | 703 | (333) |
| Income taxes received (paid) | | 4 | (252) | 36 |
| Depreciation and amortisation | | 1,826 | 1,667 | 1,772 |
| Valuation adjustments | | (254) | 924 | 582 |
| Results on disposal of non-current assets | | (31) | (31) | (125) |
| Results of companies accounted for by the equity method | | (115) | (188) | (210) |
| Change in current and non-current provisions | | 1,767 | 1 | 2,268 |
| Change in other operating assets and liabilities: | | 15 | (172) | 1,236 |
| ‣ Inventories | | (1,961) | (1,210) | (2,998) |
| ‣ Trade receivables | | (478) | (845) | (148) |
| ‣ Trade liabilities | | 192 | 757 | 44 |
| ‣ Advance payments received | | 2,925 | 2,435 | 4,817 |
| ‣ Other assets and liabilities | | (257) | (982) | (540) |
| ‣ Customer financing assets | | (306) | (208) | 194 |
| ‣ Customer financing liabilities | | (100) | (119) | (133) |
| Cash provided by operating activities | | 2,438 | 4,399 | 5,098 |
| Investments: | | | | |
| ‣ Purchase of intangible assets, Property, plant and equipment | | (1,957) | (1,837) | (2,028) |
| ‣ Proceeds from disposals of intangible assets, Property, plant and equipment | | 75 | 35 | 162 |
| ‣ Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash) | 32 | (21) | (265) | 0 |
| ‣ Proceeds from disposals of subsidiaries (net of cash) | 32 | 13 | 2 | 29 |
| ‣ Payments for investments in associates, other investments and other long-term financial assets | | (136) | (122) | (132) |
| ‣ Proceeds from disposals of associates, other investments and other long-term financial assets | | 43 | 180 | 186 |
| ‣ Dividends paid by companies valued at equity | | 27 | 50 | 39 |
| 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 | | 103 | 117 | 0 |
| Change of securities | | (821) | (2,676) | (2,641) |
| Contribution to plan assets | | (173) | (436) | (303) |
| Change in cash from changes in consolidation | | 0 | 0 | (249) |
| Cash (used for) investing activities | | (2,847) | (4,952) | (4,937) |
| Increase in financing liabilities | | 1,114 | 471 | 206 |
| Repayment of financing liabilities | | (208) | (628) | (792) |
| Cash distribution to EADS N.V. shareholders | | (162) | (97) | (97) |
| Dividends paid to non-controlling interests | | (4) | (10) | (1) |
| Capital increase and changes in non-controlling interests | | 17 | 24 | 46 |
| Change in treasury shares | | (5) | 39 | 0 |
| Cash provided by (used for) financing activities | | 752 | (201) | (638) |
| Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents | | (50) | (50) | (117) |
| Net increase (decrease) in cash and cash equivalents | | 293 | (804) | (594) |
| Cash and cash equivalents at beginning of period | | 6,745 | 7,549 | 8,143 |
| Cash and cash equivalents at end of period | | 7,038 | 6,745 | 7,549 |

For details, see Note 32, "Consolidated Statement of Cash Flows".

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

EADS N.V. Consolidated Statements of Changes in Equity (IFRS) for the years ended 31 December 2009, 2008 and 2007

| (in €m) | Note | Equity attributable to equity owners of the parent | | | | | Total | Non-controlling interests | Total equity |
|---|------|--|---------------|----------------|--|-----------------|---------------|---------------------------|---------------|
| | | Capital stock | Share premium | Other reserves | Accumulated other comprehensive income | Treasury shares | | | |
| Balance at 31 December 2006 | | 816 | 8,160 | (567) | 4,955 | (349) | 13,015 | 137 | 13,152 |
| Total comprehensive income | | | | (43) | 121 | | 78 | 41 | 119 |
| Capital increase | 24 | 3 | 43 | | | | 46 | 2 | 48 |
| Share-based Payment (IFRS 2) | 36 | | | 48 | | | 48 | | 48 |
| Cash distribution to EADS N.V. shareholders/dividends paid to non-controlling interests | | | (97) | | | | (97) | (1) | (98) |
| Change in treasury shares | | | | | | | 0 | (94) | (94) |
| Cancellation of treasury shares | 24 | (5) | (138) | | | 143 | 0 | | 0 |
| Balance at 31 December 2007 | | 814 | 7,968 | (562) | 5,076 | (206) | 13,090 | 85 | 13,175 |
| Total comprehensive income | | | | 1,262 | (3,318) | | (2,056) | 19 | (2,037) |
| Capital increase | 24 | 2 | 22 | | | | 24 | 1 | 25 |
| Share-based Payment (IFRS 2) | 36 | | | 22 | | | 22 | | 22 |
| Cash distribution to EADS N.V. shareholders/dividends paid to non-controlling interests | | | (97) | | | | (97) | (10) | (107) |
| Change in non-controlling interests | | | | | | | 0 | 9 | 9 |
| Change in treasury shares | 24 | | | | | 39 | 39 | | 39 |
| Cancellation of treasury shares | 24 | (1) | (57) | | | 58 | 0 | | 0 |
| Balance at 31 December 2008 | | 815 | 7,836 | 722 | 1,758 | (109) | 11,022 | 104 | 11,126 |
| Total comprehensive income | | | | (1,242) | 888 | | (354) | 9 | (345) |
| Capital increase | 24 | 1 | 14 | | | | 15 | 2 | 17 |
| Share-based Payment (IFRS 2) | 36 | | | 19 | | | 19 | | 19 |
| Cash distribution to EADS N.V. shareholders/dividends paid to non-controlling interests | | | (162) | | | | (162) | (4) | (166) |
| Change in non-controlling interests | | | | | | | 0 | (5) | (5) |
| Change in treasury shares | 24 | | | | | (5) | (5) | | (5) |
| Cancellation of treasury shares | 24 | | (5) | | | 5 | 0 | | 0 |
| Balance at 31 December 2009 | | 816 | 7,683 | (501) | 2,646 | (109) | 10,535 | 106 | 10,641 |

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

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2.1 Basis of Presentation

1. The Company

The accompanying Consolidated Financial Statements present the financial position and the result of the operations of **European Aeronautic Defence and Space Company EADS N.V.** and its subsidiaries (“EADS” or the “Group”), a Dutch public limited liability Company (Naamloze Vennootschap) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands; previously: Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands). EADS’ core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial

space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. EADS has its listings at the European Stock Exchanges in Paris, Frankfurt, Madrid, Barcelona, Valencia and Bilbao. The Consolidated Financial Statements were authorised for issue by EADS’ Board of directors on 8 March 2010, are prepared and reported in Euro (“€”), and all values are rounded to the nearest million appropriately, unless otherwise stated.

2. Summary of significant accounting policies

Basis of preparation — EADS’ Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”) and as endorsed by the European Union (“EU”) and with Part 9 of Book 2 of the Netherlands Civil Code. They comprise (i) IFRS, (ii) International Accounting Standards (“IAS”) and (iii) Interpretations originated by the International Financial Reporting Interpretations Committee (“IFRIC”) or former Standing Interpretations Committee (“SIC”). The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following items that have been measured at fair value: (i) derivative financial instruments, (ii) available-for-sale financial assets, (iii) accumulating Money Market Funds, uncapped Structured Notes and foreign currency Funds of Hedge Funds that have been designated as financial assets at fair value through profit or loss (“Fair Value Option”, see Note 35 “Information about financial instruments”) and (iv) assets and liabilities being hedged items in fair value hedges that are otherwise carried at cost and whose carrying values are adjusted to changes in the fair values attributable to the risks that are being hedged.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in the last subsection “Use of Accounting Estimates” of this Note 2.

NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND NEW INTERPRETATIONS

The IFRS accounting principles applied by EADS for preparing its 2009 year end Consolidated Financial Statements are the same as for the previous financial year except for those following the application of new or amended Standards or Interpretations respectively and changes in accounting policies as detailed below.

a) New or Amended Standards

The application of the following amended standards is mandatory for EADS for the fiscal year starting 1 January 2009. If not otherwise stated, the following new or amended Standards did not have a material impact on EADS’ Consolidated Financial Statements as well as its basic and diluted earnings per share.

IFRS 8 “Operating Segments” (issued in November 2006 and endorsed in November 2007) replaced IAS 14 “Segment Reporting” for accounting periods beginning on or after 1 January 2009. IFRS 8 will require the presentation and

disclosure of segment information to be based on the internal management reports regularly reviewed by EADS' Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. EADS' segment reporting takes into consideration these new requirements of IFRS 8 as well as its changed management structure due to the integration of the former Military Transport Aircraft Division (MTAD) into the Airbus organisation from 2009 onwards. See Note 6 "Segment Reporting" for the relating changes to the presentation of segment information.

The **Amendment to IAS 23** "Borrowing Costs" removes the option of recognising borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as an expense and therefore requires capitalising such borrowing costs as part of the cost of the asset prospectively. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This amendment was released in April 2007, was endorsed in December 2008 and became mandatory to EADS as of 1 January 2009. The application of the amended IAS 23 will result in the mandatory capitalisation of borrowing costs related to qualifying assets and will thus increase the amount of total costs capitalised and thus the basis of depreciations of such qualifying assets.

The **Amendment to IAS 1** "Presentation of Financial Statements: A revised presentation" (issued in September 2007 and endorsed in December 2008) became effective for EADS as of 1 January 2009 and introduced the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented either according to a single statement approach (effectively combining both the consolidated income statement and all non-owner changes in equity in a single statement), or according to a two statement approach in a consolidated income statement and a separate statement of comprehensive income. EADS provides such information according to the two statement approach in an income statement as well as in a statement of comprehensive income for its Consolidated Financial Statements from 2009 onwards.

The **Amendment to IFRS 4 and IFRS 7** "Improving Disclosures about Financial Instruments" (issued in March 2009 and endorsed in December 2009) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

EADS applied the amendments to **IAS 32 and IAS 1** "Puttable Financial Instruments" (issued in February 2008, endorsed in January 2009), the amendments to **IFRS 1**

"First-time Adoption of International Financial Reporting Standards" and to **IAS 27** "Consolidated and Separate Financial Statements" (issued in May 2008, endorsed in January 2009) as well as the amendments to **IFRS 2** "Share Based Payments - Vesting Conditions and Cancellations" (amended in January 2008 and endorsed in December 2008).

Further, in May 2008 the IASB issued its first omnibus of amendments to its standards primarily with a view to removing inconsistencies and clarifying wording in several IFRS standards, which was endorsed in January 2009. There are separate transition provisions for each amended standard. Except for the amendments regarding IAS 16 and IAS 7 (presentation of the sales proceeds from assets previously used for renting activities), which were early adopted by EADS in its 2008' Consolidated Financial Statements, the majority of these amendments, being effective from 1 January 2009 onwards, did not have any material impact on EADS' Consolidated Financial Statements.

Finally, EADS' accounting policies were not affected by the amendments "Reclassification of Financial Assets: Amendments to **IAS 39** "Financial Instruments: Recognition and Measurement" and **IFRS 7** "Financial Instruments: Disclosures" (both Standards amended and endorsed in October 2008) as well as their related later amendments regarding the effective date and the transition rules (endorsed in September 2009), as EADS did not reclassify any such financial instruments. Furthermore, the related amendments "Embedded Derivatives: Amendments to **IFRIC 9** "Reassessment of Embedded Derivatives" and **IAS 39** "Financial Instruments: Recognition and Measurement" (both amended in December 2008 and endorsed in November 2009) also did not have any impact on EADS' Consolidated Financial Statements.

b) New Interpretations

The following Interpretation became effective as of 1 January 2009. If not otherwise stated, the following Interpretations did not have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

IFRIC 14 "IAS 19 — The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (issued in July 2007, endorsed in December 2008 resulting in an effective date as of 1 January 2009) clarifies how the maximum amount of net plan assets is calculated and which circumstances require an additional pension liability to be recognised.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (issued in July 2008, endorsed in June 2009) provides additional guidance on the accounting for a hedge of a net investment, mainly regarding the identification of

the foreign currency risks that qualify for hedge accounting, where within the Group the hedging instruments can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Further, EADS' accounting policies were not affected by **IFRIC 13** "Customer Loyalty Programmes" (issued in June 2007, endorsed in December 2008) and the sector-specific interpretation **IFRIC 15** "Agreements for the Construction of Real Estate" (issued in July 2008, endorsed in July 2009), as EADS does neither maintain such customer loyalty programmes nor undertakes such construction activities.

NEW, REVISED OR AMENDED IFRS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET APPLIED

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these Consolidated Financial Statements. The potential impacts from the application of those newly issued standards, amendments and interpretations are currently under investigation. In general and if not otherwise stated, these new, revised or amended IFRS and their interpretations are not expected to have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

The amendment to **IFRS 2** "Share-based Payments - Group Cash-settled Share-based Payment Transactions" (issued in June 2009, not yet endorsed) amends the definitions in IFRS 2 for transactions and arrangements, as well as the scope of the Standard. In addition, guidance is given for accounting for share-based payment transactions amongst group entities. The retrospective application of the amendment is mandatory for annual periods beginning on or after 1 January 2010.

IFRS 3R "Business Combinations" and **IAS 27 (amend.)** "Consolidated and Separate Financial Statements" (revised and issued in January 2008, endorsed in June 2009) will become mandatory for EADS on 1 January 2010. IFRS 3R introduces a number of changes in the accounting for business combinations that are likely to be relevant to EADS' operations: The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations. Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss. Transaction costs, other than share and debt issue costs, will be expensed as incurred. Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss. Any non-controlling interest will be measured at either fair value, or at its proportionate

interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. Further, IAS 27 (amend.) requires that a change in the ownership interest of a subsidiary without gaining or losing control is accounted for as an equity transaction. Therefore such transactions regarding changes in non-controlling interest will no longer give rise to goodwill, nor will it give rise to a gain/loss. The changes introduced by IFRS 3R and IAS 27 (amend.) have to be applied prospectively and will affect future acquisitions as well as transactions with shareholders holding a non-controlling interest in subsidiaries.

In November 2009, the IASB issued **IFRS 9** "Financial Instruments" (not endorsed yet) as the first step of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". Amongst other changes to the accounting for financial instruments, IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that is based on only two classification categories: amortised cost and fair value. Further, the classification of financial assets under IFRS 9 is driven by the entity's business model for managing its financial assets and the contractual cash flow characteristics of these financial assets. IFRS 9 has to be applied starting 1 January 2013, with early adoption permitted, and offers various transition models. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. By the end of 2010, IFRS 9 is expected to constitute a complete replacement for IAS 39.

Also in November 2009, the IASB issued a revised version of **IAS 24** "Related Party Disclosures" (not yet endorsed) that simplifies the disclosure requirements for government related entities and clarifies the definition of a related party. The revised standard has to be applied prospectively by EADS for annual periods beginning on 1 January 2011, with earlier application permitted.

The amendment to IAS 32 "Classification of Rights Issues — **Amendment to IAS 32** Financial Instruments: Presentation" (issued in October 2009, endorsed in December 2009) addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, when the amendment is retrospectively applied, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment has to be applied retrospectively by EADS for annual periods beginning on 1 January 2011, with earlier application permitted.

The objective of the Amendment “Eligible Hedged Items — **Amendment to IAS 39** “Financial Instruments: Recognition and Measurement”” (issued in July 2008, endorsed in September 2009) is to propose rules-based amendments to IAS 39 to simplify the hedge accounting requirements by clarifying the risks that may be designated as hedged risks and the portion of cash flows of a financial instrument that may be designated as a hedged item. The amendment will be applied retrospectively by EADS for annual periods beginning on 1 January 2010.

IFRIC 12 “Service Concession Arrangements” (issued in November 2006, endorsed in March 2009 resulting in an effective date as of 1 January 2010) clarifies how certain aspects of existing IASB guidance are to be applied to service concession arrangements in the financial statements of service concession operators and will have to be applied retrospectively from 1 January 2010 onwards.

IFRIC 17 “Distribution of non-cash assets to owners” (issued in November 2008, endorsed in November 2009) clarifies the accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. In this context, IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. EADS will apply IFRIC 17 from 1 January 2010.

IFRIC 18 “Transfers of Assets from Customers” (issued in January 2009, endorsed in December 2009) clarifies the IFRS requirements for the recognition and measurement of agreements in which an entity receives from a customer either an item of property, plant, and equipment or cash that the entity have to use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water in the utility sector). While IFRIC 18 is particularly relevant for entities in the utility sector, its prospective application will be mandatory to annual periods of EADS beginning on 1 January 2010.

In November 2009, the IFRIC issued **IFRIC 19** “Extinguishing Financial Liabilities with Equity Instruments” (not yet endorsed) that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments (so called debt for equity swaps). IFRIC 19 clarifies the requirements for the application of the related IFRS Standards when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. The interpretation has to be applied retrospectively for annual periods of EADS beginning on 1 January 2011 with earlier application permitted.

To correct an unintended consequence of IFRIC 14, the IASB issued **amendments to IFRIC 14** “Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)” in November 2009 (not endorsed yet). Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this issue. The amendments are effective for annual periods of EADS beginning 1 January 2011, with earlier application permitted. The amendments must be applied retrospectively to the earliest comparative period presented.

In April 2009, the IASB issued its second omnibus of amendments to its standards containing 15 amendments to 10 IFRS Standards and 2 Interpretations (not endorsed yet). The amendments refer to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16. Most of the amendments are mandatory for annual periods beginning on or after 1 January 2010 with separate transition provisions for each amendment.

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Business combinations are accounted for under the purchase method of accounting; all identifiable assets acquired, liabilities and contingent liabilities incurred or assumed are recorded at fair value at the date control is transferred to EADS (acquisition date), irrespective of the existence of any minority

interest. The cost of a business combination is measured at the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is capitalised as goodwill and tested for impairment in the fourth quarter of each financial year and whenever there is an indication for impairment. After initial recognition goodwill is measured at cost less accumulated impairment losses. For impairment testing purpose, goodwill is allocated to those Cash Generating Units ("CGUs") or group of CGUs - within EADS in principle on Business Unit ("BU") level - that are expected to benefit from the synergies arising from the business combination. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the identification and measurement of the identifiable assets, liabilities and contingent liabilities is reassessed as well as the measurement of the cost of the combination. Any remaining difference is immediately recognised in the Consolidated Income Statement.

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

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

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

The effects of intercompany transactions are eliminated.

Acquisitions (disposals) of interest in entities that are controlled by EADS without gaining (ceasing) control, irrespective of whether sole or joint control, are treated as transactions with parties external to the Group in accordance with the Parent Company Approach. Consequently, gains or losses on purchases from minority shareholders or other venturers respectively are recorded in goodwill, whereas disposals to minority shareholders or other venturers are recorded within the Consolidated Income Statement.

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

Foreign Currency Translation — The Consolidated Financial Statements are presented in Euro, EADS' functional and presentation currency. The assets and liabilities of foreign entities, where the reporting currency is other than Euro, are translated using period-end exchange rates, whilst the statements of income are translated using average exchange rates during the period, approximating the foreign exchange rate at the dates of the transactions. All resulting translation differences are included as a separate component of total equity ("Accumulated other comprehensive income" or "AOCI").

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

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

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

The accumulated amount of translation differences recognised in AOCI is recognised in the Consolidated Income Statement when the associated foreign currency entity is disposed of or liquidated or the associated asset or liability is disposed of respectively.

Current and non-current assets and liabilities —

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

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

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

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

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

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

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

Dividend income is recognised when the right to receive payment is established.

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

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

Assets held for leasing out under operating leases are included in property, plant and equipment at cost less accumulated depreciation (see Note 15 "Property, plant and equipment").

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

Assets obtained under finance leases are included in property, plant and equipment at cost less accumulated depreciation and impairment if any (see Note 15 “Property, plant and equipment”), unless such assets have been further leased out to customers. In such a case, the respective asset is either qualified as an operating lease or as finance lease with EADS being the lessor (headlease-sublease-transactions) and is recorded accordingly. For the relating liability from finance leases see Note 27 “Financing liabilities”. When EADS is the lessee under an operating lease contract, rental payments are recognised on a straight line basis over the leased term (see Note 34 “Commitments and contingencies” for future operating lease commitments). Such leases often form part of commercial aircraft customer financing transactions with the related sublease being an operating lease (headlease-sublease-transactions).

EADS considers headlease-sublease-transactions which are set up for the predominant purpose of tax advantages and which are secured by bank deposits (defeased deposits) that correspond with the contractual headlease liability to be linked and accounts for such arrangements as one transaction in accordance with SIC 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. To reflect the substance of the transaction, the Group consequently offsets (head) finance lease obligations with the matching amount of defeased deposits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment also includes capitalised development costs for tangible developments of specialised tooling for production such as jigs and tools, design, construction and testing of prototypes and models. In case recognition criteria are met, these costs are capitalised and generally depreciated using the straight-line method over 5 years or, if more appropriate, using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method). Especially for aircraft production programmes such as the Airbus A380 with an estimated number of aircraft to be produced using such tools, the sum-of-the-units method effectively allocates the diminution of value of specialised tools to the units produced. Property, plant and equipment is derecognised when it has been disposed of or when the asset is permanently withdrawn from use. The difference between the net disposal proceeds and the carrying amount of such assets is recognised in the Consolidated Income Statement in the period of derecognition.

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

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

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

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

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

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

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

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

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

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

when the obligation specified in the contract is discharged, cancelled or expired.

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

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

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

Equity investments classified as available-for-sale are considered for impairment in addition to the indicators stated above in case of a significant or prolonged decline of their fair value below their cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition

cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Consolidated Income Statement – is removed from AOCI and recognised in the Consolidated Income Statement. Impairment losses recognised in the Consolidated Income Statement on equity instruments are not reversed through the Consolidated Income Statement; increases in their fair value are recognised directly in AOCI.

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

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

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

Investments and other financial assets — EADS' investments comprise investments in associates accounted for under the equity method, other investments

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

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

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

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

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

Notes are designated "at fair value through profit or loss" in accordance with criterion (i), foreign currency funds of a hedge funds structure also comprising foreign currency derivatives are designated "at fair value through profit or loss" in accordance with criterion (ii) and investments in accumulating Money Market Funds are designated at "fair value through profit or loss" in accordance with above criterion (iii).

Loans and receivables — Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are classified as **trade receivables and other investments and other long-term financial assets**. After initial recognition loans and receivables are measured at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statement at disposal of the loans and receivables, through the amortisation process as well as in case of any impairment.

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

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

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

Non-current assets / disposal groups classified as held for sale — Non-current assets / disposal groups classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. Whilst classified as held for sale or part of a disposal group, EADS does not depreciate or amortise a non-current asset. Liabilities directly associated

with non-current assets held for sale in a disposal group are presented separately on the face of the Consolidated Statement of Financial Position. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale is continued to be recognised.

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

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

Derivative Financial Instruments — Within EADS derivative financial instruments are (a) used for hedging purposes in micro-hedging strategies to offset the Group’s exposure to identifiable transactions and are (b) a component of hybrid financial instruments that include both the derivative and host contract (“Embedded Derivatives”).

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

a) Hedging: The Group seeks to apply hedge accounting to all its hedging activities. Hedge accounting recognises symmetrically the offsetting effects on net profit or loss of changes in the fair values of the hedging instrument and the related hedged item. The conditions for such a hedging relationship to qualify for hedge accounting include: The hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or

cash flows attributable to the hedged risk, the effectiveness of the hedge can be reliably measured and there is formal designation and documentation of the hedging relationships and EADS’ risk management objective and strategy for undertaking the hedge at the inception of the hedge. The Group further documents prospectively at the inception of the hedge as well as at each closing retrospectively and prospectively its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items with regard to the hedged risk.

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

- i) Fair Value Hedge:** Fair value hedge accounting is mainly applied to certain interest rate swaps hedging the exposure to changes in the fair value of recognised assets and liabilities. For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging instrument and changes in the fair value of the hedged asset or liability attributable to the hedged risk are simultaneously recognised in the Consolidated Income Statement.
- ii) Cash Flow Hedge:** The Group applies cash flow hedge accounting generally to foreign currency derivative contracts on future sales as well as to certain interest rate swaps hedging the variability of cash flows attributable to recognised assets and liabilities. Changes in fair value of the hedging instruments related to the effective part of the hedge are reported in AOCI, a separate component of total equity, net of applicable income taxes and recognised in the Consolidated Income Statement in conjunction with the result of the underlying hedged transaction, when realised. The ineffective portion is immediately recorded in “Profit for the period”. Amounts accumulated in equity are recognised in the Consolidated Income Statement in the periods when the hedged transaction affects the Consolidated Income Statement, such as when the forecast sale occurs or when the finance income or finance expense is recognised in the Consolidated Income Statement. If hedged transactions are cancelled, gains and losses on the hedging instrument that were previously recorded in equity are generally recognised in “Profit for the period”. Apart from derivative financial instruments, the Group

also uses financial liabilities denominated in a foreign currency to hedge foreign currency risk inherent in forecast transactions. If the hedging instrument expires or is sold, terminated or exercised, or if its designation as hedging instrument is revoked, amounts previously recognised in equity remain in equity until the forecasted transaction or firm commitment occurs.

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

In case certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39 "Financial Instruments: Recognition and Measurement", changes in fair value of such derivative financial instruments are recognised immediately as part of the financial result.

The fair values of various derivative financial instruments used as hedging instruments are disclosed in Note 35 "Information about financial instruments". Periodical movements in the AOCI, the separate component of total equity in which the effective portion of cash flow hedges are recognised, are also disclosed in Note 35 "Information about financial instruments".

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

See Note 35 "Information about financial instruments" for a description of the Group's financial risk management strategies, the fair values of the Group's derivative financial instruments as well as the methods used to determine such fair values.

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

i) Current tax is the amount of income taxes payable or recoverable in a period. Current income taxes are calculated

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

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

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

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

Provisions — Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation's amount can be made. When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to be required to settle the Group's present obligation.

As discount factor, a pre-tax rate is used that reflects current market assessments of the time value of money and the risks specific to the obligation. The provision's increase in each period reflecting the passage of time is recognised as finance cost.

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

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

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

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

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

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

Employee Benefits — The valuation of **pension and post-retirement benefits** classified as defined benefit plans is based upon the projected unit credit method in accordance with IAS 19 "Employee Benefits".

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

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

When sufficient information is available to apply defined benefit accounting in conjunction with a defined benefit multi-employer plan, the Group proportionally accounts for the plan according to its share in the related defined benefit plan.

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

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

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

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

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

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

EADS offers to its employees to buy under the **employee stock ownership plan (ESOP)** EADS shares at a certain discount. The difference between the exercise price and the corresponding share price is recognised as personnel expense in EADS’ Consolidated Income Statements at grant date.

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

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

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

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

- i) Emission rights allocated for free by national authorities are accounted for as a non-monetary government grant at its nominal value of nil.
- ii) Emission rights purchased from other participants are accounted for at cost or the lower recoverable amount; if they are dedicated to offset a provision for in excess emission, they are deemed to be a reimbursement right and are accounted for at fair value.

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

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

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

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

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

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

Litigation and Claims — Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. EADS believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Group to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term “reasonably possible” is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely. Although the final resolution of any such matters could have an effect on the Group's profit for the period for the particular reporting period in which an adjustment of the estimated reserve would be recorded, the Group believes that any such potential adjustment should not materially affect its Consolidated Financial Statements. For further details please refer to Note 33 “Litigation and claims”.

USE OF ACCOUNTING ESTIMATES

EADS' Consolidated Financial Statements are prepared in accordance with IFRS. EADS' significant accounting policies, as described in Note 2 are essential to understanding the Group's results of operations, financial positions and cash flows. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and might have a material impact on the Group's results of operations, financial positions and cash flows. The assumptions and estimates used by EADS' management are based on parameters which are derived from the knowledge at the time of preparing the Consolidated Financial Statements. In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry specific environment were used to estimate the Company's future business performance. Where these conditions develop differently than assumed, and beyond the control of the company, the actual figures may differ from those anticipated. In such cases, the assumptions, and if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

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

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

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

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

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[Back to Contents](#)**Revenue recognition on construction contracts** —

EADS conducts a significant portion of its business under construction contracts with customers, for example the A400M programme. The Group generally accounts for construction projects using the percentage-of-completion method, recognizing revenue as performance on a contract progresses. This method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. Management of the operating divisions continually review all estimates involved in such construction contracts and adjusts them as necessary.

Trade and other receivables — The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

EADS also selectively assists customers through arranging financing from various third-party sources, including export credit agencies, in order to be awarded supply contracts. In addition, EADS provides direct vendor financing and grants guarantees to banks in support of loans to EADS' customers when necessary and deemed appropriate.

Income taxes — EADS operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgments are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the income tax liabilities and deferred tax liabilities in the period in which such determinations are made. At each reporting date, EADS assesses whether the realisation of future tax benefits is sufficiently probable to recognise deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors.

The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group's ability to utilise future tax benefits.

Employee benefits — The Group accounts for pension and other postretirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including the discount rate, expected return on plan assets, expected salary increases and mortality rates. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in postretirement employee benefit obligations and the related future expense.

Provisions — The determination of provisions, for example for onerous contracts, warranty costs and legal proceedings is based on best available estimates. EADS records a provision for onerous sales contracts when current estimates of total cost approach exceed expected contract revenue. Such estimates are subject to change based on new information as projects progress toward completion. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of contract costs which also requires significant judgment relating to achieving certain performance standards as well as estimates involving warranty costs.

