First three quarters 2008 Report

Unaudited Condensed Consolidated Financial Information of EADS N.V. for the nine-month period ended September 30, 2008

Unaudited Condensed IFRS Consolidated Income Statements

	January 1 - September 30, 2008		January 1 - September 30, 2007		Deviation	
	M €	%	M €	%	M €	%
Revenues	29,440	100	27,551	100	1,889	7
Cost of sales	-24,323	-83	-24,815	-90	492	-2
Gross margin	**5,117**	**17**	**2,736**	**10**	**2,381**	**87**
Selling, administrative & other expenses	-1,591	-5	-1,656	-6	65	-4
Research and development expenses	-1,792	-6	-1,903	-7	111	-6
Other income	94	0	194	0	-100	-52
Share of profit from associates under the equity method and other income from investments	155	1	211	1	-56	-27
Profit (loss) before finance costs and income taxes	**1,983**	**7**	**-418**	**-2**	**2,401**	**-574**
Interest income	479	2	373	1	106	28
Interest expenses	-469	-2	-556	-2	87	-16
Other financial result	-328	-1	-277	-1	-51	18
Finance costs	**-318**	**-1**	**-460**	**-2**	**142**	**-31**
Income taxes	-567	-2	178	1	-745	-419
Profit (loss) for the period	**1,098**	**4**	**-700**	**-3**	**1,798**	**-257**
Attributable to:						
Equity holders of the parent / **Net income (loss)**	**1,082**	**4**	**-705**	**-3**	**1,787**	**-253**
Minority interests	16	0	5	0	11	220

Earnings per share	€	€	€
Basic	1.34	-0.88	2.22
Diluted	1.34	-0.88	2.22

Note: For retrospective adjustments concerning the first nine months 2007 please refer to Note 3 “Changes in the consolidation perimeter of EADS”.

Unaudited Condensed IFRS Consolidated Income Statements for the third quarter of 2008 and 2007

	July 1 - September 30, 2008		July 1 - September 30, 2007		Deviation	
	M €	%	M €	%	M €	%
Revenues	9,701	100	9,195	100	506	6
Cost of sales	-7,730	-80	-8,949	-97	1,219	-14
Gross margin	**1,971**	**20**	**246**	**3**	**1,725**	**701**
Selling, administrative & other expenses	-538	-5	-482	-5	-56	12
Research and development expenses	-662	-7	-637	-7	-25	4
Other income	32	0	65	1	-33	-51
Share of profit from associates and other income from investments	45	1	68	1	-23	-34
Profit (loss) before finance result and income taxes	**848**	**9**	**-740**	**-7**	**1,588**	**-215**
Interest income	189	2	148	2	41	28
Interest expenses	-169	-2	-222	-3	53	-24
Other financial result	154	2	-169	-2	323	-191
Finance result	**174**	**2**	**-243**	**-3**	**417**	**-172**
Income taxes	-335	-4	209	2	-544	-260
Profit (loss) for the period	**687**	**7**	**-774**	**-8**	**1,461**	**-189**
Attributable to:						
Equity holders of the parent / **Net income (loss)**	**679**	**7**	**-776**	**-8**	**1,455**	**-188**
Minority interests	8	0	2	0	6	300

Earnings per share	€	€	€
Basic	0.84	-0.97	1.81
Diluted	0.84	-0.96	1.80

Note: For retrospective adjustments concerning the third quarter 2007 please refer to Note 3 “Changes in the consolidation perimeter of EADS”.