Legal contingencies — EADS companies are parties to litigations related to a number of matters as described in Note 33 "Litigation and Claims". The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyses current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against EADS companies or the disclosure of any such suit or assertions, does not automatically indicate that a provision may be appropriate.

3. Accounting for the A400M programme

In September 2008, the Airbus A400M airlifter programme was affected by an undefined delay of the first flight of the A400M, mainly due to the unavailability of the propulsion system and beyond that – but not first flight critical – due to the fact that other major suppliers of mission critical systems and of system integration were severely struggling with the challenging technical requirements of this aircraft. Consequently, from September 2008 onwards EADS could neither finally agree with OCCAR an updated contract scheme for the A400M programme nor reliably assess the related financial implications of this delay and applied the early-stage method of accounting until the end of December 2009 (see the corresponding notes disclosures in Note 3 “Accounting for the A400M programme” in EADS’ Consolidated Financial Statements 2008 and the unaudited Quarterly Condensed Consolidated Financial Information 2009 for further details of the A400M programme and its related accounting issues). Under the early stage method of accounting applied until the end of December 2009, all A400M related work-in-progress, which would have been expensed upon the completion of technical milestones according to the common percentage at completion method of accounting only, have been expensed as incurred, with related revenues recognised up to the recoverable part of these costs as per the initial A400M Launch Contract.

During its ongoing discussions in 2009 with OCCAR and the Launch Nations, EADS successfully reinforced the Nations’ confidence in the A400M programme and prepared a common basis for all parties involved to realign and rebase the A400M programme on future realistic general and specific conditions acceptable to all parties. These discussions addressed various aspects of the future progress of the programme such as the date for the first flight, certification procedures and the expected first entry into service as well as technical details of the aircraft and commercial issues of an updated contract scheme.

Even though these ongoing discussions did not lead to an updated A400M contract scheme until the date of issuance of these IFRS Consolidated Financial Statements, the increasing level of details agreed between EADS, OCCAR and the Launch Nations in their constructive negotiations during the 4th quarter 2009 and the first weeks of 2010 provides a reasonable basis for reassessing contract revenues from an EADS perspective. An important step on the commercial side was achieved with the signing of the joint principle agreement “Understanding on the Continuation of the A400M Programme” reached between the seven Launch Nations and EADS/Airbus/AMSL on 5 March 2010. This step was

accompanied by a further technical progress of the programme – mainly reflected in the successful first flight of the A400M on 11 December 2009 – and a considerable reduction of sources of uncertainty regarding the total expected costs. All three items, the ongoing progress on the commercial side including the level of details agreed between EADS and the Launch Nations since the fourth quarter 2009, the successful first flight of the A400M (and its implications for linked programme milestones such as the delivery of the first aircraft) together with a significant higher visibility on total expected costs enabled EADS to leave the early-stage accounting of the A400M programme at the end of December 2009 and to reassess the A400M loss provision within the A400M related year end closing procedures.

This reassessment also considered as an adjusting event for the EADS’ 2009 Consolidated Financial Statements the details agreed upon with the Launch Nations during February and March 2010. In particular, the assessment of the need and amount of additional provisions for the continuation and completion of the A400M programme is based on the “Understanding on the Continuation of the A400M Programme” reached between the seven Launch Nations (“Nations”) and EADS/Airbus/AMSL jointly signed by them (together the “Parties”) on 5 March 2010 (“A400M Understanding”). This A400M Understanding has been reached “without prejudice and subject to contract”. It is based on an exchange of letters from the State Secretary of the German Ministry of Defence, Rüdiger Wolf, on behalf of the seven Launch Nations and from the EADS CEO, Louis Gallois, during February 2010. The A400M Understanding – referring to the latest draft no. 14 of the Heads of Terms exchanged between the Parties until 5 March 2010 (“Heads of Terms”) – and these letters are the result of negotiations over several months and constitute the basis on which management expects that a final agreement between the Parties on an amendment of the contract between AMSL and OCCAR (“Contract”) will be reached as soon as practically possible.

The A400M Understanding, the Heads of Terms and the exchanged letters summarise the status of the negotiations and propose a number of changes to the initial contract which will only become binding upon Contract amendment and further requiring the implementation of an Export Levy Scheme or similar schemes. Assuming that the Nations will not derogate from what is agreed in the A400M Understanding and was offered in Mr Wolf’s letters previously, management has made further assumptions.

Whilst management has made these assumptions in good faith and believing them to be probable, there is no certainty that a final Contract amendment can be achieved. In particular, it is critical to the management's assessment that the agreed Export Levy Scheme or a similar scheme providing for €1.5 billion will finally be concluded in a way which allows EADS/Airbus a revenue recognition as agreed in the A400M Understanding or can be included otherwise in the loss making contract ("LMC") computation. This will require a specific agreement with the Nations on an Export Levy Scheme or on a similar scheme mechanism and will be subject to national approval processes and the availability of funds (for this specific scheme).

The following elements of the ongoing negotiations between EADS, OCCAR and the Launch Nations - as currently expressed in the A400M Understanding, the Heads of Terms and the exchanged letters - were inter alia considered within the reassessment of A400M loss provision as of 31 December 2009:

- a price increase of €2 billion at economic conditions as of January 2009,

The following tables summarise the major accounting balances specifically related to the A400M programme as at 31 December 2009 and as at 31 December 2008:

| (in €m) | 31 December 2009 | 31 December 2008 |
|---------------------------------|------------------|------------------|
| Accumulated revenues | 5,042 | 4,543 |
| Accumulated cost of sales | (9,056) | (6,739) |
| Accumulated EBIT*-impact | (4,014) | (2,196) |

| (in €m) | 31 December 2009 | 31 December 2008 |
|---|------------------|------------------|
| Accumulated revenues | 5,042 | 4,543 |
| Accumulated advance payments received | (7,049) | (5,712) |
| Net advance payments received (shown in liabilities) | (2,007) | (1,169) |

| Total EBIT* impact of the A400M programme | | |
|--|------------------------------|------------------------------|
| (in €m) | 1 January - 31 December 2009 | 1 January - 31 December 2008 |
| Revenues | 499 | 1,526 |
| Expenses | (1,218) | (1,938) |
| Subtotal | (719) | (412) |
| Consumption of provision | 719 | 404 |
| Additional costs (including increase in provision) | (1,818) | (696) |
| Total EBIT* impact | (1,818) | (704) |

* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

| (in €m) | 31 December 2009 | 31 December 2008 |
|---|------------------|------------------|
| Property, plant and equipment (mainly buildings and jigs and tools) | 755 | 722 |
| Current assets (mainly advance payments made) | 1,115 | 953 |
| Net advance payments received (shown in liabilities) | (2,007) | (1,169) |
| A400M loss provision | (2,464) | (1,349) |

The A400M loss provision as at 31 December 2009 (amounting to €2,464 million (€1,349 million as at 31 December 2008)) has been determined based on the best estimate of EADS' management, reflecting in particular the status of the elements of the ongoing negotiations between EADS and the Launch Nations as of 31 December 2009, and adjusted to actual values as explained above as well as the expected total costs of the A400M programme updated in December 2009. Due to the fact that the envisaged contract amendments agreed upon in the A400M Understanding and the Heads of Terms have not been concluded yet, the financial consequences of the upcoming contractual amendments of the A400M contract scheme on EADS' Consolidated Financial Statements have been assessed on a best estimate basis and may be subject to changes depending on final contracts to be implemented. There is no certainty that such contractual amendments will be

accomplished including any necessary parliamentary approval processes and availability of funds of the Launch Nations. Consequently and in particular with regard to the export levy scheme, there might arise a need that EADS' management has to reassess its assumptions regarding the consideration of the elements described above in the computation of the A400M loss provision as soon as the negotiations are finished. In case of such a reassessment EADS future financial performance could be significantly impacted.

The assessment of the statutory and fiscal consequences of the flow down of the above mentioned ongoing negotiations to the local and national entities of EADS is in process.

EADS will continue to apply the common percentage at completion method for the A400M programme in 2010.

4. Scope of consolidation

Perimeter of consolidation (31 December 2009) – The Consolidated Financial Statements include, in addition to EADS N.V.:

- > 2009: 189 (2008: 185) companies which are fully consolidated;
- > 2009: 39 (2008: 36) companies which are proportionately consolidated;

- > 2009: 19 (2008: 14) investments in associates accounted for using the equity method.

The number of investments in associates only comprises the respective parent company. The prior year's figure was adjusted accordingly.

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

5. Acquisitions and disposals

A) ACQUISITIONS

On 1 October 2009, ATLAS Elektronik GmbH, a joint venture of EADS and ThyssenKrupp acquired via its subsidiary ATLAS Elektronik UK the underwater systems business of QinetiQ Ltd. based at Winfrith, Dorset (UK), following the approval by the UK Department of Business, Innovation and Skills. The acquired business operates in the areas of hydro-acoustics, sonar, combat management systems, acoustic

counter measures, submarine signatures, maritime security and control of unmanned maritime vehicles. The acquired business "Synge" will primarily serve as a contributor in advancing ATLAS Elektronik's market position for sonar and hydro-acoustic solutions. The goodwill represents the value of expected synergies arising from the acquisition. Considering EADS' share of 49% in ATLAS Elektronik GmbH,

the acquired business contributed revenues of €2 million and a net loss of €-0.3 million to the Group for the period from 1 October 2009 to 31 December 2009. If the acquisition had

occurred on 1 January 2009, Group revenues would have been €8 million higher and the loss for the period would have been increased by €-1 million.

Considering EADS' share of 49% in ATLAS Elektronik GmbH, the details of net assets acquired and goodwill (not yet finally determined) are as follows:

| (in €m) | Fair value recognised on acquisition | Carrying value |
|---|--------------------------------------|----------------|
| Inventories | 1 | 1 |
| Trade receivables and other assets | 4 | 4 |
| Provisions | (3) | (3) |
| Trade liabilities | (1) | (1) |
| Net assets | 1 | 1 |
| Goodwill arising on acquisition (see Note 14 "Intangible Assets") | 13 | |
| Total consideration | 14 | |

During 2009, EADS increased its share in Spot Image based in Toulouse (France), a world leader in the provision of satellite imagery and geo-information value-added services, from 81% to 90% by acquiring further shares from non-controlling shareholders. These transactions, resulting in a cash outflow of €7 million were accounted for by using the modified parent company model and increased the goodwill by €1 million.

During 2009, EADS finalised the purchase price allocations of the following acquisitions of the prior year:

On 22 April 2008, EADS acquired PlantCML based in California (USA), a leading provider of emergency

response solutions, which is fully consolidated from that date in the Defence & Security Division. The difference between the purchase price and the acquired net assets led to the recognition of a final goodwill of US\$278 million. The goodwill represents the value of expected synergies arising from the acquisition. PlantCML primarily serves as a strong contributor in advancing EADS' professional mobile radio (PMR) solutions into the rapidly expanding U.S. market, while using EADS' strong international operations allows PlantCML to accelerate its development in Europe and the rest of the world.

The final fair values of the identifiable assets and liabilities of PlantCML as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

| (in €m) | Final fair value recognised on acquisition | Carrying value |
|---|--|----------------|
| Intangible assets | 71 | 46 |
| Property, plant and equipment | 5 | 4 |
| Inventories | 6 | 6 |
| Trade receivables and other assets | 28 | 29 |
| Cash and cash equivalents | 17 | 15 |
| | 127 | 100 |
| Provisions | (2) | (2) |
| Trade liabilities | (6) | (6) |
| Other liabilities | (50) | (50) |
| | (58) | (58) |
| Net assets | 69 | 42 |
| Final goodwill arising on acquisition (see Note 14 "Intangible Assets") | 179 | |
| Total consideration | 248 | |

On 28 July 2008, EADS acquired an additional 41% of Spot Image based in Toulouse (France), a world leader in the provision of satellite imagery and geo-information value-added services. EADS hereby increased its stake in Spot Image to 81% but had been consolidating it fully in the Astrium Division since 1 January 2008 based on effective control since that date. This additional purchase led to the recognition of an additional goodwill of €4 million.

On 7 April 2008, EADS acquired Surrey Satellite Technology Limited (SSTL) based in the U.K., which is specialised in the design and manufacture of small and micro satellites. The acquisition was approved by the European Commission in December 2008 leading to consolidation of the SSTL balance sheet as at 31 December 2008 in the Astrium Division. This purchase led to the recognition of a final goodwill of GBP 38 million.

The following table summarises the major accounting data regarding these two acquisitions in the Astrium Division:

| (in €m) | Fair value recognised on acquisition | Carrying value |
|---|--------------------------------------|----------------|
| Intangible assets | 17 | 9 |
| Property, plant and equipment | 16 | 16 |
| Inventories | 10 | 10 |
| Trade receivables and other assets | 37 | 37 |
| Cash and cash equivalents | 57 | 57 |
| | 137 | 129 |
| Provisions | (5) | (2) |
| Trade liabilities | (35) | (35) |
| Financing liabilities | (7) | (7) |
| Other liabilities | (35) | (32) |
| | (82) | (76) |
| Net assets | 55 | 53 |
| Final goodwill arising on acquisition (see Note 14 "Intangible Assets") | 46 | |
| Total consideration | 101 | |

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

B) DISPOSALS

The assets and liabilities of the Filton site, classified as a disposal group held for sale in EADS' Consolidated Financial Statements as of 31 December 2008, were sold with transfer of titles on 5 January 2009 to GKN. The cash flows of the disposed assets and liabilities of Filton as well as the capital gain on sale were as follows:

| (in €m) | 2009 |
|--|-----------|
| Consideration received in cash and cash equivalents | 103 |
| Total selling price including contingent consideration | 126 |
| Net assets disposed of | (93) |
| Capital gain | 33 |

Furthermore, on 3 November 2008, EADS and DAHER announced the conclusion of the agreement for DAHER to acquire a 70% majority share in Socata and Socata Aircraft (USA) which was sold on 7 January 2009. The assets and liabilities were thus presented as held for sale as of 31 December 2008.

Cumulative gain/loss on disposal of subsidiary:

| (in €m) | 2009 |
|--|----------|
| Consideration received in cash and cash equivalents | 15 |
| Net assets disposed of | (15) |
| Cumulative gain/loss from loss of control of the subsidiary | 0 |

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

C) NON-CURRENT ASSETS / DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

In 2008, this position reflected the progress of the negotiations between Airbus and GKN with respect to the plan to sell the Airbus site in Filton (U.K.), the respective assets and liabilities had been classified as disposal group held for sale in EADS'

Consolidated Financial Statements of 2008. For further details please refer to Note 23 "Non-current assets / disposal groups classified as held for sale".

2.2 Notes to the Consolidated Income Statements (IFRS)

6. Segment Reporting

Through the end of 2009, the Group operated in five reportable segments which reflect the internal organisational and management structure according to the nature of the products and services provided.

- **Airbus Commercial** — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion.
- **Airbus Military** — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft.
 As per decision of the Board of directors the former Military Transport Aircraft Division (MTAD) has been integrated into the Airbus organisation since 1 January 2009. Airbus Military integrates the former MTAD business and all Airbus A400M operations. The above mentioned reportable segments Airbus Commercial and Airbus Military form the Airbus Division.

- **Eurocopter** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of maintenance services.
- **Defence & Security** — Development, manufacturing, marketing and sale of missiles systems, military combat aircraft and training aircraft; provision of defence electronics and 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; provision of space services.

In the context of the full integration of the former Military Transport Aircraft Division (MTAD) into Airbus being Airbus Military and the consolidation of EADS EFW (previously included in Other Businesses) within Airbus Commercial from 2009 onwards, the 2008 figures have been restated accordingly. Additionally, completing the reorganisation of aerostructures activities within EADS, the site in Augsburg (previously

included in Defence & Security) was transferred to Airbus Commercial in 2009. The respective previous year's figures are not restated, but impacts are explained where considered to be material.

In the second quarter of 2009, the carrying amounts of operative real estate, owned by Headquarters, were transferred to the respective segments as at 1 January 2009. Since the operative segments as tenants are treated as if they were the owners, rental income and depreciations are allocated accordingly.

The following tables present information with respect to the Group's business segments. "Other Businesses" mainly comprises the development, manufacturing, marketing and sale of regional turboprop aircraft, light commercial aircraft and aircraft components.

Consolidation effects, the holding function of EADS Headquarters and other activities not allocable to the reportable segments are disclosed in the column "HQ/Conso."

A) BUSINESS SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2009

| (in €m) | Airbus Commercial | Airbus Military | Eurocopter | Defence & Security | Astrium | Other Businesses | Total Segments | HQ/Conso. | Consolidated |
|--|-------------------|-----------------|--------------|--------------------|--------------|------------------|----------------|-------------|---------------|
| Total revenues | 26,370 | 2,235 | 4,570 | 5,363 | 4,799 | 1,096 | 44,433 | 28 | 44,461 |
| Internal revenues | (585) | (227) | (339) | (335) | (13) | (140) | (1,639) | 0 | (1,639) |
| Revenues | 25,785 | 2,008 | 4,231 | 5,028 | 4,786 | 956 | 42,794 | 28 | 42,822 |
| Segment result | 382 | (1,757) | 262 | 424 | 257 | 21 | (411) | (84) | (495) |
| <i>Thereof impairment charge for intangible assets and property, plant and equipment</i> | (45) | 0 | 0 | (8) | 0 | 0 | (53) | (10) | (63) |
| <i>Thereof additions to other provisions (see Note 26c)</i> | (122) | (2,016) | (505) | (663) | (245) | (43) | (3,594) | (117) | (3,711) |
| Share of profit from associates accounted for under the equity method | (19) | 1 | 0 | 13 | 0 | 0 | (5) | 120 | 115 |
| Profit (loss) before finance costs and income taxes | 363 | (1,756) | 262 | 437 | 257 | 21 | (416) | 36 | (380) |
| Exceptional depreciation/disposal | 23 | 2 | 1 | 12 | 4 | 0 | 42 | 16 | 58 |
| EBIT pre-goodwill impairment and exceptionals (see definition in Note 6c) | 386 | (1,754) | 263 | 449 | 261 | 21 | (374) | 52 | (322) |
| Total finance costs | | | | | | | | | (592) |
| Income tax benefit | | | | | | | | | 220 |
| Loss for the period | | | | | | | | | (752) |
| Attributable to: | | | | | | | | | |
| Equity owners of the parent (Net loss) | | | | | | | | | (763) |
| Non-controlling interests | | | | | | | | | 11 |
| OTHER INFORMATION | | | | | | | | | |
| Identifiable segment assets (incl. goodwill) ⁽¹⁾ | 32,724 | 2,725 | 6,441 | 9,716 | 7,050 | 1,064 | 59,720 | 54 | 59,774 |
| <i>Thereof goodwill</i> | 6,425 | 12 | 111 | 2,503 | 604 | 60 | 9,715 | 26 | 9,741 |
| Investments in associates | 20 | 0 | 0 | 108 | 3 | 3 | 134 | 2,380 | 2,514 |
| Segment liabilities ⁽²⁾ | 27,344 | 6,138 | 5,516 | 10,753 | 7,440 | 831 | 58,022 | 393 | 58,415 |
| <i>Thereof provisions (see Note 26)</i> | 5,384 | 2,361 | 1,469 | 2,820 | 795 | 158 | 12,987 | 1,033 | 14,020 |
| Capital expenditures (incl. leased assets) | 1,254 | 80 | 149 | 157 | 272 | 29 | 1,941 | 16 | 1,957 |
| Depreciation, amortisation | 996 | 174 | 86 | 150 | 228 | 31 | 1,665 | 161 | 1,826 |
| Research and development expenses | 2,293 | 13 | 164 | 216 | 74 | 6 | 2,766 | 59 | 2,825 |

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

(2) Segment liabilities exclude current and deferred tax liabilities and interest bearing liabilities.

B) BUSINESS SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008

| (in €m) | Airbus Commercial ⁽³⁾ | Airbus Military ⁽³⁾ | Eurocopter | Defence & Security | Astrium | Other Businesses | Total Segments | HQ/ Conso. | Consolidated |
|--|----------------------------------|--------------------------------|--------------|----------------------|--------------|------------------|----------------|--------------|---------------|
| Total revenues | 26,524 | 2,759 | 4,486 | 5,668 ⁽⁴⁾ | 4,289 | 1,338 | 45,064 | 22 | 45,086 |
| Internal revenues | (394) | (205) | (287) | (638) | (14) | (283) | (1,821) | 0 | (1,821) |
| Revenues | 26,130 | 2,554 | 4,199 | 5,030 | 4,275 | 1,055 | 43,243 | 22 | 43,265 |
| Segment result | 2,279 | (504) | 292 | 389 | 230 | 43 | 2,729 | (145) | 2,584 |
| <i>Thereof impairment charge for intangible assets and property, plant and equipment</i> | (17) | 0 | 0 | 0 | 0 | 0 | (17) | 0 | (17) |
| <i>Thereof additions to other provisions (see Note 26c)</i> | (438) | (412) | (426) | (657) | (152) | (34) | (2,119) | (162) | (2,281) |
| Share of profit from associates accounted for under the equity method | 0 | 9 | 0 | 10 | 1 | 0 | 20 | 168 | 188 |
| Profit (loss) before finance costs and income taxes | 2,279 | (495) | 292 | 399 | 231 | 43 | 2,749 | 23 | 2,772 |
| Exceptional depreciation/disposal | 27 | 2 | 1 | 9 | 3 | 0 | 42 | 16 | 58 |
| EBIT pre-goodwill impairment and exceptionals (see definition in Note 6c) | 2,306 | (493) | 293 | 408 | 234 | 43 | 2,791 | 39 | 2,830 |
| Total finance costs | | | | | | | | | (472) |
| Income tax expense | | | | | | | | | (703) |
| Profit for the period | | | | | | | | | 1,597 |
| Attributable to: | | | | | | | | | |
| Equity owners of the parent (Net income) | | | | | | | | | 1,572 |
| Non-controlling interests | | | | | | | | | 25 |
| OTHER INFORMATION | | | | | | | | | |
| Identifiable segment assets (incl. goodwill) ⁽¹⁾ | 30,404 | 2,815 | 5,964 | 9,675 | 6,278 | 1,231 | 56,367 | 525 | 56,892 |
| <i>Thereof goodwill</i> | 6,374 | 12 | 111 | 2,559 | 619 | 59 | 9,734 | 26 | 9,760 |
| Investments in associates | 0 | 9 | 3 | 98 | 3 | 0 | 113 | 2,243 | 2,356 |
| Segment liabilities ⁽²⁾ | 28,061 | 3,843 | 5,098 | 10,291 | 6,129 | 1,137 | 54,559 | 225 | 54,784 |
| <i>Thereof provisions (see Note 26)</i> | 4,900 | 1,250 | 1,339 | 2,782 | 696 | 160 | 11,127 | 935 | 12,062 |
| Capital expenditures (incl. leased assets) | 887 | 170 | 190 | 188 | 244 | 41 | 1,720 | 117 | 1,837 |
| Depreciation, amortisation | 1,042 | 71 | 85 | 149 | 188 | 43 | 1,578 | 89 | 1,667 |
| Research and development expenses | 2,210 | 9 | 134 | 174 | 69 | 9 | 2,605 | 64 | 2,669 |

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

(2) Segment liabilities exclude current and deferred tax liabilities and interest bearing liabilities.

(3) Due to the integration of the former MTAD business within Airbus and the creation of a separate Airbus Military segment, prior year figures are adjusted accordingly.

(4) Thereof revenues of € 438 million related to the site in Augsburg.

As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Airbus Military and Airbus Commercial and between Airbus Division and Eurocopter as well as Defence & Security as the latter are suppliers for Airbus aircraft.

Capital expenditures represent the additions to property, plant and equipment and to intangible assets (excluding additions to goodwill of € 16 million in 2009 and € 269 million in 2008; for further details see Note 6E) "Capital expenditures".

C) EBIT PRE-GOODWILL IMPAIRMENT AND EXCEPTIONALS

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

| (in €m) | 2009 | 2008 | 2007 |
|--|--------------|--------------|-------------|
| Profit (loss) before finance costs and income taxes | (380) | 2,772 | (33) |
| Disposal of goodwill/subsequent adjustment to goodwill | 0 | 0 | 12 |
| Exceptional depreciation/disposal | 58 | 58 | 73 |
| EBIT pre-goodwill impairment and exceptionals | (322) | 2,830 | 52 |

D) REVENUES BY DESTINATION

| (in €m) | 2009 | 2008 | 2007 |
|--------------------------|---------------|---------------|---------------|
| Germany | 5,018 | 5,330 | 4,332 |
| France | 3,807 | 3,697 | 3,450 |
| United Kingdom | 2,983 | 2,654 | 1,991 |
| Spain | 1,322 | 1,456 | 1,173 |
| Other European Countries | 8,310 | 5,741 | 6,436 |
| Asia/Pacific | 8,618 | 10,747 | 8,826 |
| North America | 6,138 | 7,799 | 7,923 |
| Middle East | 3,857 | 2,497 | 2,507 |
| Latin America | 1,893 | 2,708 | 2,054 |
| Other Countries | 876 | 636 | 431 |
| Consolidated | 42,822 | 43,265 | 39,123 |

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

E) CAPITAL EXPENDITURES

| (in €m) | 2009 | 2008 | 2007 |
|---|--------------|--------------|--------------|
| France | 1,001 | 792 | 819 |
| Germany | 509 | 566 | 477 |
| United Kingdom | 228 | 279 | 512 |
| Spain | 133 | 165 | 161 |
| Other Countries | 86 | 35 | 59 |
| Capital expenditures excluding leased assets | 1,957 | 1,837 | 2,028 |
| Leased assets | 9 | 0 | 30 |
| Capital expenditures | 1,966 | 1,837 | 2,058 |

F) PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHICAL AREA

| (in €m) | 2009 | 2008 | 2007 |
|---|---------------|---------------|---------------|
| France | 4,448 | 4,154 | 3,908 |
| Germany | 3,635 | 3,576 | 3,715 |
| United Kingdom | 2,376 | 2,198 | 3,028 |
| Spain | 1,071 | 1,012 | 976 |
| Other Countries | 275 | 338 | 447 |
| Property, plant and equipment by geographical area | 11,805 | 11,278 | 12,074 |

Property, plant and equipment split by geographical area excludes leased assets (2009: € 703 million, 2008: € 878 million and 2007: € 1,319 million).

7. Revenues

Revenues in 2009 reached €42,822 million compared to €43,265 million in 2008 and €39,123 million in 2007.

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

Detail of Revenues:

| (in €m) | 2009 | 2008 | 2007 |
|--|---------------|---------------|---------------|
| Total revenues | 42,822 | 43,265 | 39,123 |
| Thereof revenues from the delivery of goods & services | 34,181 | 33,951 | 31,813 |
| Thereof revenues from construction contracts | 8,377 | 8,852 | 6,241 |

Revenues of €42,822 million (2008: €43,265 million) decrease by -1% due to an unfavorable US Dollar impact, deconsolidation of Socata of which 70% was sold in 2009 and the remaining 30% are now accounted for “at equity”, despite of higher activities at Astrium (partly driven by a catch-up for in-orbit incentive schemes on commercial telecommunication

revenues. In 2009, the revenues from the delivery of goods & services comprise revenues from services including the sale of spare parts of €5,106 million compared to €4,234 million in 2008.

For a breakdown of revenues by business segment and geographical area, refer to Note 6 “Segment Reporting”.

satellites). Additionally, Airbus Commercial delivered more aircraft (498 versus 483 in the previous year) and Eurocopter contributed positively. The revenues also include €499 million (2008: €1,107 million), resulting from the application of the early stage accounting method for the A400M contract (see Note 3 “Accounting for the A400M programme”).

8. Functional costs

Inventories recognised as an expense during the period amount to €30,274 million (2008: €30,267 million; 2007: €25,259 million).

Thereof €1,218 million of contract costs (in 2008: €1,449 million) are expensed as cost of sales according to the early stage method of accounting (see Note 3 “Accounting for the A400M programme”).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of €56 million (2008: €52 million; 2007: €49 million); these are related to the EADS merger, the Airbus Combination and the formation of MBDA.

Personnel expenses are:

| (in €m) | 2009 | 2008 | 2007 |
|--|--------------|--------------|--------------|
| Wages, salaries and social contributions | 9,094 | 9,030 | 8,696 |
| Net periodic pension cost (see Note 26B) | 424 | 366 | 385 |
| Total | 9,518 | 9,396 | 9,081 |

The **Gross Margin** decreases by €-2,919 million to €4,439 million compared to €7,358 million in 2008. This deterioration is mainly related to higher expenses for the A400M at Airbus Military. Additionally, the gross margin of Airbus Commercial is in 2009 in particular burdened by foreign exchange rate effects and lower realised prices for

delivered aircraft, partly compensated by lower A380 onerous contract charges. Strong operational performance with delivery ramp-up, Power8 savings and improvements in Defence & Security and Astrium positively contribute to the development of the gross margin.

9. Research and development expenses

Research and development expenses in 2009 amount to €2,825 million compared to €2,669 million in 2008 and €2,608 million in 2007, primarily reflecting R&D activities at Airbus Commercial. Most of the increase was attributable to higher expenses at Airbus Commercial, Defence & Security

and Eurocopter, due to development on the A350 XWB programme, various helicopter programmes and security and communication solutions, partly compensated by a decrease for the A380 programme.

10. Other income

| (in €m) | 2009 | 2008 | 2007 |
|--|------|------|------|
| Other income | 170 | 189 | 233 |
| Thereof rental income | 22 | 26 | 37 |
| Thereof income from sale of fixed assets | 42 | 21 | 92 |
| Thereof release of allowances | 3 | 13 | 11 |

11. Share of profit from associates accounted for under the equity method and other income from investments

| (in €m) | 2009 | 2008 | 2007 |
|---------------------------------|------------|------------|------------|
| Share of profit from associates | 115 | 188 | 210 |
| Other income from investments | 19 | 23 | 86 |
| Total | 134 | 211 | 296 |

The **share of profit from associates accounted for under the equity method** in 2009 is mainly derived from the result of the equity investment in Dassault Aviation of €120 million (2008: €169 million; 2007: €194 million). Since for the second half-year 2009 no published financial information was available yet from Dassault Aviation at the date of authorisation for issue of 2009 Consolidated Financial Statements, EADS uses a best estimate for the net income of Dassault Aviation. Furthermore, the income of the equity investment from Dassault Aviation includes an IFRS catch-up adjustment as well as restatements for different treatments of actuarial gains and losses of pensions.

For the first semester 2009, Dassault Aviation published a net income of €118 million which has been recognised by EADS in its half year financial statements 2009 with its share of 46.32% amounting to €55 million.

Since also for the second half-year 2008 no financial information was available from Dassault Aviation at the date of authorisation for issue of 2008 financial statements, the net income of the second half year 2007 of Dassault Aviation had been used as the second half year's net income for 2008 in the amount of €92 million. For the first semester 2008, Dassault Aviation published a net income of €167 million which had been recognised by EADS with its share of 46.3% amounting to €77 million.

Other income from investments comprises in 2009 the dividend payment from the Eurofighter Jagdflugzeug GmbH of €14 million (2008: €12 million; 2007: €13 million).

12. Total finance costs

Interest result in 2009 comprises interest income of €356 million (2008: €617 million; 2007: €502 million) and interest expense of €-503 million (2008: €-581 million; 2007: €-701 million). Included in interest income is the return on cash and cash equivalents, securities and financial assets such as loans and finance leases. Interest expense includes interests on European Government refundable advances of €-235 million (2008: €-255 million; 2007: €-289 million) and on financing liabilities.

In 2009 borrowing costs of €5 million have been capitalised regarding IAS 23R "Borrowing Cost". In addition to specific borrowings, a general borrowing rate of 3.25% was applied to determine the amount of borrowing costs to be capitalised.

Other financial result in 2009 amounts to €-445 million (in 2008: €-508 million and in 2007: €-538 million) and includes among others charges from the unwinding of discounted provisions amounting to €-307 million (2008: €-230 million; 2007: €-202 million) and the revaluation of some monetary items and financial instruments. Included in 2008 were the negative impact of the reassessment of counterparty risk in the amount of €-49 million and negative foreign exchange rate effects of Airbus in the amount of €-28 million (in 2007: €-274 million).

13. Income taxes

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

| (in €m) | 2009 | 2008 | 2007 |
|--------------------------------|------------|--------------|------------|
| Current tax expense | (208) | (354) | (64) |
| Deferred tax benefit/(expense) | 428 | (349) | 397 |
| Total | 220 | (703) | 333 |

The Group's parent company, EADS N.V., legally seated in Amsterdam, The Netherlands, applies Dutch tax law using an income tax rate of 25.5% for 31 December 2009, 2008 and 2007.

Deferred tax assets and liabilities for the Group's French subsidiaries were calculated at 31 December 2009, 2008 and 2007 using the enacted tax rate of 34.43% for temporary differences. The French corporate tax rate in effect was 33 1/3% plus a surcharge of 3.3% ("contribution sociale").

Regarding German subsidiaries, the German federal corporate tax rate amounts to 15%. In addition there is a surcharge ("Solidarit tzuschlag") of 5.5% on the amount of federal corporate taxes. In addition to corporate taxation, the trade taxes amounts to 14.2%. In aggregate, the enacted tax rate which has been applied to German deferred taxes amounts to 30%.

With respect to the Spanish subsidiaries, the corporate income tax rate amounts to 30% in 2009 and 2008 (2007: 32.5%). Accordingly, deferred tax assets and liabilities of the Group's Spanish entities were calculated using the enacted tax rate.

All other foreign subsidiaries apply their national tax rates, among others United Kingdom with 28%.

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

| (in €m) | 2009 | 2008 | 2007 |
|---|------------|--------------|------------|
| (Loss) profit before income taxes | (972) | 2,300 | (770) |
| * Corporate income tax rate | 25.5% | 25.5% | 25.5% |
| Expected benefit (expense) for income taxes | 248 | (587) | 196 |
| Effects from tax rate differentials | 122 | (125) | 133 |
| Income from investments/associates | 48 | 81 | 109 |
| Tax credit for R&D expenses | 54 | 51 | 20 |
| Change of tax rate | 0 | 0 | (106) |
| Change in valuation allowances | (236) | (113) | (3) |
| Non-deductible expenses and tax-free income | (12) | (14) | (19) |
| Other | (4) | 4 | 3 |
| Reported tax benefit (expense) | 220 | (703) | 333 |

The change in valuation allowances reflects the updated assessment regarding the recoverability of the deferred tax assets for a tax paying entity in the foreseeable future. In 2009, the change in valuation allowance is mainly due to unexpected write-downs of non recoverable tax assets in the Airbus Division.

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

Deferred income taxes as of 31 December 2009 are related to the following assets and liabilities:

| (in €m) | 31 December 2008 | | Movement through equity | | Movement through income statement | | 31 December 2009 | |
|--|------------------|-----------------|-------------------------|-----------------------|-----------------------------------|--------------------------------------|------------------|-----------------|
| | Tax assets | Tax liabilities | OCI/ IAS 19 | Others ⁽¹⁾ | R&D tax credits | Deferred tax benefit (expense) | Tax assets | Tax liabilities |
| Intangible assets | 14 | (200) | 0 | 0 | 0 | (5) | 16 | (207) |
| Property, plant and equipment | 137 | (983) | 0 | (9) | 0 | 93 | 220 | (982) |
| Investments and other long-term financial assets | 274 | (8) | 0 | 0 | 0 | (66) | 237 | (37) |
| Inventories | 830 | (98) | 0 | (4) | 0 | 13 | 912 | (171) |
| Receivables and other assets | 171 | (1,253) | (82) | 0 | 0 | (221) | 116 | (1,501) |
| Prepaid expenses | 1 | (15) | 0 | 0 | 0 | 26 | 15 | (3) |
| Provision for retirement plans | 453 | 0 | 112 | 0 | 0 | 88 | 653 | 0 |
| Other provisions | 1,409 | (131) | 0 | 11 | 0 | 406 | 1,801 | (106) |
| Liabilities | 1,037 | (764) | (411) | 8 | 0 | 45 | 648 | (733) |
| Deferred income | 341 | (24) | 0 | 4 | 0 | (2) | 319 | (0) |
| Net operating loss and tax credit carry forwards | 1,174 | 0 | 0 | 50 | 10 | 287 | 1,521 | 0 |
| Deferred tax assets/(liabilities) before offsetting | 5,841 | (3,476) | (381) | 60 | 10 | 664 | 6,458 | (3,740) |
| Valuation allowances on deferred tax assets | (562) | 0 | 0 | (15) | 0 | (236) | (813) | 0 |
| Set-off | (2,523) | 2,523 | | | | | (2,989) | 2,989 |
| Net Deferred tax assets/(liabilities) | 2,756 | (953) | (381) | 45 | 10 | 428 | 2,656 | (751) |

(1) "Others" mainly comprises foreign exchange rate effects.

Deferred income taxes as of 31 December 2008 are related to the following assets and liabilities:

| (in €m) | 31 December 2007 | | Movement through equity | | Movement through income statement | | 31 December 2008 | |
|--|------------------|-----------------|-------------------------|-----------------------|-----------------------------------|--------------------------------------|------------------|-----------------|
| | Tax assets | Tax liabilities | OCI/ IAS 19 | Others ⁽¹⁾ | R&D tax credits | Deferred tax benefit (expense) | Tax assets | Tax liabilities |
| Intangible assets | 22 | (193) | 0 | (44) | 0 | 29 | 14 | (200) |
| Property, plant and equipment | 152 | (1,147) | 0 | 28 | 0 | 121 | 137 | (983) |
| Investments and other long-term financial assets | 131 | (36) | (3) | 0 | 0 | 174 | 274 | (8) |
| Inventories | 895 | (430) | 0 | (1) | 0 | 268 | 830 | (98) |
| Receivables and other assets | 84 | (2,230) | 1,318 | (8) | 0 | (246) | 171 | (1,253) |
| Prepaid expenses | 1 | (16) | 0 | 0 | 0 | 1 | 1 | (15) |
| Provision for retirement plans | 642 | 0 | 33 | (8) | 0 | (214) | 453 | 0 |
| Other provisions | 1,752 | (160) | 0 | (42) | 0 | (272) | 1,409 | (131) |
| Liabilities | 690 | (654) | 374 | (26) | 0 | (111) | 1,037 | (764) |
| Deferred income | 486 | (24) | 0 | (19) | 0 | (126) | 341 | (24) |
| Net operating loss and tax credit carry forwards | 1,148 | 0 | 0 | (159) | 45 | 140 | 1,174 | 0 |
| Deferred tax assets/(liabilities) before offsetting | 6,003 | (4,890) | 1,722 | (279) | 45 | (236) | 5,841 | (3,476) |
| Valuation allowances on deferred tax assets | (596) | 0 | 0 | 147 | 0 | (113) | (562) | 0 |
| Set-off | (2,702) | 2,702 | 0 | 0 | 0 | 0 | (2,523) | 2,523 |
| Net Deferred tax assets/(liabilities) | 2,705 | (2,188) | 1,722 | (132) | 45 | (349) | 2,756 | (953) |

(1) "Others" mainly comprises foreign exchange rate effects and changes in consolidation.

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

future income taxes that may be owed for all open tax years. Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of €692 million (in 2008: €50 million). Assessments show that these deferred tax assets will be recovered in future through either (i) own projected profits, or (ii) profits of other companies integrated in the same fiscal group ("regime integration fiscal" in France, "steuerliche Organschaft" in Germany) or (iii) via the "loss surrender-agreement" in Great Britain.

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

| (in €m) | France | Germany | Spain | UK | Netherlands | Other countries | 31 December 2009 | 31 December 2008 |
|---|------------|------------|------------|------------|-------------|-----------------|------------------|------------------|
| Net Operating Losses (NOL) | 1,247 | 1,072 | 56 | 1,488 | 63 | 29 | 3,955 | 2,965 |
| Trade tax loss carry forwards | 0 | 1,093 | 0 | 0 | 0 | 0 | 1,093 | 560 |
| Tax credit carry forwards | 0 | 0 | 304 | 0 | 2 | 0 | 306 | 316 |
| Tax effect | 429 | 325 | 321 | 417 | 18 | 11 | 1,521 | 1,174 |
| Valuation allowances | (10) | (48) | (76) | (374) | (0) | (0) | (508) | (508) |
| Deferred tax assets on NOL's and tax credit carry forwards | 419 | 277 | 245 | 43 | 18 | 11 | 1,013 | 666 |

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable in France, Germany and in Great Britain. In Spain, NOLs and tax credit carry forwards expire after 15 years. The first tranche of tax credit carry forwards (€8 million) will expire in 2015. In the Netherlands, NOLs and tax credit carry forwards expire after 9 years.

Roll forward of deferred taxes:

| (in €m) | 2009 | 2008 |
|---|--------------|--------------|
| Net deferred tax asset beginning of the year | 1,803 | 517 |
| Deferred tax benefit (expense) in income statement | 428 | (349) |
| Deferred tax recognised directly in AOCI (IAS 39) | (493) | 1,689 |
| Variation of Defined benefit plan actuarial gains | 112 | 33 |
| Others | 55 | (87) |
| Net deferred tax asset at year end | 1,905 | 1,803 |

Details of deferred taxes recognised in equity are as follows:

| (in €m) | 2009 | 2008 |
|---------------------------------------|-------------|------------|
| Available-for-sale investments | (27) | (5) |
| Cash flow hedges | (361) | 110 |
| Defined benefit plan actuarial losses | 371 | 259 |
| Total | (17) | 364 |

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

14. Intangible assets

A schedule detailing gross values, accumulated depreciation and net values of intangible assets as of 31 December 2009 is as follows:

Cost

| (in €m) | Balance at 1 January 2009 | Exchange differences | Additions | Changes in consolidation scope | Reclassification | Disposals | Balance at 31 December 2009 |
|-------------------------------|---------------------------|----------------------|------------|--------------------------------|------------------|-------------|-----------------------------|
| Goodwill | 10,863 | 4 | 16 | 0 | (24) | 0 | 10,859 |
| Capitalised development costs | 988 | 11 | 53 | 0 | 1 | (1) | 1,052 |
| Other intangible assets | 1,522 | (1) | 195 | 0 | 24 | (46) | 1,694 |
| Total | 13,373 | 14 | 264 | 0 | 1 | (47) | 13,605 |

Amortisation

| (in €m) | Balance at 1 January 2009 | Exchange differences | Amortisation charge | Changes in consolidation scope | Reclassification | Disposals | Balance at 31 December 2009 |
|-------------------------------|---------------------------|----------------------|---------------------|--------------------------------|------------------|-----------|-----------------------------|
| Goodwill | (1,103) | (15) | 0 | 0 | 0 | 0 | (1,118) |
| Capitalised development costs | (107) | (1) | (146) | 0 | (1) | 0 | (255) |
| Other intangible assets | (992) | (2) | (217) | 0 | (4) | 43 | (1,172) |
| Total | (2,202) | (18) | (363) | 0 | (5) | 43 | (2,545) |

Net book value

| (in €m) | Balance at 1 January 2009 | Balance at 31 December 2009 |
|-------------------------------|---------------------------|-----------------------------|
| Goodwill | 9,760 | 9,741 |
| Capitalised development costs | 881 | 797 |
| Other intangible assets | 530 | 522 |
| Total | 11,171 | 11,060 |

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A schedule detailing gross values, accumulated depreciation and net values of intangible assets as of 31 December 2008 is as follows:

Cost

| (in €m) | Balance at 1 January 2008 | Exchange differences | Additions | Changes in consolidation scope | Reclassification | Disposals | Balance at 31 December 2008 |
|-------------------------------|---------------------------|----------------------|------------|--------------------------------|------------------|-------------|-----------------------------|
| Goodwill | 10,649 | (55) | 10 | 259 | 0 | 0 | 10,863 |
| Capitalised development costs | 958 | (46) | 87 | 0 | (11) | 0 | 988 |
| Other intangible assets | 1,303 | (9) | 233 | 79 | (6) | (78) | 1,522 |
| Total | 12,910 | (110) | 330 | 338 | (17) | (78) | 13,373 |

Amortisation

| (in €m) | Balance at 1 January 2008 | Exchange differences | Amortisation charge | Changes in consolidation scope | Reclassification | Disposals | Balance at 31 December 2008 |
|-------------------------------|---------------------------|----------------------|---------------------|--------------------------------|------------------|-----------|-----------------------------|
| Goodwill | (1,130) | 27 | 0 | 0 | 0 | 0 | (1,103) |
| Capitalised development costs | (58) | 3 | (56) | 0 | 4 | 0 | (107) |
| Other intangible assets | (890) | 9 | (180) | 0 | 6 | 63 | (992) |
| Total | (2,078) | 39 | (236) | 0 | 10 | 63 | (2,202) |

Net book value

| (in €m) | Balance at 1 January 2008 | Balance at 31 December 2008 |
|-------------------------------|---------------------------|-----------------------------|
| Goodwill | 9,519 | 9,760 |
| Capitalised development costs | 900 | 881 |
| Other intangible assets | 413 | 530 |
| Total | 10,832 | 11,171 |

GOODWILL IMPAIRMENT TESTS

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

As of 31 December 2009 and 2008, goodwill was allocated to CGUs, which is summarised in the following schedule on segment level:

| (in €m) | Airbus Commercial | Airbus Military | Eurocopter | Defence & Security | Astrium | Other Businesses | HQ/Conso. | Consolidated |
|---------------------------------|-------------------|-----------------|------------|--------------------|---------|------------------|-----------|--------------|
| Goodwill as of 31 December 2009 | 6,425 | 12 | 111 | 2,503 | 604 | 60 | 26 | 9,741 |
| Goodwill as of 31 December 2008 | 6,374 | 12 | 111 | 2,559 | 619 | 59 | 26 | 9,760 |

GENERAL ASSUMPTIONS APPLIED IN THE PLANNING PROCESS

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

The operative planning which was presented to the Board of directors takes into account general economic data derived from external macroeconomic and financial studies. The operative planning assumptions reflect for the periods under review specific inflation rates and future labour expenses in the European countries where the major production facilities are located. Regarding the expected future labour expenses, an increase of 1 to 2% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA. With regard to the A400M programme no other specific assumptions have been taken different from those used for the preparation of these Consolidated Financial Statements (see Note 3 "Accounting for the A400M programme").

EADS follows an active policy of foreign exchange risk hedging. As of 31 December 2009, the total hedge portfolio with maturities up to 2016 amounts to US\$61 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2010 to 2014). The average US\$/€ hedge rate of the US\$/€ hedge portfolio until 2016 amounts to 1.39 US\$/€ and for the US\$/GBP hedge portfolio until 2015 amounts to 1.73 US\$/GBP. For the determination of the operative planning in the CGUs management assumed future exchange rates of 1.45 US\$/€ for 2010 onwards to convert in € the portion of future US\$ which are not hedged. Foreign exchange exposure arises mostly from Airbus and to a lesser extent from the other EADS Divisions.

The assumption for the perpetuity growth rate used to calculate the terminal values as of 31 December 2009 has been determined with 1% (previous years: 1%). This assumption is lower than experienced in past economic cycles in order to reflect current uncertainty regarding market developments in the long-term.

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

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

AIRBUS COMMERCIAL

The goodwill allocated to Airbus Commercial relates to the contributions of Airbus Operations Ltd. (U.K.), Airbus Operations GmbH (Germany) and Airbus Operation SL (Spain). It has been increased in 2009 by the allocation of the goodwill from the Defence & Security Division attached to the Augsburg plant in the frame of the creation of Premium AEROTEC GmbH (Germany).

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

- Projected cash flows for the next five years were presented to EADS Board of directors in the frame of the operative plan. This planning scenario takes into account the pause in production ramp-up as publicly disclosed on 15 October 2008 and a restart of production ramp-up in 2011. In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a Terminal Value. The Terminal Value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade.
- Long-term commercial assumptions are based on General Market Forecast updated in 2009. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market uncertainties are considered through sensitivities. Cash flow projections include all of the estimated cost savings of the Power8 programme as well as expected benefits from initiatives already launched in the frame of Future EADS.
- Cash flows are discounted using a Euro weighted average cost of capital pre-tax (WACC) of 12.8% (in 2008: 13%).
- Carrying values as well as planned cash flows include impacts from the existing hedge portfolio as per end December 2009.

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

The recoverable amount is particularly sensitive to the following areas:

- A change of the Euro against the US\$ by 5 cents would lead to a change of the recoverable amount by €+3.1 billion (if 5 cents in decrease), €-3.2 billion (if 5 cents in addition).

- Stable production rate at 2010 level over the next five years for Long Range and Single Aisle programmes would deteriorate the recoverable amount by €-2.1 billion.
- An increase of 50 basis points in the WACC would change the recoverable amount by €-1 billion, a decrease of 50 basis points in the WACC by €+1.1 billion.

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

AIRBUS MILITARY

For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 10.2% (in 2008: 11.8% for MTAD).

A400M launch order from OCCAR is included as per assumptions used for the preparation of these Consolidated Financial Statements (see Note 3 "Accounting for the A400M programme"). Operative planning presented to the Board of directors has been adjusted according to assessed outcome of the on-going negotiations with the Nations as A400M launch customers. This adjusted plan is the reference for projected cash flows for the next five years. Expected cash flows generated beyond the planning horizon are considered through a Terminal Value. The Terminal Value reflects management's assessment of a normative operating year.

OTHER SEGMENTS

In order to reflect the different underlying business risks, a segment specific WACC factor has been applied. For Eurocopter the cash flows were discounted using a weighted average cost of capital pre-tax (WACC) of 10.2% (in 2008: 11.8%), while the calculation for the more defence related CGUs like Defence & Security and Astrium applied a pre-tax WACC of 9.7% (in 2008: 11.2%). Cash flow projections are based on operative planning covering a five-year planning period.

For the Defence & Security Division, a sustainable growth in revenues is assumed in the operative planning. This is driven by a strong order backlog and further key orders expected in the next years, as for example Eurofighter contracts, ramp-up in Unmanned Aerial Vehicles ("UAV"), Missile export orders and for Security and Communication Solutions, Electronic Warfare and Radar business. The operating margin of the division is expected to increase over the operative planning period thanks to the constant volume growth and benefiting from initiated cost saving programmes.

The order book of the Astrium Division as of 31 December 2009 (including satellites, launchers, ballistic missiles and military telecom services) supports the strong revenue increase which is assumed for this division over the operative planning period. Based on key achievements in 2009, like the successful launch of ComsatBW 1, Hotbird 10 and Amazonas 2 as well as 7 successful Ariane 5 launches and the Skynet 5 Full Operational Service milestone acceptance, the planning period is also characterised by business development in telecom and earth observation services and further order intake in established key areas (e.g. M51, telecom satellites). The operating margin and the Free Cash Flow are planned to increase continuously supported by existing improvement programmes.

The recoverable amounts of all CGUs have exceeded their carrying amounts, indicating no goodwill impairment for 2009 and 2008.

DEVELOPMENT COSTS

EADS has capitalised development costs in the amount of €797 million as of 31 December 2009 (€881 million as of 31 December 2008) as internally generated intangible assets mainly for the Airbus A380 programme. The amortisation for the A380 programme development costs has started when the aircraft entered the final assembly line, on a unit of production basis.

15. Property, plant and equipment

Schedules detailing gross values, accumulated depreciation and net values of property, plant and equipment show the following as of 31 December 2009:

Cost

| (in €m) | Balance at 1 January 2009 | Exchange differences | Additions | Reclassification | Disposals | Balance at 31 December 2009 |
|--|---------------------------------|-------------------------|--------------|------------------|--------------|-----------------------------------|
| Land, leasehold improvements and buildings including buildings on land owned by others | 6,626 | 27 | 72 | 209 | (96) | 6,838 |
| Technical equipment and machinery | 10,784 | 216 | 252 | 769 | (153) | 11,868 |
| Other equipment, factory and office equipment | 3,348 | 8 | 194 | 125 | (154) | 3,521 |
| Construction in progress | 1,729 | 43 | 1,193 | (1,065) | (23) | 1,877 |
| Total | 22,487 | 294 | 1,711 | 38 | (426) | 24,104 |

Depreciation

| (in €m) | Balance at 1 January 2009 | Exchange differences | Additions | Reclassification | Disposals | Balance at 31 December 2009 |
|--|---------------------------------|-------------------------|----------------|------------------|------------|-----------------------------------|
| Land, leasehold improvements and buildings including buildings on land owned by others | (2,620) | (4) | (308) | 15 | 82 | (2,835) |
| Technical equipment and machinery | (5,867) | (114) | (828) | 27 | 114 | (6,668) |
| Other equipment, factory and office equipment | (1,805) | (14) | (244) | (32) | 46 | (2,049) |
| Construction in progress | (39) | 0 | (7) | 2 | 0 | (44) |
| Total | (10,331) | (132) | (1,387) | 12 | 242 | (11,596) |

Net book value

| (in €m) | Balance at 1 January 2009 | Balance at 31 December 2009 |
|--|---------------------------------|-----------------------------------|
| Land, leasehold improvements and buildings including buildings on land owned by others | 4,006 | 4,003 |
| Technical equipment and machinery | 4,917 | 5,200 |
| Other equipment, factory and office equipment | 1,543 | 1,472 |
| Construction in progress | 1,690 | 1,833 |
| Total | 12,156 | 12,508 |

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Schedules detailing gross values, accumulated depreciation and net values of property, plant and equipment show the following as of 31 December 2008:

Cost

| (in €m) | Balance at 1 January 2008 | Exchange differences | Additions | Change in consolidation scope | Reclassification | Disposals | Balance at 31 December 2008 |
|--|---------------------------------|-------------------------|--------------|-------------------------------------|------------------|--------------|-----------------------------------|
| Land, leasehold improvements and buildings including buildings on land owned by others | 6,472 | (108) | 148 | (17) | 150 | (19) | 6,626 |
| Technical equipment and machinery | 11,134 | (857) | 283 | (18) | 430 | (188) | 10,784 |
| Other equipment, factory and office equipment | 3,856 | (4) | 146 | 10 | (16) | (644) | 3,348 |
| Construction in progress | 2,474 | (222) | 940 | 0 | (1,450) | (13) | 1,729 |
| Total | 23,936 | (1,191) | 1,517 | (25) | (886) | (864) | 22,487 |

Depreciation

| (in €m) | Balance at 1 January 2008 | Exchange differences | Additions | Change in consolidation scope | Reclassification | Disposals | Balance at 31 December 2008 |
|--|---------------------------------|-------------------------|----------------|-------------------------------------|------------------|------------|-----------------------------------|
| Land, leasehold improvements and buildings including buildings on land owned by others | (2,424) | 21 | (265) | 13 | 35 | 0 | (2,620) |
| Technical equipment and machinery | (6,192) | 462 | (832) | 15 | 492 | 188 | (5,867) |
| Other equipment, factory and office equipment | (1,882) | 4 | (242) | 0 | 16 | 299 | (1,805) |
| Construction in progress | (45) | 0 | 0 | 0 | 6 | 0 | (39) |
| Total | (10,543) | 487 | (1,339) | 28 | 549 | 487 | (10,331) |

Net book value

| (in €m) | Balance at 1 January 2008 | Balance at 31 December 2008 |
|--|---------------------------------|-----------------------------------|
| Land, leasehold improvements and buildings including buildings on land owned by others | 4,048 | 4,006 |
| Technical equipment and machinery | 4,942 | 4,917 |
| Other equipment, factory and office equipment | 1,974 | 1,543 |
| Construction in progress | 2,429 | 1,690 |
| Total | 13,393 | 12,156 |

Property, plant and equipment include at 31 December 2009 and 2008, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of €124 million and €131 million, net of accumulated depreciation of €37 million and €105 million. The related depreciation expense for 2009 was €8 million (2008: €10 million; 2007: €12 million). Property, plant and equipment used for the A400M programme amounts to €755 million (2008: €722 million), see Note 3 “Accounting for the A400M programme”.

Other equipment, factory and office equipment include the net book value of “aircraft under operating lease” for €703 million and €878 million as of 31 December 2009

and 2008, respectively; related accumulated depreciation is €733 million and €733 million. Depreciation expense for 2009 amounts to €49 million (2008: €71 million; 2007: €105 million).

The “aircraft under operating lease” include:

- i) Group’s sales finance activity in the form of aircraft which have been leased out to customers and are classified as operating leases: They are reported net of the accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 34 “Commitments and contingencies” for details on sales financing transactions).

The corresponding non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at 31 December 2009 are as follows:

| (in €m) | |
|---|------------|
| Not later than 2010 | 38 |
| Later than 2010 and not later than 2014 | 84 |
| Later than 2014 | 18 |
| Total | 140 |

- ii) Aircraft which have been accounted as “operating lease” because they were sold under terms that include asset value guarantee commitments with the present value of the guarantee being more than 10% of the aircraft’s sales price (assumed to be the fair value). Upon the initial sale of these aircraft to the customer, their total cost previously

recognised in inventory is transferred to “Other equipment, factory and office equipment” and depreciated over its estimated useful economic life, with the proceeds received from the customer being recorded as deferred income (see Note 31 “Deferred income”).

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

| (in €m) | 31 December 2009 | 31 December 2008 |
|---|------------------|------------------|
| (i) Net book value of aircraft under operating lease before impairment charge | 341 | 433 |
| Accumulated impairment | (70) | (52) |
| Net book value of aircraft under operating lease | 271 | 381 |
| (ii) Aircraft under operating lease with the present value of the guarantee being more than 10% | 432 | 497 |
| Total Net Book value of aircraft under operating lease | 703 | 878 |

For details please refer to Note 34 “Commitment and contingencies”.

16. Investment property

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

| (in €m) | Historical cost | Accumulated depreciation 31 December 2008 | Book value 31 December 2008 | Reclass and Disposals Historical cost | Depreciation Amortisation | Accumulated depreciation 31 December 2009 | Book value 31 December 2009 |
|-----------------------------------|-----------------|---|-----------------------------|---------------------------------------|---------------------------|---|-----------------------------|
| Book value of Investment Property | 212 | (125) | 87 | 1 | (10) | (135) | 78 |

As of 31 December 2009, the fair value of the Group's investment property amounts to €86 million (in 2008: €88 million). For the purposes of IAS 40 "Investment property", the fair values have been determined by using external appraisal reports or using discounted cash

flow projections for estimated rental income less rental expenses. Related rental income in 2009 is €10 million (in 2008: €8 million) with direct operating expenses amounting to €2 million (in 2008: €3 million).