Unaudited Condensed IFRS Consolidated Balance Sheets

	September 30, 2008		December 31, 2007		Deviation	
	M€	%	M€	%	M€	%
Non-current assets						
Intangible assets	11,060	15	10,832	14	228	2
Property, Plant and Equipment	12,577	16	13,489	18	-912	-7
Investments in associates under the equity method	2,302	3	2,238	3	64	3
Other investments and long-term financial assets	1,575	2	1,553	2	22	1
Non-current other assets	2,355	3	3,543	5	-1,188	-34
Deferred tax assets	3,512	5	2,705	4	807	30
Non-current securities	2,946	4	2,691	3	255	9
	36,327	48	37,051	49	-724	-2
Current assets						
Inventories	19,919	26	18,906	25	1,013	5
Trade receivables	5,089	7	4,639	6	450	10
Other current assets	4,934	6	5,713	8	-779	-14
Current securities	5,654	7	1,598	2	4,056	254
Cash and cash equivalents	4,327	6	7,549	10	-3,222	-43
	39,923	52	38,405	51	1,518	4
Non-current assets / disposal groups classified as held for sale	444	0	0	0	444	
Total assets	**76,694**	**100**	**75,456**	**100**	**1,238**	**2**
Total equity						
Equity attributable to equity holders of the parent						
Capital Stock	815	1	814	1	1	0
Reserves	8,601	11	7,406	9	1,195	16
Accumulated other comprehensive income	2,661	4	5,076	7	-2,415	-48
Treasury shares	-146	0	-206	0	60	-29
	11,931	16	13,090	17	-1,159	-9
Minority interests	143	0	85	0	58	68
	12,074	16	13,175	17	-1,101	-8
Non-current liabilities						
Non-current provisions	7,368	10	8,055	11	-687	-9
Long-term financing liabilities	3,009	4	3,090	4	-81	-3
Deferred tax liabilities	2,448	3	2,188	3	260	12
Other non-current liabilities	16,450	22	14,880	20	1,570	11
	29,275	39	28,213	38	1,062	4
Current liabilities						
Current provisions	4,252	6	4,378	6	-126	-3
Short-term financing liabilities	962	1	1,724	2	-762	-44
Trade liabilities	7,153	9	7,398	10	-245	-3
Current tax liabilities	136	0	179	0	-43	-24
Other current liabilities	22,620	29	20,389	27	2,231	11
	35,123	45	34,068	45	1,055	3
Liabilities directly associated with non-current assets classified as held for sale	222	0	0	0	222	
Total liabilities	64,620	84	62,281	83	2,339	4
Total equity and liabilities	**76,694**	**100**	**75,456**	**100**	**1,238**	**2**

Unaudited Condensed IFRS Consolidated Cash Flow Statements

	January 1 - September 30, 2008	January 1 - September 30, 2007
	M €	M €
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))	**1,082**	**-705**
Profit for the period attributable to minority interests	16	5
Adjustments to reconcile profit (loss) for the period to cash provided by operating activities		
Depreciation and amortization	1,159	1,194
Valuation adjustments	354	673
Deferred tax expense (income)	389	-78
Change in income tax assets, income tax liabilities and provisions for actual income tax	-121	13
Results of disposal of non-current assets	-27	-121
Results of companies accounted for by the equity method	-128	-142
Change in current and non-current provisions	-377	2,177
Change in other operating assets and liabilities	713	-1,910
Cash provided by operating activities	**3,060**	**1,106**
- Purchase of intangible assets, PPE	-1,066	-1,343
- Proceeds from disposals of intangible assets, PPE	19	135
- Acquisitions of subsidiaries and joint ventures (net of cash)	-197	0
- Proceeds from disposals of subsidiaries (net of cash)	2	31
- Payments for investments in associates and other investments and long-term financial assets	-104	-526
- Proceeds from disposals of associates and other investments and long-term financial assets	113	401
- Dividends paid by companies valued at equity	50	39
- Increase in equipment of leased assets	0	-29
- Proceeds from disposals of leased assets	57	322
- Increase in finance lease receivables	-96	-155
- Decrease in finance lease receivables	129	104
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	0	26
Change in securities	-4,357	-2,013
Cash used for investing activities	**-5,450**	**-3,008**
Change in long-term and short-term financing liabilities	-790	-681
Cash distribution to EADS N.V. shareholders	-97	-97
Dividends paid to minority interests	-3	-1
Change in minority interests and capital increase	26	43
Change in treasury shares	39	2
Cash used for financing activities	**-825**	**-734**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	-7	-47
Net decrease in cash and cash equivalents	**-3,222**	**-2,683**
Cash and cash equivalents at beginning of period	**7,549**	**7,900**
Cash and cash equivalents at end of period	**4,327**	**5,217**

Note: For retrospective adjustments concerning the first nine months 2007 please refer to Note 3 “Changes in the consolidation perimeter of EADS”.