17. Investments in associates accounted for under the equity method, other investments and other long-term financial assets

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

| (in €m) | 31 December 2009 | 31 December 2008 |
|---|------------------|------------------|
| Investments in associates accounted for under the equity method | 2,514 | 2,356 |
| Non-current other investments and other long-term financial assets | | |
| Other investments | 380 | 320 |
| Other long-term financial assets | 1,830 | 1,392 |
| Total | 2,210 | 1,712 |
| Current portion of other long-term financial assets | 230 | 177 |

Investments in associates accounted for under the equity method as of 31 December 2009 and 2008, mainly comprise EADS' interest in Dassault Aviation (46.32% at 31 December 2009 and 2008) of €2,380 million and €2,243 million. Since for the second half-year 2009 no financial information is available yet from Dassault Aviation at the date of authorisation for issue of 2009 financial statements, EADS used a best estimate for the net income of the second half year 2009 of Dassault Aviation. Furthermore, the equity investment income from Dassault Aviation includes an IFRS catch-up adjustment as well as direct recognitions in equity (AOCI) with regard to restatements for different treatments of

actuarial gains and losses of pensions. The 30 June 2009 equity components have been used to estimate the 2009 year-end consolidated equity position of Dassault Aviation.

Since also for the second half-year 2008 no financial information was available from Dassault Aviation at the date of authorisation for issue of 2008 financial statements, the net income of the second half year 2007 of Dassault Aviation had been used as the second half year's net income for 2008 and the 30 June 2008 equity components had been used to estimate the 2008 year-end consolidated equity position of Dassault Aviation. For the first semester 2008 Dassault Aviation

published a net income of €167 million which had been recognised by EADS in accordance with its share of 46.32%, amounting to €77 million.

EADS' 46.32% interest in Dassault Aviation's market capitalisation, derived from an observable free float of 3.5%, amounts to €2,462 million as of 31 December 2009.

The following table illustrates summarised financial information of the EADS investment of 46.32% in Dassault Aviation:

| (in €m) | 30 June 2009 | 31 December 2008 |
|---|-------------------------|-------------------------|
| Share of the associate's balance sheet: | | |
| Non-current assets | 2,636 | 2,098 |
| Current assets | 2,522 | 2,429 |
| Non-current liabilities | 200 | 103 |
| Current liabilities | 3,023 | 2,550 |
| Total equity | 1,935 | 1,874 |
| Share of the associate's revenues and profit: | | |
| | 6 months | 12 months |
| Net Sales | 641 | 1,736 |
| Net Income | 55 | 173 |
| | 31 December 2009 | 31 December 2008 |
| Carrying amount of the investment at 31 December | 2,380 | 2,243 |

In 2009, the participation in OnAir B.V. is accounted for under the equity method amounting to €12 million (in 2008 presented in other investments €24 million). Subsequent the sale of 70% in Socata and Socata Aircraft (USA) as of 7 January 2009, the participation is accounted for under the equity method with book value of €3 million.

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

Other investments comprise EADS' investments in various non-consolidated entities, the most significant being at 31 December 2009, the participations in AviChina amounting

to €67 million (2008: €23 million) and in Hua-Ou Aviation Support Center and Hua-Ou Aviation Training Center amounting to €21 million (2008: €20 million).

Other long-term financial assets of €1,830 million (2008: €1,392 million) and the **current portion of other long-term financial assets** of €230 million (in 2008: €177 million) encompass mainly the Group's sales finance activities in the form of finance lease receivables and loans from aircraft financing. They are reported net of accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 34 "Commitments and contingencies" for details on sales financing transactions).

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

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Outstanding gross amount of loans to customers | 757 | 504 |
| Accumulated impairment | (67) | (98) |
| Total net book value of loans | 690 | 406 |

Finance lease receivables from aircraft financing are as follows:

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Minimum lease payments receivables | 932 | 863 |
| Unearned finance income | (87) | (15) |
| Accumulated impairment | (91) | (146) |
| Total net book value of finance lease receivables | 754 | 702 |

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

| (in €m) | |
|---|------------|
| Not later than 2010 | 165 |
| Later than 2010 and not later than 2014 | 535 |
| Later than 2014 | 232 |
| Total | 932 |

Additionally included are €616 million and €461 million of other loans as of 31 December 2009 and 2008, *e.g.* loans to employees.

Defeased bank deposits of €306 million and €373 million as of 31 December 2009 and 2008, respectively have been offset against financing liabilities.

18. Inventories

Inventories at 31 December 2009 and 2008 consist of the following:

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Raw materials and manufacturing supplies | 1,736 | 1,706 |
| Work in progress | 13,899 | 12,253 |
| Finished goods and parts accounted for at lower of cost and net realisable value | 1,804 | 1,829 |
| Advance payments to suppliers | 4,138 | 3,664 |
| Total | 21,577 | 19,452 |

The increase in work in progress of €1,646 million is mainly driven by Airbus Commercial programmes, governmental and commercial programmes at Eurocopter and higher unfinished goods at Defence & Security. The increase of advance payments provided to suppliers mainly reflects activities at Astrium's launcher business.

The finished goods and parts for resale before write-down to net realisable value amount to €2,215 million in 2009 (2008: €2,181 million) and work in progress before

write-down to net realisable value amounts to €15,136 million (2008: €13,656 million). Write downs for finished goods and services are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2009, write downs of inventories in the amount of €-593 million are recognised in Cost of Sales, whereas reversal of write downs amounts to €19 million. The impairment charges in 2009 and 2008 for work in progress mainly relate to the A380 programme.

19. Trade receivables

Trade receivables at 31 December 2009 and 2008 consist of the following:

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Receivables from sales of goods and services | 5,951 | 5,624 |
| Allowance for doubtful accounts | (364) | (357) |
| Total | 5,587 | 5,267 |

Trade receivables are classified as current assets. As of 31 December 2009 and 2008, respectively, €270 million and €108 million of trade receivables are not expected to be collected within one year.

In application of the **percentage of completion (PoC)** method, as of 31 December 2009 an amount of €2,348 million (in 2008: €1,731 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses) to date** amounts to €35,446 million comparable to €28,366 million at year-end 2008.

The **gross amount due from customers** for construction work amounts to €4,185 million (in 2008: €3,832 million) and relates to construction contracts where incurred contract costs plus recognised profits less the sum of recognised losses exceed progress billings.

The **gross amount due to customer** amounts to €2,565 million (in 2008: €1,451 million) and corresponds to the construction contracts whose total of incurred contract costs plus recognised profits less the sum of recognised losses and progress billings is negative.

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

| (in €m) | 2009 | 2008 |
|-----------------------------------|--------------|--------------|
| Allowance balance at 1 January | (357) | (387) |
| Utilisations/disposals | 13 | 31 |
| Additions/release | (13) | (2) |
| Foreign exchange rate differences | (7) | 1 |
| 31 December | (364) | (357) |

Based on historic default rates, the Group believes that no allowance for doubtful accounts is necessary in respect of trade receivables not past due in the amount of €4,391 million (in 2008: €4,098 million).

20. Other financial assets

Other financial assets at 31 December 2009 and 2008 consist of the following:

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Non-current other financial assets | | |
| Positive fair values of derivative financial instruments | 1,307 | 1,101 |
| Option premiums | 32 | 323 |
| Others | 268 | 188 |
| Total | 1,607 | 1,612 |
| Current other financial assets | | |
| Positive fair values of derivative financial instruments | 937 | 1,482 |
| Receivables from related companies | 722 | 533 |
| Loans | 41 | 70 |
| Others | 343 | 410 |
| Total | 2,043 | 2,495 |

21. Other assets

Other assets at 31 December 2009 and 2008 consist of the following:

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Non-current other assets | | |
| Prepaid expenses | 894 | 849 |
| Capitalised settlement payments to German Government | 103 | 133 |
| Others | 179 | 52 |
| Total | 1,176 | 1,034 |
| Current other assets | | |
| Value Added Tax claims | 810 | 695 |
| Prepaid expenses | 507 | 463 |
| Others | 381 | 308 |
| Total | 1,698 | 1,466 |

The capitalised settlement payments to the German Government are related to refundable advances which are amortised through the income statement (in cost of sales) at the delivery pace of the corresponding aircraft.

22. Securities

The Group's security portfolio amounts to €8,055 million and €6,952 million as of 31 December 2009 and 2008, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of €3,702 million (in 2008: €2,759 million) and securities designated at fair value through profit and loss of €281 million (in 2008: €281 million) as well as a **current portion** of available-for-sale-securities of €3,749 million (in 2008: €3,461 million) and securities designated at fair value through profit and loss of €323 million (in 2008: €451 million).

Included in the securities portfolio as of 31 December 2009 and 2008, respectively are corporate bonds bearing either fixed rate coupons (€6,031 million nominal value; comparably in 2008: €3,941 million) or floating rate coupons (€1,093 million nominal value; comparably in 2008: €1,994 million) as well as Structured Rate Notes (€265 million nominal value; 2008: €365 million), Money Market Funds (€323 million nominal value, 2008: €451 million) and Notes of Hedgefunds (€275 million nominal value; 2008: €275 million).

23. Non-current assets / disposal groups classified as held for sale

At 31 December 2009 EADS Group does not account for any **non-current assets / disposal groups classified as held for sale** (2008: €263 million). The disposal group in 2008 included **liabilities directly associated with non-current assets classified as held for sale** amounting to €155 million.

On 3 November 2008, EADS and DAHER announced the conclusion of the agreement for DAHER to acquire a 70% majority share in EADS Socata and Socata Aircraft (USA) which were sold on 7 January 2009. The assets and liabilities of these companies were thus presented as held for sale as of 31 December 2008 and presented in "Other Businesses".

In 2008, EADS had continuing negotiations with GKN to divest its Airbus site in Filton (UK). The closing of the sale is effective since 5 January 2009. The respective assets and liabilities of Filton factory were therefore shown as held for sale as of 31 December 2008.

The non-current assets / disposal groups classified as held for sale comprised as of 31 December 2008 intangible assets of €7 million, property, plant and equipment of €42 million, other non-current assets of €11 million, other current assets of €107 million and cash and securities in the amount of €2 million for the Socata business. Included were also Airbus assets relating to Filton site of €94 million concerning property, plant and equipment of €57 million and inventories of €37 million.

As of 31 December 2008, the corresponding liabilities for the Socata business accounted for as **Liabilities directly associated with non-current assets classified as held for sale** amounted to €154 million and comprised non-current provisions (€27 million), non-current other liabilities (€16 million), current provisions (€3 million) and current other liabilities (€108 million). Additionally included were non-current other liabilities (€1 million) for the Airbus site in Filton.

24. Total equity

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

| Number of shares | 2009 | 2008 |
|--------------------------------------|--------------------|--------------------|
| Issued as at 1 January | 814,769,112 | 814,014,473 |
| Issued for ESOP | 1,358,936 | 2,031,820 |
| Issued for exercised options | 0 | 14,200 |
| Cancelled | (22,987) | (1,291,381) |
| Issued as at 31 December | 816,105,061 | 814,769,112 |
| Treasury shares as at 31 December | (5,196,450) | (5,259,965) |
| Outstanding as at 31 December | 810,908,611 | 809,509,147 |

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

On 27 May 2009, the Shareholders' General Meeting of EADS renewed the authorisation given to the Board of directors to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital, provided that such powers will be limited to 1% of the Company's authorised capital from time to time and to limit or exclude preferential subscription rights, in both cases for a period expiring at the Shareholders' General Meeting to be held in 2011. The mentioned powers include without limitation the approval of share-related long-term incentive plans (such as stock option, performance and restricted share plans) and employee share ownership plans. They may also include the granting of rights to subscribe for shares which can be exercised at a time that may be specified in or pursuant to such plans and the issue of shares to be paid up from freely distributable reserves.

The Shareholders' General Meeting on 27 May 2009, renewed the authorisation given to the Board of directors for a new period of 18 months from the date of the Annual General Meeting to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company will not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out. This authorisation supersedes and replaces the authorisation given by the Annual General Meeting of 26 May 2008.

Furthermore, the Shareholders' General Meeting authorised both the Board of directors and the Chief Executive Officer, with powers of substitution, to cancel up to a maximum of 22,987 shares. As per decision of the Chief Executive Officer, on 31 July 2009, 22,987 treasury shares have been cancelled.

On 27 May 2009, the Shareholders' General Meeting also decided to distribute a gross amount of €0.20 per share, which was paid on 8 June 2009. Exceptionally, due to the significant loss in the fiscal year 2009, the EADS Board of directors recommends no cash distribution payment for 2009.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options (in 2009: €0, in 2008: €14,200) in compliance with the implemented stock option plans and by employees (in 2009: €1,358,936, in 2008: €2,031,820) under the Employee Stock Ownership Plans.

Share premium mainly results from contributions in kind in the course of the creation of EADS, cash contributions from the Initial Public Offering, capital increases and reductions due to the issuance and cancellation of shares as well as cash distributions to EADS N.V. shareholders. Other reserves include among others retained earnings, reduced by the recognition of actuarial gains and losses of pension obligations, net of deferred taxes. Accumulated other comprehensive income consists of all amounts recognised directly in equity resulting from changes in fair value of financial instruments that are classified as available-for-sale (€561 million) or that form part of hedging relationships in effective cash-flow hedges (€828 million) as well as from currency translation adjustments of foreign operations (€1,257 million). In 2009, €108 million are reclassified from currency translation adjustments to profit and loss (thereof €33 million related to the sale of the Filton site). Treasury shares represent the amount paid for own shares held in treasury.

25. Capital Management

EADS seeks to maintain a strong financial profile to safeguard its going concern, financial flexibility as well as shareholders' and other stakeholders' confidence in the Group.

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

EADS' long-term rating was reconfirmed on 6 June 2009 from Standard & Poor's with BBB+ (Outlook: stable) and Moody's Investors Service also reconfirmed on 10 July 2009 its rating with A1 (Outlook: stable) respectively. In accordance with its conservative financial policy it is essential for EADS to maintain an investment grade rating.

EADS' management uses Economic Profit as a primary performance measure for capital management. Economic Profit is defined as "Net operating profit after taxes" less the cost of capital, *i.e.* the weighted average cost of capital (WACC) multiplied by the capital employed in the business.

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

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

EADS complies with the capital requirements under applicable law and its articles of association.

26. Provisions

Provisions are comprised of the following:

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Provision for retirement plans (see Note 26B) | 5,090 | 4,387 |
| Provision for deferred compensation (see Note 26A) | 216 | 159 |
| Retirement plans and similar obligations | 5,306 | 4,546 |
| Other provisions (see Note 26C) | 8,714 | 7,516 |
| Total | 14,020 | 12,062 |
| Thereof non-current portion | 8,137 | 7,479 |
| Thereof current portion | 5,883 | 4,583 |

As of 31 December 2009 and 2008, respectively, €5,080 million and €4,335 million of retirement plans and similar obligations and €3,057 million and €3,144 million of other provisions mature after more than one year.

A) PROVISIONS FOR DEFERRED COMPENSATION

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



B) PROVISIONS FOR RETIREMENT PLANS

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

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

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

Certain employees that are not covered by the new plan receive retirement indemnities based on salary earned in the last year or on an average of the last three years of employment. For some executive employees, benefits are depending on final salary at the date of retirement and the time period as executive. In Q4 2007, EADS implemented a Contractual Trust Arrangement (CTA) for EADS' pension obligation. The CTA structure is that of a bilateral trust arrangement. Assets that are transferred to the CTA qualify as plan assets under IAS 19.

In the UK, EADS participates in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. These plans qualify as multi-employer defined benefit plans under IAS 19 "Employee Benefits". EADS' most significant investments in terms of employees participating in these BAE Systems UK pension plans are Airbus UK and MBDA UK. For Airbus, this remains the case even subsequent to the acquisition of BAE Systems' 20% minority interests on 13 October 2006. Participating Airbus UK employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between EADS and BAE Systems and a change in UK pensions legislation enacted in April 2006.

Generally, based on the funding situation of the respective pension schemes, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the schemes. The different UK pension plans in which EADS investments participate are currently underfunded. BAE Systems has agreed with the trustees various measures designed to make good the underfunding.

These include i) regular contribution payments for active employees well above such which would prevail for funded plans and ii) extra employers' contributions.

Due to the contractual arrangements between EADS and BAE Systems, EADS' contributions in respect of its investments for the most significant pension scheme (Main Scheme) are capped for a defined period of time (until July 2011 for Airbus UK and until December 2007 for MBDA UK). Contributions exceeding the respective capped amounts are paid by BAE Systems. EADS is therefore neither exposed to increased regular contribution payments resulting from the pension plans' underfunding nor to a participation in extra contribution payments during the period of the contribution caps. Even after the expiry of the contribution caps the unique funding arrangements between BAE Systems and EADS create a situation for EADS different from common UK multi-employer plans with special regulations limiting regular contributions that have to be paid by Airbus UK and MBDA UK to rates applicable to all participating employers.

Based on detailed information about the different multi-employer pension schemes which BAE Systems has started to share since 31 December 2006, EADS is able to appropriately and reliably estimate the share of its participation in the schemes, *i.e.* its share in plan assets, defined benefit obligations (DBO) and pension costs. The information enables EADS to derive keys per plan to allocate for accounting purposes an appropriate proportion in plan assets, defined benefit obligations and pension costs to its UK investments as of 31 December 2009 and 2008, taking into account the impact of the capped contributions as well as future extra contributions agreed by BAE Systems with the Trustees. Therefore, EADS accounts for its participation in BAE Systems' UK defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

In 2009, the share of Airbus in BAE Systems' main schemes amounts to 17.41% (in 2008: 19.63%). The impact of this change is mainly reflected in actuarial gains and losses of the period.

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

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

| Assumptions in % | Euro-countries ⁽¹⁾ | | | EADS UK | | | BAE Systems UK | | |
|--------------------------------|-------------------------------|----------|-----------|-------------|------|------|----------------|------|------|
| | 31 December | | | 31 December | | | 31 December | | |
| | 2009 | 2008 | 2007 | 2009 | 2008 | 2007 | 2009 | 2008 | 2007 |
| Discount rate | 5.25-5.3 | 5.6-5.85 | 5.25-5.35 | 5.7 | 6.5 | 5.8 | 5.7 | 6.3 | 5.8 |
| Rate of compensation increase | 2.75-3.5 | 3.0-3.5 | 3.0 | 4.1 | 4.1 | 4.2 | 4.5 | 3.9 | 4.3 |
| Inflation rate | 1.75-2.0 | 1.8-2.25 | 1.9-2.0 | 3.5 | 3.0 | 3.1 | 3.5 | 2.9 | 3.3 |
| Expected return on plan assets | 6.5 | 6.5 | 7.0 | 5.8 | 5.8 | 5.8 | 7.1 | 7.1 | 7.0 |

(1) Euro-countries comprise Germany and France respectively.

The amount recorded as provision on the balance sheet can be derived as follows:

Change in defined benefit obligations

| (in €m) | 2009 | 2008 | 2007 |
|---|--------------|--------------|--------------|
| Defined benefit obligations at beginning of year | 7,777 | 8,573 | 9,584 |
| Service cost | 189 | 191 | 213 |
| Interest cost | 450 | 449 | 429 |
| Plan amendments | 0 | 0 | 22 |
| Actuarial (gains) and losses | 634 | (390) | (729) |
| Acquisitions, curtailments and other | (21) | 26 | (42) |
| Benefits paid | (352) | (352) | (383) |
| Foreign currency translation adjustment | 168 | (720) | (298) |
| Change in consolidation ⁽¹⁾ | 0 | 0 | (223) |
| Defined benefit obligations at end of year | 8,845 | 7,777 | 8,573 |

(1) Reflects the change in the percentage of the proportional consolidation of MBDA from 50% in 2006 to 37.5% in 2007.

Actuarial losses which are related to the BAE Systems UK pension plans amount to €269 million (2008: actuarial gains of €-188 million) and foreign currency translation adjustment amounts to €159 million (2008: €-656 million).

Change in plan assets

| (in €m) | 2009 | 2008 | 2007 |
|---|--------------|--------------|--------------|
| Fair value of plan assets at beginning of year | 3,335 | 4,031 | 3,833 |
| Actual return on plan assets | 270 | (457) | 119 |
| Contributions | 173 | 436 | 683 |
| Acquisitions and other | 0 | 80 | 18 |
| Benefits paid | (202) | (200) | (223) |
| Foreign currency translation adjustments | 130 | (555) | (242) |
| Change in consolidation ⁽¹⁾ | 0 | 0 | (157) |
| Fair value of plan assets at end of year | 3,706 | 3,335 | 4,031 |

(1) Reflects the change in the percentage of the proportional consolidation of MBDA from 50% in 2006 to 37.5% in 2007.

The actual return on plan assets includes among others, also €153 million (2008: €-280 million) relating to the BAE Systems' UK pension plans. Furthermore, €116 million

(2008: €-504 million) of foreign currency translation adjustments and €-102 million (2008: €-106 million) of benefits paid result from BAE Systems' UK pension plans.

In 2007, EADS implemented a Contractual Trust Arrangement (CTA) for allocating and generating plan assets in accordance with IAS 19. On 28 October 2007, some EADS companies contributed in total €500 million in cash and securities as an initial funding of the CTA. In 2009, EADS companies

did not contribute to the CTA (2008: in total €300 million in cash). In 2010, further contributions are intended. Main contributions were made into the relief fund in Germany with €70 million (2008: €57 million) and the BAE Systems UK pension plans with €66 million (2008: €61 million).

Based on past experience, EADS expects a rate of return for plan assets of 6.5% for Euro-countries. In 2009, about 47% (in 2008: about 41%) of plan assets are invested in equity securities. The remaining plan assets are invested mainly in debt instruments and cash.

Recognised Provision

| (in €m) | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|--------------|--------------|--------------|--------------|--------------|
| Funded status ⁽¹⁾ | 5,139 | 4,442 | 4,542 | 5,751 | 5,128 |
| Unrecognised past service cost | (49) | (55) | (25) | (4) | (4) |
| Provision recognised in Balance Sheet | 5,090 | 4,387 | 4,517 | 5,747 | 5,124 |

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

The defined benefit obligation at the end of the year is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting

from employee service in the current and prior periods. The provision contains the funded status less any unrecognised past service cost.

The components of the net periodic pension cost, included in “Profit (loss) before finance costs and income taxes”, are as follows:

| (in €m) | 2009 | 2008 | 2007 |
|----------------------------------|------------|------------|------------|
| Service cost | 189 | 191 | 213 |
| Interest cost | 450 | 449 | 429 |
| Expected return on plan assets | (221) | (278) | (260) |
| Past service cost | 6 | 4 | 3 |
| Net periodic pension cost | 424 | 366 | 385 |

The expected return on plan assets for BAE Systems’ UK pension plans amounts to €-111 million (in 2008: €-161 million).

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

Actuarial gains and losses recognised directly in total equity

| (in €m) | 2009 | 2008 | 2007 |
|--|----------------|----------------|----------------|
| Cumulative amount at 1 January | (1,546) | (1,200) | (1,808) |
| Recognised during the period ⁽¹⁾ | (585) | (346) | 608 |
| Cumulative value at 31 December | (2,131) | (1,546) | (1,200) |
| Deferred Tax Asset at 31 December | 368 | 259 | 226 |
| Actuarial gains and losses recognised directly in equity, net | (1,763) | (1,287) | (974) |

(1) Included in 2007 is the change in the percentage of the proportional consolidation of MBDA from 50% in 2006 to 37.5% (€37 million).

Contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2009 amount to €605 million.

C) OTHER PROVISIONS

Movements in provisions during the year were as follows:

| (in €m) | Balance at 1 January 2009 | Exchange differences | Increase from passage of time | Additions | Reclassification/ Change in consolidated group | Used | Released | Balance at 31 December 2009 |
|--|---------------------------|----------------------|-------------------------------|--------------|--|----------------|--------------|-----------------------------|
| Contract losses | 2,198 | 2 | 106 | 1,966 | 75 | (804) | (64) | 3,479 |
| Outstanding costs | 1,573 | 5 | 0 | 713 | (59) | (531) | (108) | 1,593 |
| Aircraft financing risks | 905 | (26) | 45 | 37 | 12 | (21) | 0 | 952 |
| Restructuring measures/pre-retirement part-time work | 619 | 2 | 17 | 90 | 0 | (138) | (162) | 428 |
| Personnel charges | 430 | 0 | 0 | 233 | (1) | (212) | (16) | 434 |
| Obligation from services and maintenance agreements | 372 | 0 | 21 | 113 | (1) | (94) | 0 | 411 |
| Warranties | 191 | 0 | 0 | 97 | 6 | (67) | (22) | 205 |
| Litigation and claims | 126 | 0 | 0 | 71 | 6 | (11) | (5) | 187 |
| Asset retirement | 95 | 0 | 0 | 3 | 0 | 0 | 0 | 98 |
| Other risks and charges | 1,007 | 2 | 10 | 388 | (69) | (231) | (180) | 927 |
| Total | 7,516 | (15) | 199 | 3,711 | (31) | (2,109) | (557) | 8,714 |

The provision for contract losses mainly relates to Airbus Military in conjunction with the A400M (see Note 3 “Accounting for the A400M programme”) and to the A350 programme in Airbus Commercial.

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

The provision for aircraft financing risks fully covers, in line with the Group’s policy for sales financing risk, the net exposure to aircraft financing of €295 million (€301 million at 31 December 2008) and asset value risks of €657 million (€604 million at 31 December 2008) related to Airbus,

Eurocopter and ATR (see Note 34 “Commitments and contingencies”).

The provision for restructuring measures mainly relates to Airbus’ Power8 programme for the reduction of overhead costs.

For the provisions for other risks and charges, parts of the provisions for settlement charges in conjunction with the A350 programme were reclassified to liabilities.

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

27. Financing liabilities

In 2004, the EIB (European Investment Bank) granted a long-term loan to EADS in the amount of US\$421 million, bearing a fixed interest rate of 5.1% (effective interest rate 5.1%). EADS issued under its EMTN Programme (Euro Medium Term Note Programme) three Euro denominated bonds. The first issue of €1 billion with expected final maturity in 2010 carries a coupon of 4.625% (effective interest rate 4.7%) which was swapped into variable rate of 3M-Euribor +1.02%. The second issue of €0.5 billion maturing in 2018 carries a coupon of 5.5% (effective interest rate 5.6%) which was swapped during 2005 into variable rate of 3M-Euribor +1.72%. The third issue of €1 billion in 2009 maturing 2016 carries a coupon of 4.625% (effective interest rate 4.6%) which was swapped

into variable rate of 3M-Euribor +1.57%. Furthermore, Airbus received in 1999 a Reinvestment Note from Deutsche Bank AG in the amount of US\$800 million, bearing a fixed interest rate of 9.88% with an outstanding debt of €305 million (2008: €372 million).

EADS can issue commercial paper under the so called “billet de trésorerie” programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The issued volume at 31 December 2009 amounted to €0 million (2008: €0 million). The programme has been set up in 2003 with a maximum volume of €2 billion.

Financing liabilities include liabilities connected with sales financing transactions amounting to €733 million (2008: €836 million), mainly at variable interest rates.

Non recourse Airbus financing liabilities (risk is supported by external parties) amount to €652 million (2008: €737 million).

Deceased bank deposits for aircraft financing of €306 million and €373 million as of 31 December 2009 and 2008 respectively have been offset against financing liabilities.

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Bonds | 1,500 | 1,527 |
| thereof due in more than five years: 1,500 (31 December 2008: 498) | | |
| Liabilities to financial institutions | 811 | 895 |
| thereof due in more than five years: 182 (31 December 2008: 591) | | |
| Loans | 391 | 481 |
| thereof due in more than five years: 154 (31 December 2008: 312) | | |
| Liabilities from finance leases | 165 | 143 |
| thereof due in more than five years: 116 (31 December 2008: 97) | | |
| Long-term financing liabilities | 2,867 | 3,046 |
| Bonds | 974 | 0 |
| Liabilities to financial institutions | 90 | 103 |
| Loans | 205 | 197 |
| Liabilities from finance leases | 17 | 19 |
| Others | 1,143 | 1,139 |
| Short-term financing liabilities (due within one year) | 2,429 | 1,458 |
| Total | 5,296 | 4,504 |

Included in “Others” are financing liabilities to joint ventures.

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2009 as follows:

| (in €m) | Financing liabilities |
|--------------|-----------------------|
| 2010 | 2,429 |
| 2011 | 189 |
| 2012 | 160 |
| 2013 | 134 |
| 2014 | 432 |
| Thereafter | 1,952 |
| Total | 5,296 |

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2008 as follows:

| (in €m) | Financing liabilities |
|--------------|-----------------------|
| 2009 | 1,458 |
| 2010 | 1,169 |
| 2011 | 150 |
| 2012 | 119 |
| 2013 | 110 |
| Thereafter | 1,498 |
| Total | 4,504 |

28. Other financial liabilities

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Non-current other financial liabilities | | |
| Thereof European Governments refundable advances | 4,882 | 4,563 |
| Thereof liabilities for derivative financial instruments | 732 | 2,208 |
| Others | 561 | 728 |
| Total | 6,175 | 7,499 |
| Current other financial liabilities | | |
| Thereof European Governments refundable advances | 412 | 357 |
| Thereof liabilities to related companies | 23 | 37 |
| Thereof liabilities for derivative financial instruments | 220 | 657 |
| Others | 545 | 663 |
| Total | 1,200 | 1,714 |

The increase of European Governments refundable advances (incl. bridge financing) relates mostly to expenses for accrued interests and to advances received. This was partly compensated by reimbursements paid. Regarding the interest expenses on European Governments refundable advances see Note 12 “Total finance costs”. Due to their specific nature, namely their risk-sharing features and the fact that such advances are generally granted to EADS on the basis of significant development

projects, European Governments refundable advances are accounted for by EADS within “Non-current / current other financial liabilities” on the balance sheet including accrued interests.

Included in “Other financial liabilities” are €1,192 million (2008: €1,614 million) due within one year and €3,957 million (2008: €3,824 million) maturing after more than five years.

29. Other liabilities

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Non-current other liabilities | | |
| Thereof customer advance payments | 8,579 | 8,843 |
| Others | 512 | 64 |
| Total | 9,091 | 8,907 |
| Current other liabilities | | |
| Thereof customer advance payments | 21,271 | 17,802 |
| Thereof tax liabilities (excluding income tax) | 582 | 585 |
| Others | 1,694 | 1,581 |
| Total | 23,547 | 19,968 |

Included in “Other liabilities” are €18,619 million (2008: €16,255 million) due within one year and €3,009 million (2008: €2,983 million) maturing after more than five years.

Advance payments received relating to construction contracts amount to €8,167 million (2008: €5,230 million) mainly resulting from Astrium (€3,038 million), Airbus Military (€2,626 million) and Defence & Security (€2,209 million).

30. Trade liabilities

As of 31 December 2009, trade liabilities amounting to €77 million (€29 million as of 31 December 2008) mature after more than one year.

31. Deferred income

| (in €m) | 31 December 2009 | 31 December 2008 |
|-----------------------------|------------------|------------------|
| Non-current deferred income | 266 | 418 |
| Current deferred income | 880 | 822 |
| Total | 1,146 | 1,240 |

The main part of deferred income is related to sales of Airbus and ATR aircraft that include asset value guarantee commitments and that are accounted for as operating leases (€400 million and €544 million as of 31 December 2009 and 2008, respectively).

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

32. Consolidated Statement of Cash Flows

As of 31 December 2009, EADS' cash position (stated as cash and cash equivalents in the Consolidated Statements of Cash Flows) includes €751 million (€666 million and €602 million as of 31 December 2008 and 2007, respectively) which

represent EADS' share in MBDA's cash and cash equivalents, deposited at BAE Systems and Finmeccanica and which are available upon demand.

The following charts provide details on **acquisitions** (resulting in additional assets and liabilities acquired) of subsidiaries, joint ventures and businesses:

| (in €m) | 31 December 2009 | 31 December 2008 | 31 December 2007 |
|--|------------------|------------------|------------------|
| Total purchase price | (21) | (335) | (12) |
| thereof paid in cash and cash equivalents | (21) | (335) | (12) |
| Cash and cash equivalents included in the acquired subsidiaries, joint ventures and businesses | 0 | 70 | 12 |
| Cash Flow for acquisitions, net of cash | (21) | (265) | 0 |

In 2009, the aggregate cash flow for acquisitions, net of cash of €-21 million includes the acquisition of the underwater systems business of QinetiQ, UK of €-14 million and additional non controlling interests in Spot Image €-7 million.

In 2008, the aggregate cash flow for acquisitions, net of cash of €-265 million includes mainly the acquisition of PlantCML of €-233 million, Surrey Satellite Technology Limited (SSTL) of €-55 million and additional 41% of Spot Image amounting to €+35 million.

In 2007, the aggregate cash flow for acquisitions, net of cash of €0 million includes the acquisition of GPT Special Project Management Ltd. (GPT).

| (in €m) | 31 December 2009 | 31 December 2008 | 31 December 2007 |
|--|------------------|------------------|------------------|
| Intangible assets; property, plant and equipment | 0 | 90 | 0 |
| Financial assets | 0 | 1 | 0 |
| Inventories | 1 | 16 | 0 |
| Trade receivables | 4 | 44 | 3 |
| Other assets | 0 | 22 | 1 |
| Cash and cash equivalents | 0 | 70 | 12 |
| Assets | 5 | 243 | 16 |
| Provisions | (3) | (7) | (8) |
| Trade liabilities | (1) | (34) | (1) |
| Financing liabilities | 0 | (7) | 0 |
| Other liabilities | 0 | (92) | (4) |
| Liabilities | (4) | (140) | (13) |
| Fair value of net assets | 1 | 103 | 3 |
| Goodwill (preliminary) arising on acquisitions | 14 | 259 | 9 |
| Non-controlling interests/Consolidation of investments held prior to the acquisition | 6 | (27) | 0 |
| Less own cash and cash equivalents of acquired subsidiaries, joint ventures and businesses | 0 | (70) | (12) |
| Cash Flow for acquisitions, net of cash | 21 | 265 | 0 |

The following charts provide details on **disposals** (resulting in assets and liabilities disposed) of subsidiaries:

| (in €m) | 31 December 2009 | 31 December 2008 | 31 December 2007 |
|---|------------------|------------------|------------------|
| Total selling price | 15 | 9 | 28 |
| thereof received by cash and cash equivalents | 15 | 9 | 28 |
| Cash and cash equivalents included in the (disposed) subsidiaries | (2) | (7) | 1 |
| Cash Flow from disposals, net of cash | 13 | 2 | 29 |

The aggregate cash flow from disposals, net of cash, in 2009 of €13 million results from the sale of 70% of the interest in Socata.

The aggregate cash flow from disposals, net of cash, in 2008 of €2 million results from the sale of Protac.

The aggregate cash flow from disposals, net of cash, in 2007 of €29 million mainly includes the contribution in kind of Naval Business (Hagenuk, businesses in Germany and in UK) to Atlas for a cash consideration of €28 million, whereas EADS increased its share in Atlas Elektronik from 40% to 49% in

return. Additions and disposals of assets and liabilities relating to that transaction are included net in the following table. Further included in the cash flow from disposals, net of cash, are the sale of Alkan amounting to €10 million and Barfield for €-9 million.

| (in €m) | 31 December 2009 | 31 December 2008 | 31 December 2007 |
|---|------------------|------------------|------------------|
| Intangible assets; property, plant and equipment | (50) | (8) | 17 |
| Financial assets | 0 | 0 | (3) |
| Inventories | (78) | (1) | (5) |
| Trade receivables | (26) | (3) | (19) |
| Other assets | (37) | 0 | (2) |
| Cash and cash equivalents | (2) | (7) | 1 |
| Assets | (193) | (19) | (11) |
| Provisions | 26 | 4 | (7) |
| Trade liabilities | 83 | 2 | (5) |
| Financing liabilities | 26 | 0 | 8 |
| Other liabilities | 43 | 4 | 9 |
| Liabilities | 178 | 10 | 5 |
| Book value of net assets | (15) | (9) | (6) |
| Goodwill arising from disposals | 0 | 0 | (12) |
| Result from disposal of subsidiaries | 0 | 0 | (10) |
| Less own cash and cash equivalents of disposed subsidiaries | 2 | 7 | (1) |
| Cash Flow from disposals, net of cash | (13) | (2) | (29) |

The cash flow from the disposal of the Airbus site of Laupheim in 2008 amounts to €+117 million resulting in a gain of €1 million.

2.5 Other Notes to the Consolidated Financial Statements (IFRS)

33. Litigation and claims

EADS is involved from time to time in various legal and arbitration proceedings in the ordinary course of its business, the most significant of which are described below. Other than as described below, EADS is not aware of any 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' or the Group's financial position or profitability.

In 2005, a liquidator representing the special purpose vehicle GFAC (a joint venture between Swissair and GATX) sued Airbus before a New York court to recover US\$ 227 million in pre-delivery payments, together with interest and costs. The

lawsuit followed Airbus' termination of a purchase agreement with GFAC in October 2001 for 38 single-aisle and long-range aircraft, in the context of Swissair's bankruptcy. On 6 February 2009, a judge decided in favour of GFAC. In March 2009, GFAC submitted arguments on the amount of its alleged damages and requested entry of judgment. In parallel, Airbus has filed an appeal of the February 2009 decision, which was heard by the appellate court on 17 September 2009. Both plaintiff's request and defendant's appeal are currently pending, with the risk that Airbus may ultimately be required to pay an amount equal to the pre-delivery payments plus legal interest as damages.

In 2006, a liquidator representing the special purpose vehicle Flightlease No. 7 (a wholly-owned subsidiary of the bankrupt Swissair Group) sued Airbus before a Paris court to recover US\$ 319 million in pre-delivery payments, together with interest and costs. The lawsuit followed Airbus' termination of a purchase agreement with Flightlease No. 7 in October 2001, in the context of Swissair's bankruptcy. On 23 December 2009 Airbus SAS filed a counterclaim against Flightlease No. 7 and notified its parent company Flightlease Holdings to be joined in the proceedings as guarantor of Flightlease No. 7.

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing. On 31 May 2005, the US and the EU each requested the establishment of a panel. At its meeting on 20 July 2005, the Dispute Settlement Body established the panels. Between November 2005 and the present, the parties filed numerous written submissions and attended several oral hearings in both cases. On 4 September 2009, a non-binding confidential draft report was issued in the case brought by the US. The parties are currently providing comments on the draft, and a first instance decision could occur in the second quarter of 2010. A draft decision in the case brought by the EU concerning subsidies to Boeing is expected in June 2010. Exact timing of further steps in the WTO litigation process is subject to ruling of the panels 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.

The French *Autorité des marchés financiers* (the "AMF") began investigations in 2006 for alleged breaches of market regulations and insider trading rules with respect to, among other things, the A380 delays announced in 2006. On 1 April 2008, the AMF announced the notification of charges against EADS and certain of its current and former executives

for breach of such market regulations and insider trading rules, respectively. On 22 July 2009, the Rapporteur of the Sanction Commission of the AMF issued a report regarding the charges notified by the AMF, which contained various recommendations to the Sanction Commission on the merits of the charges. Following oral hearings before the Sanction Commission which took place from 23-27 November 2009, the Sanction Commission decided, in a decision published on 17 December 2009, to dismiss all charges against EADS and the other notified persons. The Sanctions Commission held that EADS had complied with all applicable market information duties, in particular in respect of risk of delays affecting the A380 programme and its development, and that there had been no breach of insider trading rules. Following criminal complaints filed by a shareholders' association and by an individual shareholder (including a civil claim for damages), a French investigating judge is still carrying out an investigation on the same facts.

In Germany, criminal proceedings regarding suspected insider trading offences have not established any wrongdoing and are meanwhile mostly terminated. Furthermore, in Germany, several shareholders have filed civil actions against EADS since 2006 to recover their alleged losses in connection with the disclosure of A380 programme delays. Several plaintiffs have filed motions for "model proceedings", which would allow common issues of fact or law in multiple individual securities actions to be decided together with binding effect in all such actions. The proceedings are in their preliminary stage and the amounts claimed are relatively small.

On 12 June 2008, two actions were initiated in the United States District Court for the Southern District of New York, one of which has since been voluntarily withdrawn. The remaining action purports to be a class action brought on behalf of all persons and entities residing in the United States who purchased or otherwise acquired EADS' common stock during the period from 27 July 2005 through 9 March 2007. Named as defendants are EADS and four current or former executives of EADS and Airbus. The action seeks damages in an unspecified amount, with interest and attorneys' fees, for alleged violations of the US securities laws in connection with financial disclosures issued by EADS in 2005, 2006 and 2007 and public statements made during that same time frame relating to A380 programme delays. On 2 January 2009, defendants filed motions to dismiss the complaint in the action. On 17 March 2009, plaintiff filed its opposition to the motions to dismiss; on 23 April 2009, defendants filed replies; and on 30 April 2009, plaintiff requested leave to file a sur-reply. On 16 November 2009, plaintiff and defendants filed supplemental memorandums in support of their positions, which were followed by oral arguments on the motions to dismiss on 11 December 2009. The defendants' motions to dismiss are pending.

On 9 September 2009 and 4 December 2009, respectively, two separate requests were filed by institutional shareholders with the Enterprise Chamber (*Ondernemingskamer*) of the Court of Appeal in Amsterdam to open an inquiry into the management and affairs of EADS. The applicants allege in their requests that there are serious reasons to doubt proper management by EADS, primarily with respect to the A380 programme delays announced in 2006 and the related disclosures to the market. A hearing on the requests was held on 28 January 2010 before the Enterprise Court, with a decision currently pending.

Following an investigation conducted by the Italian Guardia di Finanza, Italian tax authorities are currently evaluating whether Astrium owes any overdue tax in Italy related to its past contractual relationships. In parallel, the Italian Public Prosecutor decided at the end of December 2009 to initiate proceedings against Astrium's legal representatives for failure to file a tax declaration and attempted fraud.

On 10 November 2009, Airbus Military SL (AMSL) notified Europrop International GmbH (EPI), the engine manufacturer under the A400M aircraft programme, that it had a number of contractual claims against it for breach of Milestones 7, 8 and 9 under the engine agreement, in an amount currently totalling approximately €500 million. On 17 December 2009, the

parties entered into a standstill agreement, pursuant to which AMSL agreed not to pursue its claims until a later date. On 8 February 2010, EPI notified AMSL of its own claims under the engine agreement, in an amount totalling approximately €425 million, and requested that AMSL enter into a standstill agreement in respect of such claims. AMSL refused this request. On 23 February 2010, EPI sent notice of its intent to seek arbitration, and of its sending of a request for arbitration to the International Chamber of Commerce (ICC) on the same day. AMSL has sent notice of termination of the standstill agreement dated 17 December 2009.

Regarding EADS' provisions policy, EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks. For the amount of provisions for litigation and claims, see "Notes to Consolidated Financial Statements (IFRS) — Note 26C. Other provisions".

34. Commitments and contingencies

COMMITMENTS AND CONTINGENT LIABILITIES

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

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales

financing are accounted for **on the balance sheet** either as (i) an operating lease (see Note 15 "Property, plant and equipment") or (ii) a loan from aircraft financing or (iii) a finance lease receivable (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). As of 31 December 2009, related accumulated impairment amounts to €70 million (2008: €52 million) for operating lease and to €158 million (2008: €244 million) for loans and finance lease receivables. As part of provisions for aircraft financing risks €35 million (2008: €21 million) are recorded (see Note 26C.) "Other provisions".

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

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2009 as follows:

| (in €m) | |
|--|------------|
| Not later than 2010 | 159 |
| Later than 2010 and not later than 2014 | 476 |
| Later than 2014 | 249 |
| Total | 884 |
| Of which commitments where the transaction has been sold to third parties | (468) |
| Total aircraft lease commitments where EADS bears the risk (not discounted) | 416 |

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2008 as follows:

| (in €m) | |
|--|--------------|
| Not later than 2009 | 170 |
| Later than 2009 and not later than 2013 | 532 |
| Later than 2013 | 383 |
| Total | 1,085 |
| Of which commitments where the transaction has been sold to third parties | (610) |
| Total aircraft lease commitments where EADS bears the risk (not discounted) | 475 |

Total aircraft lease commitments of €884 million as of 31 December 2009 (2008: €1,085 million), arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of €616 million (2008: €767 million). A large part of these lease commitments (€468 million and €610 million as of 31 December 2009 and 2008) arises from transactions that were sold down to third parties, which assume liability for the payments. EADS

determines its gross exposure to such operating leases as the present value of the related payment streams. The difference between gross exposure and the estimated value of underlying aircraft used as collateral, the net exposure, is provided for in full with an amount of €260 million as of 31 December 2009 (2008: €280 million), as part of the provision for aircraft financing risk (see Note 26C.) "Other provisions".

As of 31 December 2009 and 2008, the total consolidated – **on and off balance sheet** – Commercial Aviation Sales Financing Exposure is as follows (Airbus, Eurocopter and 50% for ATR):

| (in €m) | 31 December 2009 | 31 December 2008 |
|---|------------------|------------------|
| Total gross exposure | 1,495 | 1,276 |
| Estimated fair value of collateral (aircraft) | (972) | (679) |
| Net exposure (fully provided for) | 523 | 597 |

Details of provisions / accumulated impairments are as follows:

| (in €m) | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|
| Accumulated impairment on operating leases (see Note 15 "Property, plant and equipment") | 70 | 52 |
| Accumulated impairment on loans from aircraft financing and finance leases (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets") | 158 | 244 |
| Provisions for aircraft financing risk (on balance sheet) (see Note 26C.) "Other provisions" | 35 | 21 |
| Provisions for aircraft financing risk (commitment off balance sheet) (see Note 26C.) "Other provisions" | 260 | 280 |
| Total provisions/accumulated impairments for sales financing exposure | 523 | 597 |

Asset value guarantees – Certain sales contracts may include the obligation of an asset value guarantee whereby Airbus, Eurocopter or ATR guarantee a portion of the value of an aircraft at a specific date after its delivery. Management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2021. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease (see Note 15 “Property, plant and equipment” and Note 31 “Deferred income”). In addition, EADS is contingently liable in case asset value guarantees with less than 10% are provided to customers as part of aircraft sales. Counter guarantees are negotiated with third parties and reduce the risk to which the Group is exposed. As of 31 December 2009, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to €1,015 million (2008: €946 million), excluding €430 million (2008: €476 million) where the risk is considered to be remote. In many cases the risk is limited to a specific portion of the residual value of the aircraft. The present value of the risk inherent to the given asset value guarantees where a settlement is being considered as probable is fully provided for and included in the total amount of provisions for asset value risks of €657 million (2008: €604 million) (see Note 26 C.) “Other provisions”). This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised

and the value guaranteed on a transaction basis taking counter guarantees into account.

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

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

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

Future nominal operating lease payments (for EADS as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to €954 million (2008: €843 million) as of 31 December 2009, and relate mainly to procurement operations (e.g. facility leases, car rentals).

Maturities are as follows:

| (in €m) | |
|---|------------|
| Not later than 2010 | 130 |
| Later than 2010 and not later than 2014 | 335 |
| Later than 2014 | 489 |
| Total | 954 |

The respective maturities as of 31 December 2008 are as follows:

| (in €m) | |
|---|------------|
| Not later than 2009 | 103 |
| Later than 2009 and not later than 2013 | 316 |
| Later than 2013 | 424 |
| Total | 843 |

35. Information about financial instruments

A) FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

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

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

For financial reporting purposes, EADS mostly designates a portion of the total firm future cash flows as the hedged position to cover its expected foreign currency exposure. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being

hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. As hedging instruments, EADS primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and at Airbus to a minor extent non-derivative financial liabilities.

EADS endeavors to hedge the majority of its exposure based on firm commitments and forecasted transactions. For products such as aircraft, EADS typically hedges forecasted sales in US Dollar. The hedged items are defined as first forecasted highly probable future cash inflows for a given month based upon final payments at delivery. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US Dollar exposure at inception. For EADS, a forecasted transaction is regarded as highly probable if the future delivery is included in the internally audited order book or is very likely to materialise in view of contractual evidence. The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot rates and interest rates as well as the robustness of the commercial cycle. For the non-aircraft business EADS hedges in- and outflows in foreign currencies from sales and purchase contracts following the same logic which are typically contracted in lower volumes.

The Company also has foreign currency derivative instruments which are embedded in certain purchase and lease contracts denominated in a currency other than the functional currency of the significant parties to the contract, principally US Dollar and GBP. Gains or losses relating to such embedded foreign currency derivatives are reported in other financial result. In addition EADS hedges currency risk arising from financial transactions in other currencies than Euro, such as funding transactions or securities.

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

The cash and cash equivalents and securities portfolio of the Group is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposits, overnight deposits, commercial papers, other money

market instruments and bonds. For this portfolio, EADS holds on a regular basis an asset management committee which aims at limiting the interest rate risk on a fair value basis through a value-at-risk approach. EADS is mainly investing in short-term instruments in order to further minimise any interest risk in this portfolio. The remaining portion of securities is invested in short to mid term bonds. Any related interest rate hedge qualifies for hedge accounting as either a fair value hedge or a cashflow hedge.

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

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

EADS VaR computation includes the Group’s financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, finance lease receivables and liabilities, foreign currency trade payables and receivables,

including intra-group payables and receivables affecting Group profit and loss.

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

- a 5-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- a 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% statistical probability that losses could exceed the calculated VaR;
- the use of historical data as a basis for estimating the statistical behavior of the relevant markets and finally determining the possible range of future outcomes out of this statistical behavior may not always cover all possible scenarios, especially those of an exceptional nature.

The Group uses VaR amongst other key figures in order to determine the riskiness of its financial instrument portfolio and in order to optimise the risk-return ratio of its financial asset portfolio. Further, the Group’s investment policy defines for P&L and OCI certain limits on total risk for the portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the asset management committee.

A summary of the VaR position of EADS’ financial instruments portfolio at 31 December 2009 and 31 December 2008 is as follows:

| (in €m) | Total VaR | Equity price VaR | Currency VaR | Interest rate VaR |
|--|--------------|------------------|--------------|-------------------|
| 31 December 2009 | | | | |
| FX hedges for forecast transactions or firm commitments | 908 | – | 908 | 115 |
| Financing liabilities, cash, cash equivalents, securities and related hedges | 84 | 45 | 49 | 26 |
| Finance lease receivables and liabilities, foreign currency trade payables and receivables | 35 | – | 9 | 34 |
| Correlation effect | (101) | – | (93) | (14) |
| All financial instruments | 926 | 45 | 873 | 161 |
| 31 December 2008 | | | | |
| FX hedges for forecast transactions or firm commitments | 1,888 | – | 1,829 | 279 |
| Financing liabilities, cash, cash equivalents, securities and related hedges | 109 | 32 | 113 | 42 |
| Finance lease receivables and liabilities, foreign currency trade payables and receivables | 79 | – | 23 | 69 |
| Correlation effect | (166) | – | (41) | (89) |
| All financial instruments | 1,910 | 32 | 1,924 | 301 |

The decrease of total VaR compared to 31 December 2008 is mainly attributed to a decrease of volatilities in financial markets after crisis peak end of 2008. EADS uses its derivative instruments almost entirely as well as some of its non-derivative financial liabilities for hedging purposes. As such, the respective market risks of these hedging instruments are - depending on the hedges' actual effectiveness - offset by corresponding opposite market risks of the underlying forecast transactions, assets or liabilities. Under IFRS 7 the underlying forecast transactions do not qualify as financial instruments and are therefore not included in the tables shown above. The VaR of the FX hedging portfolio in the amount of €908 million (2008: €1,888 million) cannot be considered as a risk indicator for the Group in the economic sense.

Further, EADS also measures VaR of the Group-internal transaction risk arising on Group entities contracting in a currency different from its functional currency affecting Group profit and loss. However, these currency risks arise purely EADS internally and are in economic terms 100% compensated by the corresponding currency fluctuations recognised in a separate component of equity when translating the foreign entity into EADS functional currency. At 31 December 2009, the related total VaR amounted to €113 million (2008: €263 million).

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. EADS manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion and €3.0 billion as of 31 December 2009 and 2008, respectively) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, EADS may issue bonds, notes and commercial papers. In context of the ongoing financial crisis, EADS continues to keep within the asset portfolio the focus on low counterparty risk. Adverse changes in the capital markets due to the global financial crisis could increase the Group's funding costs and limit its financial flexibility.

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

| (in €m) | Carrying amount | Contractual cash flows | < 1 year | 1 year – 2 years | 2 years – 3 years | 3 years – 4 years | 4 years – 5 years | More than 5 years |
|--------------------------------------|-----------------|------------------------|-----------------|------------------|-------------------|-------------------|-------------------|-------------------|
| 31 December 2009 | | | | | | | | |
| Non-derivative financial liabilities | (14,642) | (15,624) | (11,137) | (382) | (329) | (365) | (725) | (2,686) |
| Derivative financial liabilities | (952) | (894) | (216) | (275) | (213) | (85) | (59) | (46) |
| Total | (15,594) | (16,518) | (11,353) | (657) | (542) | (450) | (784) | (2,732) |
| 31 December 2008 | | | | | | | | |
| Non-derivative financial liabilities | (13,756) | (14,898) | (9,954) | (1,477) | (315) | (270) | (226) | (2,656) |
| Derivative financial liabilities | (2,865) | (2,333) | (517) | (355) | (499) | (438) | (173) | (351) |
| Total | (16,621) | (17,231) | (10,471) | (1,832) | (814) | (708) | (399) | (3,007) |

The above table analyses EADS financial liabilities by relevant maturity groups based on the period they are remaining on EADS balance sheet to the contractual maturity date.

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

Non-derivative financial liabilities comprise financing liabilities at amortised cost and finance lease liabilities as presented in the tables of Note 35B). Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments refundable advances are not included in the above mentioned table with an amount of €5,294 million (2008: €4,920 million).

Credit risk

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

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed on Group level. Counterparts for transactions on cash, cash equivalents and securities as well as for derivative transactions are limited to high credit quality financial institutions, corporates or sovereigns. For such financial transactions EADS has set up a credit limit system to actively manage and limit its credit

risk exposure. This limit system assigns maximum exposure lines to counterparts of financial transactions, taking into account the lowest of their credit ratings as published by Standard & Poors, Moody's and Fitch IBCA. Besides the credit rating, the limit system takes into consideration fundamental counterparty data, as well as sectoral and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of EADS is reviewed on a regular basis and the respective limits are regularly monitored and updated. Further, EADS constantly aims for maintaining a certain level of diversification in its portfolio between individual counterparts as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparts.

The Group is monitoring the performance of the individual financial instruments and the impact of the credit markets on their performance. EADS has procedures in place that allow to hedge, to divest from or to restructure financial instruments having undergone a downgrade of the counterparts' credit rating or showing an unsatisfactory performance. These

measures aim to protect EADS to a certain extent against credit risks from individual counterparts. Nevertheless, a potential negative impact resulting from a market-driven increase of systematic credit risks cannot be excluded.

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

The carrying amount of financial assets represents the maximum credit exposure. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating (if available) or internal assessment of customers' (e.g. airlines') creditworthiness.

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

| (in €m) | 2009 | 2008 |
|--|--------------|--------------|
| Receivables, neither past due nor impaired | 5,253 | 5,002 |
| Not past due due to negotiations and not impaired | 18 | 31 |
| Receivables impaired individually | 17 | 13 |
| Receivables not impaired and past due ≤ 3 months | 767 | 795 |
| Receivables not impaired and past due >3 and ≤ 6 months | 129 | 173 |
| Receivables not impaired and past due >6 and ≤ 9 months | 156 | 118 |
| Receivables not impaired and past due >9 and ≤ 12 months | 255 | 48 |
| Receivables not impaired and past due > 12 months | 328 | 277 |
| Total | 6,923 | 6,457 |

B) CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party. Fair values of financial instruments have been determined with reference to available market information at

the reporting date and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could realise in a current market environment.

The following tables present the carrying amounts and fair values of financial instruments according to IAS 39 measurement categories as of 31 December 2009 and 2008 respectively:

| 31 December 2009 (in €m) | Fair value through profit or loss | | Fair value for hedge relations | Available for sale | | Loans and receivables and Financial liabilities at amortised cost | | Other ⁽³⁾ | Financial instruments Total | |
|--|-----------------------------------|--------------|--------------------------------|--------------------|----------------|---|------------------------|----------------------|-----------------------------|-----------------|
| | Held for trading | Designated | Fair value | Book value | Fair value | Amortised cost | Fair value | | Book value | Fair value |
| Assets | | | | | | | | | | |
| Other investments and other long-term financial assets | | | | | | | | | | |
| > thereof at amortised cost | - | - | - | - | - | 1,078 | 1,078 | 620 | 1,698 | 1,698 |
| > thereof at cost | - | - | - | 313 | ⁽¹⁾ | - | - | - | 313 | ⁽¹⁾ |
| > thereof Fair value via OCI | - | - | - | 199 | 199 | - | - | - | 199 | 199 |
| Current portion of other long-term financial assets | - | - | - | - | - | 96 | 96 | 134 | 230 | 230 |
| Non-current and current other financial assets | 175 | - | 2,105 | - | - | 1,370 | 1,370 | - | 3,650 | 3,650 |
| Trade receivables | - | - | - | - | - | 5,587 | 5,587 | - | 5,587 | 5,587 |
| Non-current and current securities | - | 604 | - | 7,451 | 7,451 | - | - | - | 8,055 | 8,055 |
| Cash and cash equivalents | - | 1,774 | - | 3,379 | 3,379 | 1,885 | 1,885 | - | 7,038 | 7,038 |
| Total | 175 | 2,378 | 2,105 | 11,342 | 11,029 | 10,016 | 10,016 | 754 | 26,770 | 26,457 |
| Liabilities | | | | | | | | | | |
| Long-term and short-term financing liabilities | - | - | - | - | - | (5,114) | (5,277) | (182) | (5,296) | (5,459) |
| Non-current and current other financial liabilities | (31) | - | (1,049) | - | - | (6,295) | (6,295) ⁽²⁾ | - | (7,375) | (7,375) |
| Trade liabilities | - | - | - | - | - | (8,217) | (8,217) | - | (8,217) | (8,217) |
| Total | (31) | - | (1,049) | - | - | (19,626) | (19,789) | (182) | (20,888) | (21,051) |

(1) Fair value is not reliably measurable.