As of September 30, 2008, EADS' cash position (stated as cash and cash equivalents in the unaudited condensed consolidated cash flow statements) includes 543 M € (602 M € as of December 31, 2007), which represent EADS' share in MBDA's cash and cash equivalents deposited at other shareholders. These funds are available for EADS upon demand.

Unaudited Condensed IFRS Consolidated Statements of Recognised Income and Expense

in M €	January 1 - September 30, 2008	January 1 - September 30, 2007
Foreign currency translation differences for foreign operations	15	-153
Changes in fair value of cash flow hedges	-3,423	121
Net change in fair value of available-for-sale financial assets	-92	-68
Changes in actuarial gains and losses	300	400
Others	0	-8
Tax on income and expense recognized directly in equity	972	-50
Income and expense recognised directly in equity	-2,228	242
Profit (loss) for the period	1,098	-700
Total recognised income and expense of the period	**-1,130**	**-458**
Attributable to:		
Equity holders of the parent	-1,150	-493
Minority interests	20	35
Total recognised income and expense of the period	**-1,130**	**-458**

Note: For retrospective adjustments concerning the first nine months 2007 please refer to Note 3 “Changes in the consolidation perimeter of EADS”.

Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at September 30, 2008

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

in M €	Equity attributable to equity holders of the parent	Minority interests	total
Balance at January 1, 2007	**13,015**	**137**	**13,152**
Total recognised income and expense	-493	35	-458
Cash distribution to shareholders	-97	-1	-98
Capital Increase	43	1	44
Change in minority interests	0	-94	-94
Change in treasury shares	2	0	2
Others	44	0	44
Balance at September 30, 2007	**12,514**	**78**	**12,592**
Balance at January 1, 2008	**13,090**	**85**	**13,175**
Total recognised income and expense	-1,150	20	-1,130
Cash distribution to shareholders	-97	-3	-100
Capital Increase	24	1	25
Change in minority interests	0	41	41
Change in treasury shares	39	0	39
Others	25	-1	24
Balance at September 30, 2008	**11,931**	**143**	**12,074**

Note: For retrospective adjustments concerning the first nine months 2007 please refer to Note 3 “Changes in the consolidation perimeter of EADS”.

1. The Company

The accompanying Condensed Interim Consolidated Financial Statements (unaudited) present the operations of European Aeronautic Defence and Space Company EADS N.V. and its subsidiaries (“EADS” or the “Group”), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands), and are prepared and reported in Euros (“€”). EADS’ core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated Financial Statements for the nine-month period ended September 30, 2008 were authorized for issue by EADS’ Board of Directors on November 13, 2008.

2. Accounting policies

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

The Condensed Interim Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the EADS's Consolidated Financial Statements as of December 31, 2007.

New Interpretations

The following Interpretation has become effective as of January 1, 2008:

IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" (endorsed June 1, 2007). The application of IFRIC 11 did not have an impact on EADS' Consolidated Financial Statements.

Endorsement by the EU for IFRIC 12 is expected in the first quarter 2009 and for IFRIC 14 before the end of 2008:

IFRIC 12 "Service Concession Arrangements" (issued November 30, 2006)**.** EADS is currently investigating potential impacts from the application of IFRIC 12.

IFRIC 14 "IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (issued July 5, 2007). The application of IFRIC 14 is not expected to have an impact on EADS' Consolidated Financial Statements.

Besides consequential changes as mentioned above the accounting policies used in the preparation of the EADS' Condensed Interim Consolidated Financial Statements are consistent with those used for the annual Consolidated Financial Statements for the year ended December 31, 2007, which are disclosed as an integral part of the Group's Annual Report 2007. The annual Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on March 10, 2008.

3. Changes in the consolidation perimeter of EADS

The percentage of the proportionate consolidation of MBDA has changed from 50 % to 37.5 % as of January 1, 2007 reflecting EADS ownership in MBDA. Income statement, cash flow statement, statement of recognised income and expense, reconciliation of movement in equity, segment information and the reconciliation to EBIT pre-goodwill impairment and exceptionals have been adjusted retrospectively for prior period figures published in prior year's condensed nine-month period consolidated financial information.