(2) The European Governments refundable advances of €5,294 million are measured at amortised cost; a fair value can not be measured reliably due to their risk sharing nature and uncertainty about the repayment dates.

(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables/payables approximate their fair values.

| 31 December 2008 (in €m) | Fair value through profit or loss | | Fair value for hedge relations | Available for sale | | Loans and receivables and Financial liabilities at amortised cost | | Other ⁽³⁾ | Financial instruments Total | |
|--|-----------------------------------|--------------|--------------------------------|--------------------|----------------|---|------------------------|----------------------|-----------------------------|-----------------|
| | Held for trading | Designated | Fair value | Book value | Fair value | Amortised cost | Fair value | | Book value | Fair value |
| Assets | | | | | | | | | | |
| Other investments and other long-term financial assets | | | | | | | | | | |
| > thereof at amortised cost | - | - | - | - | - | 646 | 646 | 634 | 1,280 | 1,280 |
| > thereof at cost | - | - | - | 296 | ⁽¹⁾ | - | - | - | 296 | ⁽¹⁾ |
| > thereof Fair value via OCI | - | - | - | 136 | 136 | - | - | - | 136 | 136 |
| Current portion of other long-term financial assets | - | - | - | - | - | 109 | 109 | 68 | 177 | 177 |
| Non-current and current other financial assets | 649 | - | 2,257 | - | - | 1,201 | 1,201 | - | 4,107 | 4,107 |
| Trade receivables | - | - | - | - | - | 5,267 | 5,267 | - | 5,267 | 5,267 |
| Non-current and current securities | - | 729 | - | 6,223 | 6,223 | - | - | - | 6,952 | 6,952 |
| Cash and cash equivalents | - | 625 | - | 3,913 | 3,913 | 2,207 | 2,207 | - | 6,745 | 6,745 |
| Total | 649 | 1,354 | 2,257 | 10,568 | 10,272 | 9,430 | 9,430 | 702 | 24,960 | 24,664 |
| Liabilities | | | | | | | | | | |
| Long-term and short-term financing liabilities | - | - | - | - | - | (4,342) | (4,497) | (162) | (4,504) | (4,659) |
| Non-current and current other financial liabilities | (322) | - | (2,857) | - | - | (6,034) | (6,034) ⁽²⁾ | - | (9,213) | (9,213) |
| Trade liabilities | - | - | - | - | - | (7,824) | (7,824) | - | (7,824) | (7,824) |
| Total | (322) | - | (2,857) | - | - | (18,200) | (18,355) | (162) | (21,541) | (21,696) |

(1) Fair value is not reliably measurable.

(2) The European Governments refundable advances of €4,920 million are measured at amortised cost; a fair value can not be measured reliably due to their risk sharing nature and uncertainty about the repayment dates.

(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables/payables approximate their fair values.

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

| 31 December 2009 (in €m) | Level 1 | Level 2 | Level 3 | Total |
|---|--------------|--------------|--------------|----------------|
| Financial assets measured at fair value | | | | |
| Financial assets measured at fair value through profit or loss | 2,097 | 456 | - | 2,553 |
| Derivative financial instruments for hedge relations | - | 2,105 | - | 2,105 |
| Available for Sale financial assets | 7,401 | 3,628 | - | 11,029 |
| Total | 9,498 | 6,189 | - | 15,687 |
| Financial liabilities measured at fair value | | | | |
| Financial liabilities measured at fair value through profit or loss | - | (31) | - | (31) |
| Derivative financial instruments for hedge relations | - | (921) | (128) | (1,049) |
| Total | - | (952) | (128) | (1,080) |

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.

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

By applying a valuation technique, such as present value of future cash flows, fair values are based on estimates. However, methods and assumptions followed to disclose data presented herein are inherently judgmental and involve various limitations like estimates as of 31 December 2009 and 2008, which are not necessarily indicative of the amounts that the Company would record upon further disposal/termination of the financial instruments. Unquoted other investments are measured at cost as their fair value is not reliably determinable.

The methodologies used are as follows:

Short-term investments, cash, short-term loans, suppliers

– The carrying amounts reflected in the annual accounts are reasonable estimates of fair value because of the relatively short period of time between the origination of the instruments and its expected realisation.

The following types of **financial assets** held at 31 December 2009 and 2008 respectively are recognised at fair value through profit or loss:

| (in €m) | Nominal amount at initial recognition as of 31 December 2009 | Fair value as of 31 December 2009 | Nominal amount at initial recognition as of 31 December 2008 | Fair value as of 31 December 2008 |
|---|--|-----------------------------------|--|-----------------------------------|
| Designated at fair value through profit or loss at recognition: | | | | |
| ➤ Money Market Funds (accumulating) | 2,097 | 2,096 | 1,074 | 1,076 |
| ➤ Foreign currency Funds of Hedge Funds | 275 | 232 | 275 | 230 |
| ➤ Uncapped Structured Interest Rate Notes | 50 | 49 | 50 | 48 |
| Total | 2,422 | 2,378 | 1,399 | 1,354 |

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

In addition EADS invests in Money Market Funds paying interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to €2,445 million (2008: €1,787 million).

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

Currency and Interest Rate Contracts – The fair value of these instruments is the estimated amount that the Company would receive or pay to settle the related agreements as of 31 December 2009 and 2008. EADS used standard valuation methods using standard software. The valuation is based on freely available market data from different sources using standard cash flow discounting. For options the Black-Scholes formula has been applied.

The fair value of **financing liabilities** as of 31 December 2009 has been estimated including all future interest payments. It also reflects the interest rate as stated in the tables above. The fair value of the EMTN bonds has been assessed using public price quotations.

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

EADS also invests in uncapped Structured Interest Rate Notes – hybrid instruments combining a zero coupon bond and an embedded interest derivative. As the latter had to be separated from the host contract EADS opted to designate the entire hybrid instrument at fair value through profit or loss.

C) NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

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

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

| Year ended 31 December 2009 (in €m) | Remaining period | | | | | | | | Total |
|--|------------------|-------|-------|-------|-------|-------|------|------|---------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Foreign Exchange Contracts: | | | | | | | | | |
| Net forward sales contracts | 10,581 | 8,796 | 7,488 | 6,095 | 3,282 | 2,251 | 38 | 0 | 38,531 |
| Purchased USD put options | 795 | 708 | 0 | 0 | 0 | 0 | 0 | 0 | 1,503 |
| Structured USD forwards: | | | | | | | | | |
| > Purchased USD call options | 893 | 1,412 | 1,370 | 0 | 0 | 0 | 0 | 0 | 3,675 |
| > Purchased USD put options | 893 | 1,412 | 1,370 | 0 | 0 | 0 | 0 | 0 | 3,675 |
| > Written USD call options | 893 | 1,412 | 1,370 | 0 | 0 | 0 | 0 | 0 | 3,675 |
| FX swap contracts | 3,809 | 24 | 35 | 130 | 225 | 0 | 0 | 0 | 4,223 |

| Year ended 31 December 2008 (in €m) | Remaining period | | | | | | | | Total |
|--|------------------|-------|-------|-------|-------|-------|-------|------|---------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
| Foreign Exchange Contracts: | | | | | | | | | |
| Net forward sales (purchase) contracts | 9,695 | 9,869 | 6,275 | 4,774 | 3,212 | 1,546 | 1,044 | (44) | 36,371 |
| Purchased USD put options | 1 | 2,515 | 3,162 | 790 | 0 | 0 | 0 | 0 | 6,468 |
| Structured USD forwards: | | | | | | | | | |
| > Purchased USD call options | 1,504 | 924 | 1,462 | 1,418 | 0 | 0 | 0 | 0 | 5,308 |
| > Purchased USD put options | 1,504 | 924 | 1,462 | 1,418 | 0 | 0 | 0 | 0 | 5,308 |
| > Written USD call options | 1,504 | 924 | 1,462 | 1,418 | 0 | 0 | 0 | 0 | 5,308 |
| FX swap contracts | 4,793 | 0 | 25 | 35 | 130 | 225 | 0 | 0 | 5,208 |

The notional amounts of interest rate contracts are as follows, specified by year of expected maturity:

| Year ended 31 December 2009 (in €m) | Remaining period | | | | | | | | | | Total |
|--|------------------|------|------|------|------|------|-------|------|-------|-------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | |
| Interest Rate Contracts | 1,447 | 400 | 130 | 437 | 372 | 34 | 1,000 | 0 | 1,288 | 1,289 | 6,397 |

| Year ended 31 December 2008 (in €m) | Remaining period | | | | | | 2018 | 2019 | Total |
|--|------------------|-------|------|------|-----------|-------|-------|--------------|-------|
| | 2009 | 2010 | 2011 | 2012 | 2013-2017 | | | | |
| Interest Rate Contracts | 753 | 1,792 | 277 | 170 | 0 | 1,235 | 1,224 | 5,451 | |

D) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING DISCLOSURE

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2009 and 2008:

| 31 December 2009 | | | |
|--------------------|------|------|------|
| Interest rate in % | EUR | USD | GBP |
| 6 months | 0.93 | 0.63 | 0.95 |
| 1 year | 1.21 | 0.98 | 1.59 |
| 5 years | 2.81 | 2.96 | 3.42 |
| 10 years | 3.60 | 3.95 | 4.13 |

| 31 December 2008 | | | |
|--------------------|------|------|------|
| Interest rate in % | EUR | USD | GBP |
| 6 months | 2.98 | 1.88 | 2.75 |
| 1 year | 3.05 | 2.22 | 2.86 |
| 5 years | 3.23 | 2.07 | 3.17 |
| 10 years | 3.74 | 2.50 | 3.48 |

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2009 and 2008 is as follows:

| (in €m) | Equity attributable to equity owners of the parent | Non-controlling interests | Total |
|--|--|---------------------------|--------------|
| 1 January 2008 | 3,551 | 2 | 3,553 |
| Unrealised gains and losses from valuations, net of tax | (2,050) | (1) | (2,051) |
| Transferred to profit or loss for the period, net of tax | (1,684) | 0 | (1,684) |
| Changes in fair values of hedging instruments recorded in AOCI, net of tax | (3,734) | (1) | (3,735) |
| 31 December 2008/1 January 2009 | (183) | 1 | (182) |
| Unrealised gains and losses from valuations, net of tax | 2,015 | 0 | 2,015 |
| Transferred to profit or loss for the period, net of tax | (1,003) | 0 | (1,003) |
| Changes in fair values of hedging instruments recorded in AOCI, net of tax | 1,012 | 0 | 1,012 |
| 31 December 2009 | 829 | 1 | 830 |

In the year 2009 an amount of €1,456 million was reclassified from equity mainly to revenues resulting from matured cash flow hedges.

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

| (in €m) | 31 December 2009 | | 31 December 2008 | |
|---|------------------|--------------|------------------|----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Foreign currency contracts – Cash Flow Hedges | 2,016 | (811) | 2,256 | (2,469) |
| Foreign currency contracts – not designated in a hedge relationship | 130 | (28) | 323 | (230) |
| Interest rate contracts – Fair Value Hedges | 89 | (110) | 1 | (74) |
| Interest rate contracts – not designated in a hedging relationship | 0 | 0 | 0 | (3) |
| Embedded foreign currency derivatives | 9 | (3) | 3 | (89) |
| Total | 2,244 | (952) | 2,583 | (2,865) |

At 31 December 2009, the Group has interest swap agreements in place with notional amounts totaling €2,500 million (as at 31 December 2008: €1,500 million). The swaps are used to

hedge the exposure to changes in the fair value of its EMTN bonds (see Note 27 “Financing liabilities”). The fair value profit on the interest rate swaps of €15 million (2008: €68 million)

has been recognised in financial result and offset against an equal reduction on its EMTN bonds.

Derivatives which are not designated for hedge accounting are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months in case of

serial production. In case of long-term production, a hedging derivative is classified as non-current when the hedged items' remaining maturity is beyond EADS' normal operating cycle; and as a current asset or liability when the remaining maturity of the hedged item is in EADS' normal operating cycle.

No material ineffectiveness arising from hedging relationship has been determined.

E) NET GAINS OR LOSSES

EADS net gains or (losses) recognised in profit or loss in 2009 and 2008 respectively are as follows:

| (in €m) | 2009 | 2008 |
|---|-------|-------|
| Financial assets or financial liabilities at fair value through profit or loss: | | |
| > Held for trading | (100) | (149) |
| > Designated on initial recognition | 12 | 64 |
| Available-for-sale-financial assets: | | |
| > Result before taxes removed from OCI and recognised in profit or loss | 0 | 6 |
| Loans and receivables | (179) | (160) |
| Financial liabilities measured at amortised cost | 83 | 79 |

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

Net gains and losses of loans and receivables contain among others results from currency adjustments from foreign operations and impairment losses.

The following net gains and (losses) are recognised directly in equity in 2009 and 2008:

| (in €m) | 2009 | 2008 |
|--|------|------|
| Available-for-sale-financial assets: | | |
| > Unrealised net gains and (losses) recognised directly in OCI | 162 | 6 |

F) TOTAL INTEREST INCOME AND TOTAL INTEREST EXPENSES

In 2009, the total interest income amounts to €344 million for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss €-503 million are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

G) IMPAIRMENT LOSSES

The following impairment losses on financial assets are recognised in profit or loss in 2009 and 2008 respectively:

| (in €m) | 2009 | 2008 |
|-------------------------------------|-------------|--------------|
| Available-for-sale financial assets | (12) | (23) |
| Loans and receivables | (76) | (114) |
| Other ⁽¹⁾ | (3) | (36) |
| Total | (91) | (173) |

(1) Concerns finance lease receivables.

36. Share-based Payment

A) STOCK OPTION PLANS (SOP) AND LONG-TERM INCENTIVE PLANS (LTIP)

Based on the authorisation given to it by the shareholders' meetings (see dates below), the Group's Board of directors approved (see dates below) stock option plans in 2006, 2005, 2004, 2003, 2002, 2001 and 2000. These plans provide to the members of the Executive Committee as well as to the Group's senior management the grant of options for the purchase of EADS shares.

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

The fair value of units granted per vesting date is as follows (LTIP plan 2009):

| In € (per unit granted) | FV of restricted and performance units to be settled in cash |
|-------------------------|--|
| May 2013 | 13.68 |
| November 2013 | 13.62 |
| May 2014 | 13.56 |
| November 2014 | 13.51 |

As of 31 December 2009 provisions of € 27 million relating to LTIP have been recognised.

The lifetime of the performance and restricted units (2009) is contractually fixed (see within the description of the "eleventh tranche"). The measurement is based on the share price as of the reporting date (€14.09 as of 31 December 2009) and also takes into account the present value of the expected dividend payments.

The following major input parameters were used in order to calculate the fair value of the stock options granted:

Input parameters for the Black Scholes Option Pricing Model

| | SOP 2006 |
|--|----------------------|
| Share price (€) | 25.34 |
| Exercise price (€) | 25.65 ⁽¹⁾ |
| Risk-free interest rate (%) ⁽²⁾ | 4.13 |
| Expected volatility (%) | 30.7 |
| Estimated Life (years) | 5.5 |

1) The exercise price for the performance and restricted shares is €0.

2) The risk-free interest rate is based on a zero coupon yield curve that reflects the respective life (years) of the options.

EADS uses the historical volatilities of its share price as an indicator to estimate the volatility of its stock options granted. To test whether those historical volatilities sufficiently approximate expected future volatilities, they are compared to the implied volatilities of EADS options, which are traded at the market as of grant date. Such options typically have a shorter life of up to two years. In case of only minor differences between the historical volatilities and the implied volatilities, EADS uses historical volatilities as input

At its 13 November 2009 and 2008 meetings, the Board of directors of the Company approved the granting of performance units and restricted units in the Company. The grant of so called "units" will not physically be settled in shares but represents a cash settled plan in accordance with IFRS 2.

In 2009 compensation expense for Stock Option and Long-term Incentive Plans was recognised for an amount of € 35 million (in 2008: € 22 million).

parameters to the Black Scholes Option Pricing Model (please refer to Note 2 "Summary of significant accounting policies"). For measurement purposes performance criteria are considered to be met.

The estimated option life of 5.5 years (in 2006 and 2005) was based on historical experience and incorporated the effect of expected early exercises.

The principal characteristics of the options, performance and restricted shares as well as performance and restricted units as at 31 December 2009 are summarised in the various tables below:

| | First tranche | Second tranche |
|---|---|--------------------------|
| Date of shareholders' Meeting | 24 May 2000 | 24 May 2000 |
| Date of Board of directors Meeting (grant date) | 26 May 2000 | 20 October 2000 |
| Number of options granted | 5,324,884 | 240,000 |
| Number of options outstanding | 1,451,720 | 30,000 |
| Total number of eligible employees | 850 | 34 |
| Exercise date | 50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law – Dutch Regulations"). | |
| Expiry date | 8 July 2010 | 8 July 2010 |
| Conversion right | One option for one share | One option for one share |
| Vested | 100% | 100% |
| Exercise price | €20.90 | €20.90 |
| Exercise price conditions | 110% of fair market value of the shares at the date of grant | |
| Number of exercised options | 2,892,020 | 188,000 |

| | Third tranche | Fourth tranche |
|---|---|----------------|
| Date of shareholders' Meeting | 10 May 2001 | 10 May 2001 |
| Date of Board of directors Meeting (grant date) | 12 July 2001 | 9 August 2002 |
| Number of options granted | 8,524,250 | 7,276,700 |
| Number of options outstanding | 3,299,659 | 2,459,276 |
| Total number of eligible employees | 1,650 | 1,562 |
| Exercise date | 50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law – Dutch Regulations"). | |
| Expiry date | 12 July 2011 | 8 August 2012 |
| Conversion right | One option for one share | |
| Vested | 100% | 100% |
| Exercise price | €24.66 | €16.96 |
| Exercise price conditions | 110% of fair market value of the shares at the date of grant | |
| Number of exercised options | 3,492,831 | 4,305,066 |

| | Fifth tranche | Sixth tranche |
|---|---|---------------------|
| Date of shareholders' Meeting | 6 May 2003 | 6 May 2003 |
| Date of Board of directors Meeting (grant date) | 10 October 2003 | 8 October 2004 |
| Number of options granted | 7,563,980 | 7,777,280 |
| Number of options outstanding | 4,615,853 | 6,016,706 |
| Total number of eligible employees | 1,491 | 1,495 |
| Exercise date | 50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law – Dutch Regulations"). | |
| Expiry date | 9 October 2013 | 7 October 2014 |
| Conversion right | One option for one share | |
| Vested | 100% | 100% ⁽¹⁾ |
| Exercise price | €15.65 | €24.32 |
| Exercise price conditions | 110% of fair market value of the shares at the date of grant | |
| Number of exercised options | 2,517,623 | 2,400 |

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

| | Seventh tranche |
|---|--|
| Date of shareholders' Meeting | 11 May 2005 |
| Date of Board of directors Meeting (grant date) | 9 December 2005 |
| Number of options granted | 7,981,760 |
| Number of options outstanding | 6,245,431 |
| Total number of eligible beneficiaries | 1,608 |
| Exercise date | 50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations"). As regards to the seventh tranche, part of the options granted to the top EADS Executives are performance related. |
| Expiry date | 8 December 2015 |
| Conversion right | One option for one share |
| Vested | 100% ⁽¹⁾ |
| Exercise price | €33.91 |
| Exercise price conditions | 110% of fair market value of the shares at the date of grant |
| Number of exercised options | 0 |

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

Eighth tranche

| | | |
|---|--|--------------------------|
| Date of shareholders' Meeting | 4 May 2006 | |
| Date of Board of directors Meeting (grant date) | 18 December 2006 | |
| | Stock option plan | |
| Number of options granted | 1,747,500 | |
| Number of options outstanding | 1,667,000 | |
| Total number of eligible beneficiaries | 221 | |
| Date from which the options may be exercised | 50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law – Dutch Regulations"). | |
| Date of expiration | 16 December 2016 | |
| Conversion right | One option for one share | |
| Vested | 100% | |
| Exercise price | €25.65 | |
| Exercise price conditions | 110% of fair market value of the shares at the date of grant | |
| Number of exercised options | 0 | |
| | Performance and restricted shares plan | |
| | Performance shares | Restricted shares |
| Number of shares granted | 1,344,625 | 391,300 |
| Number of shares outstanding | 1,283,000 | 376,850 |
| Total number of eligible beneficiaries | 1,637 | |
| Vesting date | The performance and restricted shares will vest if the participant is still employed by an EADS company and, in the case of performance shares, upon achievement of mid-term business performance. The vesting period will end at the date of publication of the 2009 annual results, expected in March 2010. | |
| Number of vested shares | 3,500 | 175 |

Ninth tranche

| | | |
|---|--|-------------------------|
| Date of Board of directors Meeting (grant date) | 7 December 2007 | |
| | Performance and restricted unit plan | |
| | Performance units | Restricted units |
| Number of units granted | 1,693,940 | 506,060 |
| Number of units outstanding | 1,634,100 | 493,320 |
| Total number of eligible beneficiaries | 1,617 | |
| Vesting dates | The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: > 25% expected in May 2011; > 25% expected in November 2011; > 25% expected in May 2012; > 25% expected in November 2012. | |
| Number of vested units | 2,520 | 0 |

Tenth tranche

| | | |
|---|--|-------------------------|
| Date of Board of directors Meeting (grant date) | 13 November 2008 | |
| Performance and restricted unit plan | | |
| | Performance units | Restricted units |
| Number of units granted | 2,192,740 | 801,860 |
| Number of units outstanding | 2,170,340 | 795,380 |
| Total number of eligible beneficiaries | | 1,684 |
| Vesting dates | The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: <ul style="list-style-type: none"> > 25% expected in May 2012; > 25% expected in November 2012; > 25% expected in May 2013; > 25% expected in November 2013. | |
| Number of vested units | 1,120 | 0 |

Eleventh tranche

| | | |
|---|--|-------------------------|
| Date of Board of directors Meeting (grant date) | 13 November 2009 | |
| Performance and restricted unit plan | | |
| | Performance units | Restricted units |
| Number of units granted | 2,697,740 | 928,660 |
| Total number of eligible beneficiaries | | 1,749 |
| Vesting dates | The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: <ul style="list-style-type: none"> > 25% expected in May 2013; > 25% expected in November 2013; > 25% expected in May 2014; > 25% expected in November 2014. | |

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

| First & Second Tranche | Number of Options | | | | |
|------------------------|-------------------|----------------------|-------------|-----------|------------------------|
| | Options granted | Balance at 1 January | Exercised | Forfeited | Balance at 31 December |
| 2000 | 5,564,884 | - | - | (189,484) | 5,375,400 |
| 2001 | - | 5,375,400 | - | - | 5,375,400 |
| 2002 | - | 5,375,400 | - | - | 5,375,400 |
| 2003 | - | 5,375,400 | - | (75,000) | 5,300,400 |
| 2004 | - | 5,300,400 | (90,500) | (336,000) | 4,873,900 |
| 2005 | - | 4,873,900 | (2,208,169) | (121,000) | 2,544,731 |
| 2006 | - | 2,544,731 | (746,242) | (23,000) | 1,775,489 |
| 2007 | - | 1,775,489 | (35,109) | (37,000) | 1,703,380 |
| 2008 | - | 1,703,380 | - | (116,160) | 1,587,220 |
| 2009 | - | 1,587,220 | - | (105,500) | 1,481,720 |

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| Third Tranche | Number of Options | | | | |
|---------------|-------------------|----------------------|-------------|-----------|------------------------|
| | Options granted | Balance at 1 January | Exercised | Forfeited | Balance at 31 December |
| 2001 | 8,524,250 | - | - | (597,825) | 7,926,425 |
| 2002 | - | 7,926,425 | - | - | 7,926,425 |
| 2003 | - | 7,926,425 | - | (107,700) | 7,818,725 |
| 2004 | - | 7,818,725 | - | (328,500) | 7,490,225 |
| 2005 | - | 7,490,225 | (2,069,027) | (132,475) | 5,288,723 |
| 2006 | - | 5,288,723 | (1,421,804) | (10,400) | 3,856,519 |
| 2007 | - | 3,856,519 | (2,000) | (81,350) | 3,773,169 |
| 2008 | - | 3,773,169 | - | (273,250) | 3,499,919 |
| 2009 | - | 3,499,919 | - | (200,260) | 3,299,659 |

| Fourth Tranche | Number of Options | | | | |
|----------------|-------------------|----------------------|-------------|-----------|------------------------|
| | Options granted | Balance at 1 January | Exercised | Forfeited | Balance at 31 December |
| 2002 | 7,276,700 | - | - | (600) | 7,276,100 |
| 2003 | - | 7,276,100 | - | (70,125) | 7,205,975 |
| 2004 | - | 7,205,975 | (262,647) | (165,500) | 6,777,828 |
| 2005 | - | 6,777,828 | (2,409,389) | (9,250) | 4,359,189 |
| 2006 | - | 4,359,189 | (1,443,498) | (3,775) | 2,911,916 |
| 2007 | - | 2,911,916 | (189,532) | (15,950) | 2,706,434 |
| 2008 | - | 2,706,434 | - | (159,313) | 2,547,121 |
| 2009 | - | 2,547,121 | - | (87,845) | 2,459,276 |

| Fifth Tranche | Number of Options | | | | |
|---------------|-------------------|----------------------|-------------|-----------|------------------------|
| | Options granted | Balance at 1 January | Exercised | Forfeited | Balance at 31 December |
| 2003 | 7,563,980 | - | - | - | 7,563,980 |
| 2004 | - | 7,563,980 | (9,600) | (97,940) | 7,456,440 |
| 2005 | - | 7,456,440 | (875,525) | (87,910) | 6,493,005 |
| 2006 | - | 6,493,005 | (1,231,420) | (31,620) | 5,229,965 |
| 2007 | - | 5,229,965 | (386,878) | (24,214) | 4,818,873 |
| 2008 | - | 4,818,873 | (14,200) | (75,080) | 4,729,593 |
| 2009 | - | 4,729,593 | - | (113,740) | 4,615,853 |

| Sixth Tranche | Number of Options | | | | |
|---------------|-------------------|----------------------|-----------|-------------|------------------------|
| | Options granted | Balance at 1 January | Exercised | Forfeited | Balance at 31 December |
| 2004 | 7,777,280 | - | - | - | 7,777,280 |
| 2005 | - | 7,777,280 | - | (78,220) | 7,699,060 |
| 2006 | - | 7,699,060 | (2,400) | (96,960) | 7,599,700 |
| 2007 | - | 7,599,700 | - | (1,358,714) | 6,240,986 |
| 2008 | - | 6,240,986 | - | (183,220) | 6,057,766 |
| 2009 | - | 6,057,766 | - | (41,060) | 6,016,706 |

| Seventh Tranche | Number of Options | | | | |
|-----------------|-------------------|----------------------|-----------|-------------|------------------------|
| | Options granted | Balance at 1 January | Exercised | Forfeited | Balance at 31 December |
| 2005 | 7,981,760 | - | - | - | 7,981,760 |
| 2006 | - | 7,981,760 | - | (74,160) | 7,907,600 |
| 2007 | - | 7,907,600 | - | (142,660) | 7,764,940 |
| 2008 | - | 7,764,940 | - | (1,469,989) | 6,294,951 |
| 2009 | - | 6,294,951 | - | (49,520) | 6,245,431 |

| Eighth Tranche | Number of Options | | | | |
|----------------|-------------------|----------------------|-----------|-----------|------------------------|
| | Options granted | Balance at 1 January | Exercised | Forfeited | Balance at 31 December |
| 2006 | 1,747,500 | - | - | - | 1,747,500 |
| 2007 | - | 1,747,500 | - | (5,500) | 1,742,000 |
| 2008 | - | 1,742,000 | - | (64,000) | 1,678,000 |
| 2009 | - | 1,678,000 | - | (11,000) | 1,667,000 |

| | | | | | |
|---------------------------------------|-------------------|----------|---------------------|--------------------|-------------------|
| Total options for all Tranches | 46,436,354 | - | (13,397,940) | (7,252,769) | 25,785,645 |
|---------------------------------------|-------------------|----------|---------------------|--------------------|-------------------|

| Performance/restricted shares plan 2006 | Number of Shares | | | | |
|---|------------------|----------------------|----------------|-----------------|------------------------|
| | Shares granted | Balance at 1 January | Vested | Forfeited | Balance at 31 December |
| Performance shares in 2006 | 1,344,625 | - | - | - | 1,344,625 |
| Performance shares in 2007 | - | 1,344,625 | (875) | (15,375) | 1,328,375 |
| Performance shares in 2008 | - | 1,328,375 | (875) | (36,125) | 1,291,375 |
| Performance shares in 2009 | - | 1,291,375 | (1,750) | (6,625) | 1,283,000 |
| Restricted shares in 2006 | 391,300 | - | - | - | 391,300 |
| Restricted shares in 2007 | - | 391,300 | - | (4,550) | 386,750 |
| Restricted shares in 2008 | - | 386,750 | - | (8,275) | 378,475 |
| Restricted shares in 2009 | - | 378,475 | (175) | (1,450) | 376,850 |
| Total shares | 1,735,925 | 1,669,850 | (3,675) | (72,400) | 1,659,850 |

| Ninth Tranche | Number of Units | | | | |
|---------------------------|------------------|----------------------|----------------|-----------------|------------------------|
| | Units granted | Balance at 1 January | Vested | Forfeited | Balance at 31 December |
| Performance units in 2007 | 1,693,940 | - | - | - | 1,693,940 |
| Performance units in 2008 | - | 1,693,940 | (1,680) | (38,760) | 1,653,500 |
| Performance units in 2009 | - | 1,653,500 | (840) | (18,560) | 1,634,100 |
| Restricted units in 2007 | 506,060 | - | - | - | 506,060 |
| Restricted units in 2008 | - | 506,060 | - | (9,800) | 496,260 |
| Restricted units in 2009 | - | 496,260 | - | (2,940) | 493,320 |
| Total units | 2,200,000 | 2,149,760 | (2,520) | (70,060) | 2,127,420 |

| Tenth Tranche | Number of Units | | | | |
|---------------------------|------------------|----------------------|----------------|-----------------|------------------------|
| | Units granted | Balance at 1 January | Vested | Forfeited | Balance at 31 December |
| Performance units in 2008 | 2,192,740 | - | - | - | 2,192,740 |
| Performance units in 2009 | - | 2,192,740 | (1,120) | (21,280) | 2,170,340 |
| Restricted units in 2008 | 801,860 | - | - | - | 801,860 |
| Restricted units in 2009 | - | 801,860 | - | (6,480) | 795,380 |
| Total units | 2,994,600 | 2,994,600 | (1,120) | (27,760) | 2,965,720 |

| Eleventh Tranche | Number of Units | | | | |
|---------------------------|------------------|----------------------|----------|-----------|------------------------|
| | Units granted | Balance at 1 January | Vested | Forfeited | Balance at 31 December |
| Performance units in 2009 | 2,697,740 | - | - | - | 2,697,740 |
| Restricted units in 2009 | 928,660 | - | - | - | 928,660 |
| Total units | 3,626,400 | - | - | - | 3,626,400 |

B) EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

In 2009, the Board of directors approved an additional ESOP following eight ESOPs established in 2008, 2007, 2005, 2004, 2003, 2002, 2001 and in 2000. For the 2009 ESOP, eligible employees were able to purchase a maximum of 500 shares per employee of previously unissued shares. The offer was broken down into two tranches which were available for all employees to choose. The subscription price for tranche A was €10.76. The subscription price for tranche B was the highest of the subscription price for tranche A or 80% of the average opening market prices for EADS shares on the Paris stock exchange

over the twenty trading days preceding 19 November 2009, resulting in a subscription price of €10.76.