On April 22, 2008, EADS acquired PlantCML California / USA, a leading provider of emergency response solutions, which is fully consolidated from that date. The difference between the purchase price and the acquired net assets (not yet finally determined) led to the recognition of a preliminary goodwill of 207 M €.

On July 28, 2008, EADS acquired an additional 41% of Spot Image, Toulouse / France, a world leader in the provision of satellite imagery and geo-information value-added services. Thereby, EADS increased its stake in Spot Image to 81% and consolidates it fully. This additional purchase led to the recognition of a goodwill of 2 M €.

Apart from these transactions, other acquisitions or disposals by the Group that occurred in the nine-month period ended September 30, 2008 are not material.

4. Segment information

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

- *Airbus* — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats and the development and manufacturing of aircraft for military use.
- *Military Transport Aircraft* — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft.
- *Eurocopter* — Development, manufacturing, marketing and sale of civil and military helicopters and maintenance services.
- *Defence & Security* — Development, manufacturing, marketing and sale of missiles systems; military combat and training aircraft; provision of defence electronics, defence-related telecommunications solutions; and logistics, training, testing, engineering and other related services.
- *Astrium* — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; and provision of space services.

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

in M €	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security	Astrium	Other Businesses	HQ/ Conso.	**Consoli-dated**
Nine-month period ended September 30, 2008								
Revenues	19,445	1,949	2,781	3,490	2,749	1,106	-2,080	**29,440**
Research and development expenses	-1,462	-5	-89	-117	-56	-7	-56	**-1,792**
Profit (loss) before finance costs and income taxes	1,484	-69	164	212	137	63	-8	**1,983**
EBIT pre-goodwill imp. and exceptionals (see definition below)	1,501	-68	164	219	140	63	-1	**2,018**
Nine-month period ended September 30, 2007*)								
Revenues	18,856	1,014	2,599	3,149	2,191	967	-1,225	**27,551**
Research and development expenses	-1,586	-13	-61	-118	-52	-6	-67	**-1,903**
Profit (loss) before finance costs and income taxes	-694	-145	112	107	68	66	68	**-418**
EBIT pre-goodwill imp. and exceptionals (see definition below)	-677	-144	113	126	71	66	92	**-353**

*) For change of percentage in proportionate consolidation of MBDA please refer to Note 3 "Changes in the consolidation perimeter of EADS". Some minor activities have been transferred to "Other Businesses".

5. EBIT pre-goodwill impairment and exceptionals

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

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

in M €	January 1- September 30, 2008	January 1- September 30, 2007
Profit (loss) before finance costs and income taxes	**1,983**	**-418**
Goodwill and exceptionals:		
Disposal of Goodwill	0	12
Fair value adjustments	35	53
EBIT pre-goodwill impairment and exceptionals	**2,018**	**-353**

Note: For retrospective adjustments concerning the first nine months 2007 please refer to Note 3 “Changes in the consolidation perimeter of EADS”.

6. Significant income statement items

Revenues of 29,440 M € (first nine months 2007 retrospectively adjusted by -216 M € to 27,551 M €) increase by 7% despite an unfavorable US Dollar impact, supported by higher activities in all divisions. Airbus delivers more commercial aircraft (349 units versus 330 in the first nine months 2007) and Defence and Eurocopter also record increased volumes. The increase also includes 803 M €, resulting from the move to the early stage accounting methodology in the A400M contract (see “inventories” in note 7).

The **Gross Margin** increases by +2,381 M € to 5,117 M € compared to 2,736 M € in the retrospectively adjusted first nine months of 2007. This improvement is mainly related to Airbus in particular due to the higher impact in the first nine months 2007 of charges resulting from the revised delivery schedule for the A400M, A350XWB burdens and accrued Power8 restructuring charges. In the first nine months 2008, all divisions increase their level of gross margins. Strong operational performance with delivery ramp-up, Power8 savings and improvements in all divisions further contribute to the increase in the gross margin.