During a lockup period of at least one year under tranche A or five years under tranche B, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who subscribed to tranche A have in addition the ability to vote at the annual shareholder meetings. EADS issued and sold 1,358,936 ordinary shares with a nominal value of €1.00 under both tranches. Compensation expense of €4 million (in 2008: €6 million) was recognised in connection with the ESOP 2009.

37. Related party transactions

Related parties — The Group has entered into various transactions with related companies in 2009 and 2008 that have all been carried out in the normal course of business. As is the Group's policy, related party transactions have to be carried out at arm's length. Transactions with related parties include the French State, Daimler AG, Lagardère and SEPI (Spanish State). Except for the transactions with the French State and SEPI, the 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,

Astrium and Defence & Security Divisions for programmes like Tiger, M51/M45 ballistic missiles and SCALP naval cruise missiles. The transactions with the Spanish State include mainly sales from the Airbus Military and Defence & Security for military programmes. With regard to the French and Spanish States as customers of the A400M programme please refer to Note 3 "Accounting for the A400M programme". The transactions with the joint ventures mainly concern the Eurofighter programme.

The following table discloses the related party transactions on a full EADS' share as of 31 December 2009:

| (in €m) | Sales of goods and services and other income in 2009 | Purchases of goods and services and other expense in 2009 | Receivables due as of 31 December 2009 | Payables due as of 31 December 2009 | Other Liabilities/Loans received as of 31 December 2009 ⁽¹⁾ |
|---|--|---|--|-------------------------------------|--|
| French State | 1,173 | 1 | 1,342 | 3 | 2,329 |
| Spanish State (SEPI) | 94 | 0 | 107 | 0 | 764 |
| Daimler AG | 6 | 14 | 1 | 1 | 0 |
| Lagardère group | 0 | 0 | 0 | 0 | 15 |
| Total transactions with shareholder | 1,273 | 15 | 1,450 | 4 | 3,108 |
| Total transactions with joint ventures | 1,858 | 24 | 745 | 0 | 1,431 |
| Total transactions with associates | 1,171 | 1 | 327 | 9 | 0 |

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

As of 31 December 2009, EADS granted guarantees to the Spanish State in the amount of €250 million mainly relating to advance payments received and performance bonds and in the amount of €328 million to Air Tanker group in the UK.

The following table discloses the related party transactions on a full EADS' share as of 31 December 2008:

| (in €m) | Sales of goods and services and other income in 2008 | Purchases of goods and services and other expense in 2008 | Receivables due as of 31 December 2008 | Payables due as of 31 December 2008 | Other Liabilities/Loans received as of 31 December 2008 ⁽¹⁾ |
|---|--|---|--|-------------------------------------|--|
| French State | 1,085 | 2 | 1,195 | 3 | 2,094 |
| Spanish State (SEPI) | 198 | 0 | 49 | 0 | 812 |
| Daimler AG | 7 | 19 | 1 | 0 | 0 |
| Lagardère group | 0 | 0 | 0 | 2 | 15 |
| Total transactions with shareholder | 1,290 | 21 | 1,245 | 5 | 2,921 |
| Total transactions with joint ventures | 1,566 | 24 | 629 | 27 | 1,399 |
| Total transactions with associates | 987 | 8 | 388 | 2 | 0 |

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

As of 31 December 2008, EADS granted guarantees to the Spanish State in the amount of €331 million mainly relating to advance payments received and performance bonds and in the amount of €291 million to Air Tanker group in the UK.

In 2007, Lagardère and the French State repaid to EADS the dividends they received related to 2006 for an amount of €29 million as an interest free loan.

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

| 2009 (in €m) | Compensation expense | Pension | |
|--|----------------------|---|--------------------------------|
| | | Defined benefit obligation ⁽¹⁾ | Pension expense ⁽²⁾ |
| Non Executive Board members ⁽³⁾ | 1.4 | - | - |
| Executive Board member ⁽⁴⁾ | 2.0 | 1.8 | 0.7 |
| Other Executive Committee members ⁽⁵⁾ | 12.8 | 23.3 | 2.9 |

- (1) Amount of the net pension defined benefit obligation
- (2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2009
- (3) Non Executive Board members in office as at 31 December 2009
- (4) The Chief Executive Officer was the sole Executive Board member in office as at 31 December 2009
- (5) Executive Board members in office as at 31 December 2009, including specific exceptional bonus if any and EADS N.V. compensation.

| 2008 (in €m) | Compensation expense | Pension | |
|--|----------------------|---|--------------------------------|
| | | Defined benefit obligation ⁽¹⁾ | Pension expense ⁽²⁾ |
| Non Executive Board members ⁽³⁾⁽⁶⁾ | 1.5 | - | - |
| Executive Board member ⁽⁴⁾ | 0.9 | 1.4 | 0.6 |
| Other Executive Committee members ⁽⁵⁾ | 15.4 | 23.1 | 1.9 |

- (1) Amount of the net pension defined benefit obligation
- (2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2008
- (3) Non Executive Board members in office as at 31 December 2008
- (4) The Chief Executive Officer was the sole Executive Board member in office as at 31 December 2008. At the Chief Executive Officer's request the variable payment was waived.
- (5) Executive Board members in office as at 31 December 2008, including specific exceptional bonus if any and EADS N.V. compensation.
- (6) In the 2008 Consolidated Financial Statements, the compensation expense for the Non Executive Board members reflects the amount paid in 2008 for the reporting period 2007.

Additionally, performance units granted in 2009 to the Chief Executive Officer and to the other Executive Committee members represented 393,000 units.

The amounts detailed above do neither comprise the termination package nor the estimated cost of Long-term Incentives granted to Executive Committee members.

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

EADS has not provided any loans to/advances to/guarantees on behalf of directors, former directors or Executive Committee members.

The Executive Committee members are furthermore entitled to a termination package when the parting results from a decision by the Company. The employment contracts for the Executive Committee members are concluded for an indefinite term with an indemnity of up to a maximum of 24 months of their target income.

The Board has decided to reduce the maximum termination indemnity from 24 months to 18 months of annual total target salary.

This new rule is applicable to the Executive Committee members from the renewal of their employment contracts.

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

Under the LTIP 2009, the Chief Executive Officer, as well as all Executive Committee members will have to own EADS shares equal to a minimum of 20% of the number of vested units until the end of their mandate.

Executive Committee members are also entitled to a company car.

38. Interest in Joint Ventures

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

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

| (in €m) | 2009 | 2008 |
|-------------------------|-------|-------|
| Non-current assets | 588 | 667 |
| Current assets | 3,013 | 3,051 |
| Non-current liabilities | 473 | 446 |
| Current liabilities | 2,628 | 2,702 |
| Revenues | 1,645 | 1,652 |
| Profit for the period | 95 | 145 |

39. Earnings per Share

Basic earnings per share — Basic earnings per share are calculated by dividing profit (loss) for the period attributable to equity owners of the parent (Net income (loss)) by the

weighted average number of issued ordinary shares during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

| | 2009 | 2008 | 2007 |
|--|----------------|----------------|----------------|
| Profit (loss) for the period attributable to equity owners of the parent (Net income (loss)) | €(763) million | €1,572 million | €(446) million |
| Weighted average number of ordinary shares | 809,698,631 | 806,978,801 | 803,128,221 |
| Basic earnings (losses) per share | €(0.94) | €1.95 | €(0.56) |

Diluted earnings per share — For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's categories of dilutive potential ordinary shares are stock options as well as performance and restricted shares granted under the 8th tranche. In 2009 and 2008, the average share price of EADS did not exceed the exercise price of stock options under any stock

option plan (in 2007: 1st, 2nd, 4th and 5th stock option plan). Hence, no shares related to stock options (2008: no shares; 2007: 2,420,180 shares) were considered in the calculation of diluted earnings per share. Since the average price of EADS shares during 2009 exceeded the price for performance and restricted shares, 1,491,482 shares related to performance and restricted shares (in 2008: 618,141 shares; in 2007: no shares) were considered in the calculation.

| | 2009 | 2008 | 2007 |
|--|----------------|----------------|----------------|
| Profit (loss) for the period attributable to equity owners of the parent (Net income (loss)) | €(763) million | €1,572 million | €(446) million |
| Weighted average number of ordinary shares (diluted) | 811,190,113 | 807,596,942 | 805,548,401 |
| Diluted earnings (losses) per share | €(0.94) | €1.95 | €(0.55) |

40. Number of Employees

The number of employees at 31 December 2009 is 119,506 as compared to 118,349 at 31 December 2008.

41. Events after the reporting date

In February 2010, EADS entered into negotiations to increase Airbus' stake in DASELL Cabin Interior GmbH / Germany, a medium-sized manufacturer of cabin interior components and sanitary facilities, to 100% and to sell this Aerospace OEM supplier afterwards to an industrial investor. These interrelated negotiations were not finalised until the date these Consolidated Financial Statements were authorised for issue by EADS' Board of directors.

On 5 March 2010, the Launch Nations and EADS have come to a principle agreement regarding the A400M military airlifter with the intention to amend the original contract accordingly

in the coming weeks. Please refer to Note 3. "Accounting for the A400M programme" for further details.

Upon evaluation of the request for proposal for the US Air Force Tanker replacement, Northrop Grumman has decided not to submit a bid to the US Department of Defence for the KC-X programme in March 2010. EADS as partner to Northrop Grumman accepts this decision.

These Consolidated Financial Statements have been authorised for issuance by the Board of directors on 8 March 2010.

2.6 Appendix "Information on principal investments" – Consolidation Scope

| 2009 | | 2008 | | Company | Head office |
|--------------------------|--------|------|--------|---|-------------------|
| F | % | F | % | | |
| Airbus Commercial | | | | | |
| F | 100.00 | F | 100.00 | AD Grundstücksgesellschaft GmbH | Pöcking (Germany) |
| F | 100.00 | | | Aerolia SAS | France |
| F | 100.00 | F | 100.00 | AFS Cayman 11 Ltd. | Cayman Islands |
| F | 100.00 | F | 100.00 | AIFS (Cayman) Ltd. | Cayman Islands |
| F | 100.00 | F | 100.00 | AIFS Cayman Liquidity Ltd. | Cayman Islands |
| F | 100.00 | F | 100.00 | AIFS Leasing Company Ltd. | Ireland |
| F | 100.00 | F | 100.00 | Airbus (TIANJIN) Delivery Center Ltd. | Tianjin (China) |
| F | 51.00 | P | 51.00 | Airbus (TIANJIN) Final Assembly Company Ltd. | Tianjin (China) |
| F | 51.00 | P | 51.00 | Airbus (TIANJIN) Jigs & Tools Company Ltd. | Tianjin (China) |
| F | 100.00 | F | 100.00 | Airbus Americas Inc. | USA |
| F | 100.00 | F | 100.00 | Airbus China Ltd. | Hong Kong (China) |
| F | 100.00 | | | Airbus Corporate Jet Centre SAS (ACJC) | Toulouse (France) |
| F | 100.00 | F | 100.00 | Airbus Finance Company Ltd. | Dublin (Ireland) |
| F | 100.00 | F | 100.00 | Airbus Financial Service Unlimited | Ireland |
| E | 50.00 | | | Airbus Freighter Conversion GmbH | Dresden (Germany) |
| | | F | 100.00 | Airbus Holding S.A. | France |
| F | 100.00 | F | 100.00 | Airbus Invest | Toulouse (France) |
| F | 100.00 | F | 100.00 | Airbus North America Customer Services Inc. | USA |
| F | 100.00 | F | 100.00 | Airbus North America Engineering Inc. | USA |
| F | 100.00 | F | 100.00 | Airbus Operations GmbH (ex Airbus Deutschland GmbH) | Hamburg (Germany) |
| F | 100.00 | F | 100.00 | Airbus Operations Ltd. (Airbus UK Ltd.) | United Kingdom |
| F | 100.00 | F | 100.00 | Airbus Operations SAS (ex Airbus France S.A.S.) | Toulouse (France) |
| F | 100.00 | F | 100.00 | Airbus Operations SL (ex Airbus Espana SL) | Madrid (Spain) |
| F | 100.00 | | | Airbus Real Estate Premium AEROTEC Nord GmbH & Co. KG | Pöcking (Germany) |
| F | 100.00 | F | 100.00 | Airbus S.A.S. | Toulouse (France) |
| F | 100.00 | F | 100.00 | Airbus Sales Inc. | USA |
| F | 100.00 | F | 100.00 | Airbus Transport International S.N.C. (ATI) | Blagnac (France) |
| F | 100.00 | F | 100.00 | Avaio Ltd. | Isle Of Man |
| F | 100.00 | F | 100.00 | Aviateur Aerospace Ltd. | Ireland |
| E | 20.00 | E | 20.00 | Aviateur Capital Ltd. (In 2006: Avion Capital Ltd.) | Ireland |
| F | 100.00 | F | 100.00 | Aviateur Eastern Ltd. | Ireland |
| F | 100.00 | F | 100.00 | Aviateur Finance Ltd. | Ireland |
| F | 100.00 | F | 100.00 | Aviateur International Ltd. | Ireland |
| F | 100.00 | F | 100.00 | Aviateur Leasing Ltd. | Ireland |
| F | 100.00 | | | CIMPA GmbH | Germany |
| F | 100.00 | | | CIMPA Ltd. | United Kingdom |
| F | 100.00 | | | CIMPA SAS | France |
| F | 100.00 | F | 100.00 | CTC GmbH | Stade (Germany) |

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

| | 2009 | % | 2008 | % | Company | Head office |
|--|------|--------|------|--------|---|----------------------|
| | F | 100.00 | | | EADS Real Estate Premium AEROTEC Augsburg GmbH & Co. KG | Augsburg (Germany) |
| | F | 100.00 | | | Elbe Flugzeugwerke GmbH | Dresden (Germany) |
| | E | 30.00 | | | OnAIR BV | Netherlands |
| | F | 100.00 | | | Premium AEROTEC GmbH | Augsburg (Germany) |
| | F | 100.00 | F | 100.00 | Star Real Estate S.A.S. | Boulogne (France) |
| | F | 100.00 | F | 100.00 | Total Airline Service Company | United Arab Emirates |

Additionally consolidated are 26 SPEs.

Airbus Military

| | | | | | | |
|--|---|--------|---|--------|---|--------------------------|
| | F | 90.00 | F | 90.00 | Airbus Military S.L. | Madrid (Spain) |
| | E | 40.00 | E | 40.00 | AirTanker Holdings Ltd.* | London (UK) |
| | F | 100.00 | F | 100.00 | EADS CASA North America Inc | Chantilly/Virginia (USA) |
| | F | 100.00 | F | 100.00 | EADS CASA S.A. (Unit: EADS CASA Military Transport Aircraft) | Madrid (Spain) |
| | F | 77.21 | F | 77.21 | EADS PZL «WARSZAWA-OKECIE» S.A. | Warsaw (Poland) |

Eurocopter

| | | | | | | |
|--|---|--------|---|--------|---|--------------------------|
| | F | 100.00 | F | 100.00 | AA Military Maintenance Pty. Ltd. | Brisbane (Australia) |
| | F | 100.00 | F | 100.00 | AA New Zealand Pty. Ltd. | Bankstown (Australia) |
| | F | 100.00 | F | 100.00 | American Eurocopter Corp. | Dallas, Texas (USA) |
| | F | 60.00 | F | 60.00 | American Eurocopter LLC | Dallas, Texas (USA) |
| | F | 100.00 | F | 100.00 | Australian Aerospace Ltd. | Bankstown (Australia) |
| | F | 100.00 | F | 100.00 | EIP Holding Pty. Ltd. | Bankstown (Australia) |
| | F | 75.00 | F | 75.00 | Eurocopter South East Asia Pte. Ltd. | Singapore (Singapore) |
| | F | 100.00 | F | 100.00 | Eurocopter Canada Ltd. | Ontario (Canada) |
| | F | 100.00 | F | 100.00 | Eurocopter Deutschland GmbH | Donauwörth (Germany) |
| | F | 100.00 | | | Eurocopter di Mexico S.A. | Mexico D.F. (Mexico) |
| | F | 100.00 | F | 100.00 | Eurocopter España S.A. | Madrid (Spain) |
| | F | 100.00 | F | 100.00 | Eurocopter Holding S.A. | Paris (France) |
| | F | 100.00 | F | 100.00 | Eurocopter S.A.S. | Marignane (France) |
| | F | 100.00 | F | 100.00 | Eurocopter Training Services S.A.S | Marignane (France) |
| | F | 85.66 | F | 85.66 | Helibras - Helicopteros do Brasil S.A. | Itajuba (Brazil) |
| | E | 25.00 | E | 25.00 | HFTS Helicopter Flight Training Services GmbH | Hallbergmoos (Germany) |
| | F | 100.00 | F | 100.00 | Korean Helicopter Development Support | Sacheon-si (South Korea) |

Defence & Security

| | | | | | | |
|--|---|--------|---|--------|--------------------------------------|--------------------------|
| | F | 100.00 | F | 100.00 | Aircraft Services Lemwerder GmbH | Lemwerder (Germany) |
| | F | 100.00 | F | 100.00 | Apsys | Suresnes (France) |
| | E | 16.20 | E | 16.20 | Arbeitsgemeinschaft Marine Logistik | Bremen (Germany) |
| | E | 14.70 | E | 14.70 | Atlas Defence Technology SDN.BHD | Kuala Lumpur (Malaysia) |
| | P | 49.00 | | | Atlas Elektronik Finland Oy | Helsinki (Finland) |
| | P | 49.00 | P | 49.00 | Atlas Elektronik GmbH | Bremen (Germany) |
| | P | 49.00 | P | 49.00 | Atlas Elektronik Pty Ltd. | St. Leonards (Australia) |
| | P | 49.00 | P | 49.00 | Atlas Elektronik UK (Holdings) Ltd. | Newport, Wales (UK) |
| | P | 49.00 | P | 49.00 | Atlas Elektronik UK Ltd. | Newport, Wales (UK) |
| | P | 49.00 | P | 49.00 | Atlas Hydrographic Holdings Pty Ltd. | St. Leonards (Australia) |
| | P | 49.00 | P | 49.00 | Atlas Hydrographics GmbH | Bremen (Germany) |
| | P | 49.00 | P | 49.00 | Atlas Maridan ApS | Horsholm (Denmark) |

F: Fully consolidated. P: Proportionate consolidated. E: At equity consolidated.

The stated percentage of ownership is related to the parent company.

Note *: Regarding associated investments, only the parent company is stated in this list.

| | 2009 | % | 2008 | % | Company | Head office |
|--|------|--------|------|--------|---|--------------------------------------|
| | P | 49.00 | | | Atlas Maritime Security GmbH | Bremen (Germany) |
| | P | 49.00 | | | Atlas Naval Engineering Company | Kyungnam (South Korea) |
| | P | 49.00 | P | 49.00 | Atlas Naval Systems Malaysia SDN.BHD. | Kuala Lumpur (Malaysia) |
| | F | 55.00 | F | 55.00 | Aviation Defense Service S.A. | Saint-Gilles (France) |
| | P | 37.50 | P | 37.50 | Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH | Aschau/Inn (Germany) |
| | E | 19.60 | E | 19.60 | CybiCOM Atlas Defence (Pty) Ltd. | Umhlanga Rocks (South Africa) |
| | F | 100.00 | | | Defence & Security Real Estate Ulm/ Unterschleißheim GmbH & Co. KG | Pöcking (Germany) |
| | F | 100.00 | F | 100.00 | Dornier Consulting GmbH | Friedrichshafen (Germany) |
| | F | 100.00 | F | 100.00 | Dornier Flugzeugwerft GmbH | Friedrichshafen (Germany) |
| | F | 100.00 | F | 100.00 | EADS CASA S.A. (Unit: Military Aircraft) | Madrid (Spain) |
| | F | 100.00 | F | 100.00 | EADS Cognac Aviation Training Services | Paris (France) |
| | F | 100.00 | F | 100.00 | EADS Defence & Security Solutions Espana S.A.U. | Madrid (Spain) |
| | F | 100.00 | F | 100.00 | EADS Defence & Security Systems Limited - Holding | Newport, Wales (UK) |
| | F | 100.00 | F | 100.00 | EADS Defence & Security Systems Ltd. | Newport, Wales (UK) |
| | F | 100.00 | F | 100.00 | EADS Defence & Security Systems S.A. | Elancourt (France) |
| | F | 100.00 | F | 100.00 | EADS Defence and Security Saudi Ltd | Riyadh Olaya District (Saudi Arabia) |
| | F | 100.00 | F | 100.00 | EADS Deutschland GmbH – Defence Headquarter | Unterschleißheim (Germany) |
| | F | 100.00 | F | 100.00 | EADS Deutschland GmbH - Military Aircraft TB 51 | Munich (Germany) |
| | F | 100.00 | F | 100.00 | EADS Deutschland GmbH – Verteidigung und Zivile Systeme | Ulm (Germany) |
| | F | 100.00 | F | 100.00 | EADS Operations & Services UK | Newport, Wales (UK) |
| | F | 100.00 | F | 100.00 | EADS Secure Networks Deutschland GmbH | Ulm (Germany) |
| | F | 100.00 | F | 100.00 | EADS Secure Networks Oy | Helsinki (Finland) |
| | F | 100.00 | F | 100.00 | EADS Secure Networks S.A.S. | Elancourt (France) |
| | F | 100.00 | F | 100.00 | EADS System & Defence Electronics Belgium | Oostkamp (Belgium) |
| | F | 100.00 | F | 100.00 | EADS Telecom Mexico SA de CV | Mexico DF (Mexico) |
| | E | 30.00 | E | 30.00 | ESG Elektroniksystem- und Logistikgesellschaft | Munich (Germany) |
| | E | 24.50 | E | 24.50 | ET Marinesysteme GmbH | Wilhelmshaven (Germany) |
| | F | 100.00 | F | 100.00 | Fairchild Controls Corporation | Frederick Maryland (USA) |
| | F | 100.00 | F | 100.00 | FmElo Elektronik- und Luftfahrtgeräte GmbH | Ulm (Germany) |
| | F | 100.00 | F | 100.00 | Gesellschaft für Flugzielerstellung mbH | Hohn (Germany) |
| | F | 100.00 | F | 100.00 | Get Electronique S.A. | Castres (France) |
| | E | 45.00 | E | 45.00 | Grintek Ewation (Pty) Ltd. | Pretoria (South Africa) |
| | P | 49.00 | P | 49.00 | Hagenuk Marinekommunikation GmbH | Flintbek (Germany) |
| | F | 100.00 | F | 100.00 | IFR France S.A. | Blagnac (France) |
| | P | 37.50 | P | 37.50 | LFK – Lenkflugkörpersysteme GmbH | Schrobenhausen (Germany) |
| | F | 100.00 | F | 100.00 | M.P. 13 | Paris (France) |
| | P | 50.00 | P | 50.00 | Maîtrise d'Oeuvre Système | Issy les Moulineaux (France) |
| | | | F | 100.00 | Matra Défense | Velizy (France) |
| | P | 37.50 | P | 37.50 | Matra Electronique | La Croix Saint-Ouen (France) |
| | | | F | 100.00 | Matra Holding GmbH | Frankfurt (Germany) |
| | E | 49.00 | | | Matrium GmbH | Munich (Germany) |
| | P | 37.50 | P | 37.50 | MBDA France | Velizy (France) |
| | P | 37.50 | P | 37.50 | MBDA Holding | Velizy (France) |
| | P | 37.50 | P | 37.50 | MBDA Inc. | Westlack, CA (USA) |
| | P | 37.50 | | | MBDA International | Stevenage (UK) |

F: Fully consolidated. P: Proportionate consolidated. E: At equity consolidated.

The stated percentage of ownership is related to the parent company.

Note *: Regarding associated investments, only the parent company is stated in this list.

| | 2009 | % | 2008 | % | Company | Head office |
|----------------|------|--------|------|--------|--|---------------------------------|
| | P | 37.50 | P | 37.50 | MBDA Italy SpA | Rome (Italy) |
| | P | 37.50 | P | 37.50 | MBDA M S.A. | Chatillon sur Bagneux (France) |
| | P | 37.50 | | | MBDA Reinsurance Ltd. | Dublin (Ireland) |
| | P | 37.50 | P | 37.50 | MBDA S.A.S. | Velizy (France) |
| | P | 37.50 | P | 37.50 | MBDA Services | Velizy (France) |
| | P | 37.50 | P | 37.50 | MBDA Treasury | Jersey |
| | P | 37.50 | P | 37.50 | MBDA UK Ltd. | Stevenage (UK) |
| | E | 26.80 | E | 26.80 | Patria Oyj | Helsinki (Finland) |
| | F | 80.00 | F | 80.00 | Pentastar Holding | Paris (France) |
| | F | 100.00 | F | 100.00 | PlantCML | Temecula, CA (USA) |
| | F | 100.00 | F | 100.00 | Proj2 | Paris (France) |
| | F | 100.00 | F | 100.00 | Racal Instruments Group Ltd. UK | Wimborne, Dorset (UK) |
| | E | 18.75 | E | 18.75 | Roxel | Saint-Médard-en-Jalles (France) |
| | F | 100.00 | F | 100.00 | Sofrelog S.A. | Bozons (France) |
| | P | 49.00 | P | 49.00 | Sonartech Atlas Pty Ltd. | St. Leonards (Australia) |
| | P | 25.13 | P | 25.13 | TAURUS Systems GmbH | Schrobenhausen (Germany) |
| | P | 37.50 | P | 37.50 | TDW- Ges. für verteidigungstechnische Wirksysteme GmbH | Schrobenhausen (Germany) |
| | F | 100.00 | F | 100.00 | Test & Services France | Velizy (France) |
| | | | F | 100.00 | TYX Corp. | Reston, VA (USA) |
| | E | 50.00 | E | 50.00 | United Monolithic Semiconductors Holding* | Orsay (France) |
| | F | 90.00 | F | 90.00 | UTE CASA A.I.S.A. | Madrid (Spain) |
| Astrium | | | | | | |
| | F | 100.00 | F | 100.00 | Astrium GmbH - Satellites | Munich (Germany) |
| | F | 100.00 | F | 100.00 | Astrium GmbH - Space Transportation | Munich (Germany) |
| | F | 100.00 | F | 100.00 | Astrium Holding S.A.S. | Paris (France) |
| | F | 100.00 | F | 100.00 | Astrium Ltd. - Satellites | Stevenage (UK) |
| | F | 100.00 | F | 100.00 | Astrium Ltd. - Services | Stevenage (UK) |
| | F | 100.00 | F | 100.00 | Astrium SAS - Satellites | Toulouse (France) |
| | F | 100.00 | F | 100.00 | Astrium SAS - Services | Paris (France) |
| | F | 100.00 | F | 100.00 | Astrium SAS - Space Transportation | Les Mureaux (France) |
| | F | 100.00 | F | 100.00 | Astrium Services GmbH | Ottobrunn (Germany) |
| | F | 100.00 | F | 100.00 | Astrium Services S.A.S. | Paris (France) |
| | F | 100.00 | F | 100.00 | Astrium Services UK Ltd. | Stevenage (UK) |
| | F | 70.00 | F | 70.00 | Axio-Net GmbH | Hannover (Germany) |
| | F | 53.00 | F | 44.57 | Beijing Spot Image Co Ltd. | Beijing (China) |
| | F | 100.00 | F | 100.00 | Computadoras, Redes e Ingeniería SA (CRISA) | Madrid (Spain) |
| | F | 99.99 | | | DMC International Imaging Ltd. | Surrey (UK) |
| | F | 100.00 | F | 100.00 | Dutch Space B.V. | Leiden (Netherlands) |
| | F | 100.00 | F | 100.00 | EADS Astrium N.V. | The Hague (Netherlands) |
| | F | 100.00 | F | 100.00 | EADS Astrium S.L. | Madrid (Spain) |
| | F | 100.00 | F | 100.00 | EADS CASA Espacio S.L. | Madrid (Spain) |
| | F | 100.00 | F | 100.00 | EADS Deutschland GmbH – Space Services | Munich (Germany) |
| | F | 100.00 | F | 100.00 | GPT Special Project Management Ltd. | Riyadh (Saudi Arabia) |
| | E | 25.58 | E | 20.73 | I-Cubed (I3C) | Fort Collins (USA) |
| | F | 100.00 | | | Imass Holding Limited Group | Newcastle (UK) |

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The stated percentage of ownership is related to the parent company.

Note *: Regarding associated investments, only the parent company is stated in this list.

| | 2009 | % | 2008 | % | Company | Head office |
|-------------------------|------|--------|------|--------|---|---------------------------|
| | F | 100.00 | F | 100.00 | Imass Ltd | Newcastle (UK) |
| | F | 100.00 | F | 100.00 | Infoterra GmbH | Friedrichshafen (Germany) |
| | F | 100.00 | F | 100.00 | Infoterra Ltd. | Southwood (UK) |
| | F | 100.00 | F | 100.00 | Infoterra S.A.S. | Toulouse (France) |
| | F | 100.00 | F | 100.00 | Matra Marconi Space UK Ltd. | Stevenage (UK) |
| | F | 74.90 | F | 74.90 | MilSat Services GmbH | Bremen (Germany) |
| | E | 47.40 | E | 47.40 | Nahuelsat S.A. | Buenos Aires (Argentina) |
| | F | 100.00 | F | 100.00 | Paradigm Secure Communications Ltd | Stevenage (UK) |
| | F | 100.00 | F | 100.00 | Paradigm Services Ltd | Stevenage (UK) |
| | F | 89.98 | F | 89.98 | Sodern S.A. | Limeil Brevannes (France) |
| | F | 100.00 | F | 100.00 | Space Management & Services S.A.S. | Paris (France) |
| | F | 67.44 | F | 56.72 | Spot Asia Pte Ltd | Singapore (Singapore) |
| | F | 96.34 | | | Spot Image Brasil Servicos en Image | Sao Paulo (Brazil) |
| | F | 96.34 | F | 81.03 | Spot Image Corporation Inc. | Chantilly, VA (USA) |
| | F | 96.34 | F | 81.03 | Spot Image S.A.S. | Toulouse (France) |
| | F | 96.34 | F | 81.03 | Spot Imaging Services Pty Ltd. | Weston Creek (Australia) |
| | F | 99.99 | | | Surrey Satellite Investments Ltd. | Surrey (UK) |
| | F | 99.99 | | | Surrey Satellite Services Ltd. | Surrey (UK) |
| | F | 99.99 | | | Surrey Satellite Technology Holdings Inc. | Delaware (USA) |
| | F | 99.99 | F | 78.38 | Surrey Satellite Technology Ltd. | Surrey (UK) |
| | F | 99.99 | | | Surrey Satellite Technology US LLC | Delaware (USA) |
| | F | 100.00 | F | 100.00 | TESAT-Spacecom Geschäftsführung GmbH | Backnang (Germany) |
| | F | 100.00 | F | 100.00 | TESAT-Spacecom GmbH & Co. KG | Backnang (Germany) |
| | F | 49.13 | F | 40.95 | Tokyo Spot Image | Tokyo (Japan) |
| Other Businesses | | | | | | |
| | | | P | 50.00 | Airbus Freighter Conversion GmbH | Dresden (Germany) |
| | P | 50.00 | P | 50.00 | ATR Eastern Support | Singapore (Singapore) |
| | P | 50.00 | P | 50.00 | ATR GIE | Toulouse (France) |
| | P | 50.00 | P | 50.00 | ATR India Customer Support | Bangalore (India) |
| | P | 50.00 | P | 50.00 | ATR International SARL | Toulouse (France) |
| | P | 50.00 | P | 50.00 | ATR North America Inc. | Washington, D.C. (USA) |
| | P | 50.00 | P | 50.00 | ATR Training Center SARL | Toulouse (France) |
| | P | 50.00 | P | 50.00 | ATRIam Capital Ltd. | Dublin (Ireland) |
| | F | 50.10 | F | 50.10 | Composites Aquitaine S.A. | Salaunes (France) |
| | F | 50.00 | F | 50.00 | Composites Atlantic Ltd. | Halifax (Canada) |
| | F | 100.00 | F | 100.00 | EADS ATR S.A. | Toulouse (France) |
| | F | 100.00 | F | 100.00 | EADS North America Defense Security Systems Solutions, Inc. | San Antonio, Texas (USA) |
| | F | 100.00 | F | 100.00 | EADS North America Defense Test and Services, Inc. | Irvine, California (USA) |
| | F | 100.00 | F | 100.00 | EADS North America Tankers, LLC | Arlington, Virginia (USA) |
| | F | 100.00 | F | 100.00 | EADS North America, Inc. | Arlington, Virginia (USA) |
| | F | 100.00 | F | 100.00 | EADS Seca S.A. | Le Bourget (France) |
| | F | 100.00 | F | 100.00 | EADS Sogerma S.A. | Mérignac (France) |
| | | | F | 100.00 | Elbe Flugzeugwerke GmbH | Dresden (Germany) |
| | F | 100.00 | F | 100.00 | Maroc Aviation S.A. | Casablanca (Morocco) |
| | F | 100.00 | F | 100.00 | Noise Reduction Engineering B.C. | Washington, D.C. (USA) |
| | E | 30.00 | F | 100.00 | Socata S.A.S.* | Louey (France) |

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

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| | 2009 | % | 2008 | % | Company | Head office |
|--|------|--------|------|--------|--|---------------------------|
| | F | 100.00 | | | TYX Corp. | Reston, VA (USA) |
| Additionally consolidated are 4 SPEs. | | | | | | |
| Headquarters | | | | | | |
| | F | 100.00 | F | 100.00 | AL Objekt Taufkirchen Grundstücks- Verwaltungsgesellschaft mbH & Co. KG | Grünwald (Germany) |
| | F | 75.00 | F | 75.00 | DADC Luft- und Raumfahrt Beteiligungs AG | Munich (Germany) |
| | E | 46.32 | E | 46.32 | Dassault Aviation* | Paris (France) |
| | F | 99.12 | F | 99.12 | Dornier GmbH – Zentrale | Friedrichshafen (Germany) |
| | | | F | 100.00 | EADS Airbus Holding S.A.S. | Paris (France) |
| | F | 100.00 | F | 100.00 | EADS CASA France | Paris (France) |
| | | | F | 100.00 | EADS CASA S.A. Shared Service Center, Spain | Madrid (Spain) |
| | F | 100.00 | F | 100.00 | EADS CASA S.A. (Headquarters) | Madrid (Spain) |
| | F | 100.00 | F | 100.00 | EADS Deutschland GmbH – Zentrale | Munich (Germany) |
| | | | F | 100.00 | EADS Deutschland GmbH, Shared Service Center, Germany | Munich (Germany) |
| | F | 100.00 | F | 100.00 | EADS Deutschland GmbH, Innovation Works | Munich (Germany) |
| | | | F | 100.00 | EADS Deutschland GmbH, LO - Liegenschaften OTN | Munich (Germany) |
| | F | 100.00 | F | 100.00 | EADS Finance B.V. | Amsterdam (Netherlands) |
| | F | 100.00 | F | 100.00 | EADS France HQ | Paris (France) |
| | F | 100.00 | F | 100.00 | EADS France Innovation Works (integrated in EADS HQ France) | Suresnes (France) |
| | F | 100.00 | F | 100.00 | EADS Management Service GmbH | Munich (Germany) |
| | F | 100.00 | F | 100.00 | EADS North America Holdings Inc. | Arlington (USA) |
| | F | 99.12 | F | 99.12 | EADS Real Estate Dornier Grundstücke GmbH & Co. KG | Taufkirchen (Germany) |
| | | | F | 100.00 | EADS Real Estate Objekt Nabern GmbH & Co. KG | Taufkirchen (Germany) |
| | F | 100.00 | | | EADS Real Estate Taufkirchen GmbH & Co. KG | Pullach (Germany) |
| | F | 100.00 | | | EADS U.K. Ltd. | London (UK) |
| | F | 100.00 | F | 100.00 | Manhattan Beach Holding Company | Frederick, Maryland (USA) |
| | F | 100.00 | F | 100.00 | Matra Aerospace Inc. | Arlington (USA) |
| | F | 100.00 | | | Matra Défense | Velizy (France) |
| | F | 100.00 | | | Matra Holding GmbH | Frankfurt (Germany) |
| | F | 100.00 | F | 100.00 | OBRA Grundstücks-Verwaltungsgesellschaft mbH | Grünwald (Germany) |
| | F | 100.00 | F | 100.00 | OOO "EADS" | Moscow (Russia) |

F: Fully consolidated. P: Proportionate consolidated. E: At equity consolidated.

The stated percentage of ownership is related to the parent company.

Note *: Regarding associated investments, only the parent company is stated in this list.

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Auditors' report on the Consolidated Financial Statements (IFRS)

To: The EADS N.V. shareholders:

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements 2009 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

EMPHASIS OF MATTER

Without qualifying our opinion above, we draw attention to all of the specific disclosures made by the Company in its notes to the Consolidated Financial Statements under Note 3 "Accounting for the A400M Programme" in relation with the risks and uncertainties attached to the A400M programme.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the Consolidated Financial Statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 8 March 2010

Amsterdam, 8 March 2010

KPMG Accountants N.V.
L.A. Blok

Ernst & Young Accountants LLP
F.A.L. van der Bruggen

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Company Financial Statements

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Balance Sheet of the Company Financial Statements

| (in €m) | | | |
|---|------|---------------------|---------------------|
| Assets | Note | At 31 December 2009 | At 31 December 2008 |
| Fixed assets | | | |
| Goodwill | 2 | 4,354 | 4,354 |
| Financial fixed assets | 2 | 9,578 | 9,575 |
| Non-current securities | 4 | 3,809 | 3,035 |
| | | 17,741 | 16,964 |
| Non-fixed assets | | | |
| Receivables and other assets | 3 | 4,383 | 5,398 |
| Securities | 4 | 4,045 | 3,909 |
| Cash and cash equivalents | 4 | 5,377 | 5,321 |
| | | 13,805 | 14,628 |
| Total assets | | 31,546 | 31,592 |
| Liabilities and stockholders' equity | | | |
| Stockholders' equity⁽¹⁾ | 5 | | |
| Issued and paid up capital | | 816 | 815 |
| Share premium | | 7,683 | 7,836 |
| Revaluation reserves | | 1,389 | 237 |
| Legal reserves | | 3,116 | 3,379 |
| Treasury shares | | (109) | (109) |
| Retained earnings | | (1,597) | (2,708) |
| Result of the year | | (763) | 1,572 |
| | | 10,535 | 11,022 |
| Non-current liabilities | | | |
| Financing liabilities | 6 | 322 | 332 |
| Other non-current liabilities | 6 | 1,619 | 1,501 |
| | | 1,941 | 1,833 |
| Current liabilities | | | |
| Other current liabilities | 7 | 19,070 | 18,737 |
| | | 19,070 | 18,737 |
| Total liabilities and stockholders' equity | | 31,546 | 31,592 |

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

Income Statement of the Company Financial Statements

| (in €m) | Note | 2009 | 2008 |
|-------------------------|----------|--------------|--------------|
| Income from investments | | (953) | 1,763 |
| Other results | | 190 | (191) |
| Net result | 8 | (763) | 1,572 |

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Notes to the Company Financial Statements



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1. Basis of presentation

1.1. GENERAL

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

The Company Financial Statements are part of the 2009 financial statements of EADS N.V.

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

1.2. PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company Financial Statements, EADS N.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. As from 2005, the Netherlands Civil Code allows that

the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company Financial Statements of EADS N.V. are the same as those applied for the consolidated EU-IFRS financial statements. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as EU-IFRS). Please see Note 2 of the Consolidated Financial Statements for a description of these principles.

Participating interests including subsidiaries, over which significant influence is exercised, are stated on the basis of the Net Asset Value.

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

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

2. Fixed assets

At the end of 2009, goodwill acquisition cost amounts to €5,676 million (2008: €5,676 million) and the cumulative amortisation and impairments to €1,322 million (2008: €1,322 million).

The movements in financial fixed assets are detailed as follows:

| (in €m) | Subsidiaries | Participations | Loans | Total |
|---------------------------------------|--------------|----------------|--------------|--------------|
| Balance at 31 December 2008 | 8,238 | 79 | 1,258 | 9,575 |
| Additions | 520 | | 471 | 991 |
| Redemptions | | | (83) | (83) |
| SOP/ESOP | 19 | | | 19 |
| Net income from investments | (957) | 4 | | (953) |
| Actuarial gains/losses IAS 19 | (480) | | | (480) |
| Dividends received | (289) | | | (289) |
| Translation differences/other changes | 754 | 44 | | 798 |
| Balance at 31 December 2009 | 7,805 | 127 | 1,646 | 9,578 |

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

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

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

An amount of €16 million of the loans has a maturity between five and ten years and an amount of €306 million matures after ten years. The item redemptions mainly reflects the redemption of a loan provided to MilSat Services GmbH. On average, the interest rate of the loans is 4.9%. Loans provided to subsidiaries amount to €1,488 million (2008: €1,252 million).

3. Receivables and other assets

| (in €m) | 2009 | 2008 |
|---|--------------|--------------|
| Receivables from subsidiaries | 4,126 | 4,963 |
| Other assets | 257 | 435 |
| Total receivables and other assets | 4,383 | 5,398 |

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

The receivables and other assets are due within one year. In 2008 the receivables and other assets were due within one year.

4. Securities, Cash and cash equivalents

The securities comprise mainly available-for-sale securities. The available-for-sale security portfolio contains a non-current portion of €3,809 million (2008: €3,035 million). For further information please see Note 22 of the Consolidated Financial Statements.

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

5. Stockholders' equity

| (in €m) | Capital stock | Share premiums | Revaluation reserves | Legal reserves | Treasury shares | Retained earnings | Result of the year | Total equity |
|------------------------------------|---------------|----------------|----------------------|----------------|-----------------|-------------------|--------------------|---------------|
| Balance at 31 December 2007 | 814 | 7,968 | 3,973 | 2,844 | (206) | (1,857) | (446) | 13,090 |
| Capital increase | 2 | 22 | | | | | | 24 |
| Net income | | | | | | | 1,572 | 1,572 |
| ESOP/SOP IFRS 2 | | | | | | 22 | | 22 |
| Cash distribution | | (97) | | | | | | (97) |
| Transfer to legal reserves | | | | 117 | | (117) | | |
| Sale of treasury shares | | | | | 39 | | | 39 |
| Cancellation of shares | (1) | (57) | | | 58 | | | |
| Others | | | (3,736) | 418 | | (310) | | (3,628) |
| Appropriation of result | | | | | | (446) | 446 | |
| Balance at 31 December 2008 | 815 | 7,836 | 237 | 3,379 | (109) | (2,708) | 1,572 | 11,022 |
| Capital increase | 1 | 14 | | | | | | 15 |
| Net income | | | | | | | (763) | (763) |
| ESOP/SOP IFRS 2 | | | | | | 19 | | 19 |
| Cash distribution | | (162) | | | | | | (162) |
| Transfer to legal reserves | | | | 1 | | (1) | | |
| Purchase of treasury shares | | | | | (5) | | | (5) |
| Cancellation of shares | | (5) | | | 5 | | | |
| Others | | | 1,152 | (264) | | (479) | | 409 |
| Appropriation of result | | | | | | 1,572 | (1,572) | |
| Balance at 31 December 2009 | 816 | 7,683 | 1,389 | 3,116 | (109) | (1,597) | (763) | 10,535 |

For further information to the Stockholders' equity, please see Note 24 of the Consolidated Financial Statements.

As of 31 December 2009, the item 'Revaluation reserves' relates to €561 million (2008: €420 million) resulting from unrealised fair values of securities classified as available for sale and fair values of cash flow hedges, recognised directly in equity with an amount of €828 million (2008: €183 million negative fair values). The cash flow hedges are included in "Subsidiaries".

The legal reserves are related to EADS' share in the undistributed results from investments for €1,062 million (2008: €977 million), internally generated capitalised development costs of €797 million (2008: €881 million) and €1,257 million (2008: €1,521 million) resulting from currency translation effects of affiliated companies.

The internally generated development costs reflect capitalised development costs in the consolidated subsidiaries

and allocated to other legal reserves in accordance with Article 2:389 paragraph 6 of the Dutch Civil Code.

The retained earnings include actuarial losses arising from defined benefit plans, recognised in equity, with an amount of €1,750 million (2008: €1,270 million).

Pursuant to Dutch law, limitations exist relating to the distribution of stockholders' equity with an amount of €5,321 million (2008: €4,614 million). The limitations relate to capital stock of €816 million (2008: €815 million), to revaluation reserves of €1,389 million (2008: €420 million) and to legal reserves of €3,116 million (2008: €3,379 million). In general, gains related to available for sale securities, fair values of cash flow hedges, currency translation effects of affiliated companies and capitalised development costs reduce the distributable stockholders' equity.

6. Non-current liabilities

The financing liabilities include a long-term loan, granted by the European Investment Bank to EADS with an amount of US\$421 million and a shareholder loan granted by SOGEADE with an amount of €29 million. For further details, please see Note 27 of the Consolidated Financial Statements.

The other non-current liabilities include mainly liabilities to subsidiaries in connection with the cash pooling in EADS N.V.

7. Other current liabilities

| (in €m) | 2009 | 2008 |
|-------------------------------------|---------------|---------------|
| Liabilities to subsidiaries | 17,497 | 17,003 |
| Liabilities to associated companies | 1,472 | 1,404 |
| Other liabilities | 101 | 330 |
| Total | 19,070 | 18,737 |

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

8. Net result

The net loss in 2009 amounts to €763 million (2008: net income of €1,572 million).

9. Financial instruments

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest risks. EADS uses financial instruments in order to limit these financial risks. Information to the terms

and conditions of the financial instruments and the respective fair values is provided in Note 35 of the Consolidated Financial Statements.

10. Commitments and contingent liabilities

EADS N.V. issues guarantees on behalf of consolidated companies with an amount of €557 million. The commitments of these companies to third parties mainly relate to their operating business as described in Note 34 and Note 37 to the

Consolidated Financial Statements. The Company is heading a fiscal unity, which also includes EADS Finance B.V. and therefore the Company is several and jointly liable for income tax liabilities of the fiscal unity as a whole.

11. Remuneration

The total **remuneration** of the Non Executive and the Executive members of the Board of directors and former directors related to the reporting periods 2009 and 2008 can be summarised as follows:

Non Executive members of the Board

| (in €) | 2009 | 2008 |
|--------|-----------|-----------|
| Fixum | 1,075,000 | 1,090,000 |
| Fees | 455,000 | 360,000 |

Executive members of the Board

| (in €) | 2009 | 2008 |
|--------|-----------|-------------------------|
| Fixum | 900,000 | 900,000 |
| Bonus | 1,141,250 | waived at CEO's request |

The remuneration of the Non Executive members of the Board of directors was as follows:

Summary table of the remuneration of the Non Executive directors

| | Directors' remuneration related to 2009*** | | Directors' remuneration related to 2008*** | |
|---|--|----------------------------|--|---------------------------|
| | Fixum (in €) | Attendance Fees* (in €) | Fixum (in €) | Attendance Fees (in €) |
| Current Non Executive Board members* | | | | |
| Bodo Uebber | 183,750 | 90,000 | 120,000 | 40,000 |
| Rolf Bartke | 100,000 | 55,000 | 100,000 | 45,000 |
| Dominique D'Hinnin | 120,000 | 50,000 | 120,000 | 40,000 |
| Juan Manuel Eguiagaray Ucelay | 80,000 | 55,000 | 80,000 | 45,000 |
| Arnaud Lagardère | 100,000 | 10,000 | 100,000 | 10,000 |
| Hermann-Josef Lamberti | 130,000 | 35,000 | 130,000 | 40,000 |
| Lakshmi N. Mittal** | - | - | - | - |
| Sir John Parker | 130,000 | 45,000 | 130,000 | 25,000 |
| Michel Pébereau | 100,000 | 50,000 | 100,000 | 25,000 |
| Wilfried Porth**** | 70,000 | 25,000 | | |
| Former Non Executive Board members**** | | | | |
| Rüdiger Grube | 61,250 | 40,000 | 210,000 | 90,000 |
| TOTAL | 1,075,000 | 455,000 | 1,090,000 | 360,000 |

* Fees for 2nd half year 2009 included, but paid in January 2010.

** Remuneration waived at the director's request.

*** Starting 1 January 2008, non Executive Board members are no longer entitled to receive variable compensation (bonus).

The Fixum related to 2008 was paid in 2009; the Fixum related to 2009 will be paid in 2010. In the 2008 financial statements, the Fixum and Bonuses for the Non Executive Board members reflected the amount paid in 2008 for the reporting period 2007.

**** Pro rata in accordance with their periods of membership with the Board of directors.

The remuneration of the Executive member of the Board of directors was as follows:

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

| | Directors' remuneration in respect of 2009 | | Directors' remuneration in respect of 2008 | |
|-------------------------|--|---|--|---|
| | Fixum (in €) | Variable compensation (Bonus) (in €) | Fixum (in €) | Variable compensation (Bonus) (in €) |
| Executive Board members | | | | |
| Louis Gallois | 900,000 | 1,141,250 | 900,000 | Waived at CEO's request |

The bonus conditions are disclosed in the Board report, chapter 4.5.1.2.

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

Stock option plans

Number of options

| Year of plan | Initially granted | As at 1 January 2009 | Granted in 2009 | Exercised during 2009 | As at 31 December 2009 | Exercise price in euro | Expiry date |
|---------------|----------------------|-------------------------|--------------------|--------------------------|------------------------------|------------------------------|----------------|
| Louis Gallois | | | | | | | |
| 2006 | 67,500 | 67,500 | - | - | 67,500 | 25.65 | 16 Dec. 2016 |

Performance shares plan

Number of performance shares*

| Year of plan | Initially granted | As at 1 January 2009 | Granted in 2009 | Vested during 2009 | As at 31 December 2009 | Vesting date |
|---------------|----------------------|-------------------------|--------------------|-----------------------|------------------------------|---|
| Louis Gallois | | | | | | |
| 2006 | 16,875 | 16,875 | - | - | 16,875 | Publication of the 2009 annual results, expected in March 2010 |

* Vesting of all performance shares granted to the Chief Executive Officer is subject to performance conditions.

Performance units plan

| Number of performance units** | Granted in 2007 | Vesting date |
|-------------------------------|-----------------|--|
| Louis Gallois | 33,700 | Vesting schedule is made up of 4 payments over 2 years: <ul style="list-style-type: none"> > 25% expected in May 2011; > 25% expected in November 2011; > 25% expected in May 2012; > 25% expected in November 2012. |
| | Granted in 2008 | |
| Louis Gallois | 40,000 | Vesting schedule is made up of 4 payments over 2 years: <ul style="list-style-type: none"> > 25% expected in May 2012; > 25% expected in November 2012; > 25% expected in May 2013; > 25% expected in November 2013. |
| | Granted in 2009 | |
| Louis Gallois | 46,000 | Vesting schedule is made up of 4 payments over 2 years: <ul style="list-style-type: none"> > 25% expected in May 2013; > 25% expected in November 2013; > 25% expected in May 2014; > 25% expected in November 2014. |

** Vesting of all performance units granted to the Chief Executive Officer is subject to performance conditions.

STOCK OPTION PLANS

To the other current members of the Executive Committee and to the Group's senior management, the number of outstanding stock options amounted to 25,785,645 at 31 December 2009.

During the year 2009, none of the Executive Committee members, including former Executive Board directors, have exercised options granted under the various EADS stock option plans. Exercises of options by the EADS Executive Committee members are disclosed on the EADS internet website in accordance with the applicable regulations.

PERFORMANCE AND RESTRICTED SHARE PLANS

To the current members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted shares amounted to 1,659,850 at 31 December 2009.

PERFORMANCE AND RESTRICTED UNIT PLANS

To the current members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted units amounted to 8,719,540 at 31 December 2009.

The expense accounted for in 2009 for stock options, performance shares and performance units granted to the Chief Executive Officer was €0.6 million (2008: €0.5 million).

For further information on these various plans, please see Note 36 of the consolidated IFRS financial statements.

The **pension benefit** obligation for the Executive Committee members is as follows:

The members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS at the age of 60 or 65.

These rights can gradually increase to 60% after a second term, usually after ten years of service in the EADS Executive Committee.

These pension schemes have been implemented through collective executive pension plans in France and Germany. These pension promises have also separate rules *e.g.* for minimum length of service and other conditions to comply with national regulations.

OTHER BENEFITS

All amounts reported above for the Executive Board directors (current and former) are free of benefits in kind, as explained below, they are entitled to, as well as all national social and income tax impacts.

The Chief Executive Officer is entitled to a company car. The value of his company car is €24,120.

For the Chief Executive Officer, the amount of the pension defined benefit obligation amounted to €1.8 million as of 31 December 2009, while the amount of current service and interest cost related to his pension promise accounted for during fiscal year 2009 represented an expense of €0.7 million. This obligation has been accrued for in the financial statements.

EADS has not provided any loans to / advances to / guarantees on behalf of directors.

For further information on the remuneration, please see Note 37 of the Consolidated Financial Statements.

12. Employees

The number of persons employed by the Company at year end 2009 was 2 (2008: 2).

13. Related party transactions

In 2007, Lagardère and the French State granted to EADS their received dividend for 2006 in the amount of €29 million as an interest free loan.

14. Auditor Fees

Services of Statutory Auditors and members of their Network rendered to the Group for the financial years 2009 and 2008:

| | KPMG Accountants N.V. | | | | Ernst & Young Accountants LLP | | | |
|--|-----------------------|--------------|-----------------|--------------|-------------------------------|--------------|-----------------|--------------|
| | 2009 | | 2008 | | 2009 | | 2008 | |
| | Amount in €k | % | Amount in €k | % | Amount in €k | % | Amount in €k | % |
| Audit | | | | | | | | |
| Audit process, certification, examination of individual and consolidated accounts | 5,238 | 72.3 | 4,872 | 67.5 | 4,389 | 79.9 | 4,684 | 84.7 |
| Additional tasks | 1,258 | 17.4 | 821 | 11.4 | 969 | 17.6 | 548 | 9.9 |
| Sub-total | 6,496 | 89.7 | 5,693 | 78.9 | 5,358 | 97.5 | 5,232 | 94.6 |
| Other services as relevant | | | | | | | | |
| Legal, tax, employment | 354 | 4.9 | 1,191 | 16.5 | 137 | 2.5 | 160 | 2.9 |
| Information Technology | 200 | 2.7 | 251 | 3.5 | 0 | 0 | 0 | 0.0 |
| Other (to be specified if >10% of the fees for the audit) | 194 | 2.7 | 82 | 1.1 | 0 | 0 | 138 | 2.5 |
| Sub-total | 748 | 10.3 | 1,524 | 21.1 | 137 | 2.5 | 298 | 5.4 |
| Total | 7,244 | 100.0 | 7,217 | 100.0 | 5,495 | 100.0 | 5,530 | 100.0 |

Supplementary Information

Auditors' report on the Company Financial Statements

To: The EADS N.V. shareholders:

REPORT ON THE COMPANY FINANCIAL STATEMENTS

We have audited the accompanying Company Financial Statements 2009 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, which comprise the balance sheet as at 31 December 2009, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Company Financial Statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Company Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Company Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Company Financial Statements.

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

Opinion

In our opinion, the Company Financial Statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of Matter

Without qualifying our opinion above, we draw attention to all of the specific disclosures made by the Company in its notes to the Consolidated Financial Statements under Note 3 "Accounting for the A400M Programme" in relation with the risks and uncertainties attached to the A400M programme.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the Company Financial Statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 8 March 2010

Amsterdam, 8 March 2010

KPMG Accountants N.V.
L.A. Blok

Ernst & Young Accountants LLP
F.A.L. van der Bruggen

Other Supplementary Information

1. Appropriation of result

Articles 30 and 31 of the Articles of Association provide that the Board of directors shall determine which part of the result shall be attributed to the reserves. The general meeting of shareholders may dispose of a reserve only upon a proposal of the Board of directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the Company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the net loss of €763 million as shown in the income statements for the financial year 2009 is to be deducted from retained earnings. The Board decided not to propose any dividend payment at the Annual General Meeting of Shareholders.

2. Subsequent events

For further information please see Note 41 of the Consolidated Financial Statements.



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