Research and development expenses of -1,792 M € (first nine months 2007: -1,903 M €) mainly reflect a decrease for the Airbus A380-800 partly compensated by an increase on the A350XWB program.

Other income decreases by -100 M € to 94 M € (first nine months 2007: 194 M €). In the first nine months 2007, other income included among others gains from the sale of land and buildings.

Share of profit from associates under the equity method and other income from investments of 155 M € (first nine months 2007: 211 M €) is mainly influenced by the result of Dassault Aviation of 123 M € (first nine months 2007: 140 M €). The result in the first nine months 2008 of Dassault Aviation Group does not include any IFRS catch-up adjustments (first nine months 2007: +19 M €). Additionally, in the first nine months 2007, the sale of EADS’ interest in Embraer resulted in a non-recurring capital gain of 46 M €.

Net **finance costs** amount to -318 M € (first nine months 2007 retrospectively adjusted: -460 M €) including the unwinding of the discounting on A380, A350XWB and Power8 provisions and the revaluation of capitalized option premiums.

The **income tax** expense of -567 M € (first nine months 2007: a benefit of 178 M €) corresponds to an effective income tax rate of 34% (20% in the first nine months 2007). For interim periods, income tax expense is calculated by applying the expected effective tax rate for the fiscal year on the pre-tax result, except for certain items of the period such as valuation allowances.

7. Significant balance sheet items

Non-current assets

Intangible assets of 11,060 M € (prior year-end: 10,832 M €) include 9,731 M € (prior year-end: 9,519 M €) of goodwill. This mainly relates to Airbus (6,374 M €), Defence & Security (2,588 M €), Astrium (572 M €) and Eurocopter (111 M €). The related annual impairment tests, which were performed at the end of the year 2007, did not lead to any impairment charges. In the absence of evidence of major changes in the retained long-term assumptions, the reference used for determining Airbus' recoverable amount at the end of the first nine months 2008 (including assessment of the terminal value) is still based on the best available assumptions as per year-end 2007 including the market forecast of Airbus.

As of June 30, 2008, Airbus developed a set of sensitivities to reflect current market uncertainties (particularly with regard to the financial difficulties encountered by some airlines) and major business parameters (including EADS market capitalization compared to EADS equity, US dollar rate and productivity targets). The conclusion of this sensitivity analysis was that the likelihood of a combination of changes in these key assumptions to an extent that would cause the recoverable amount to fall below the comparable carrying value of its net assets was remote.

In the third quarter 2008, potential negative impacts from financial market uncertainties are accompanied by potential positive impacts from a significant strengthening of the USD / € rate. As a consequence, no goodwill impairment need has been identified on the basis of the sensitivities developed at half year.

The annual Airbus goodwill impairment test is scheduled to be performed in the fourth quarter 2008, based on the then available information. This will take into account, amongst other factors, the then prevailing outlook for US dollar foreign exchange rates, an updated Airbus operating plan, the Power8 expected achievements as well as impacts of potential further management actions.

Eliminating foreign exchange-rate effects of -202 M €, **property, plant and equipment** decrease by -710 M € to 12,577 M € (prior year-end: 13,489 M €), including leased assets of 1,028 M € (prior year-end: 1,319 M €). Property, plant and equipment also comprise "Investment property" amounting to 89 M € (prior year-end: 96 M €).

Investments in associates under the equity method of 2,302 M € (prior year-end: 2,238 M €) mainly increase due to the change in the equity investment in Dassault Aviation, amounting to 2,197 M € (prior year-end: 2,121 M €).

Other investments and other long-term financial assets of 1,575 M € (prior year-end: 1,553 M €) are related to Airbus for an amount of 1,116 M € (prior year-end: 1,013 M €), mainly concerning the non-current portion of aircraft financing activities including a foreign exchange rate effect of +18 M €.

Non-current other assets mainly comprise "Non-current derivative financial instruments" and "Non-current prepaid expenses". The decrease by -1,188 M € to 2,355 M € (prior year-end: 3,543 M €) is mainly caused by the variation of the non-current portion of fair values of derivative financial instruments (-1,305 M €) partly compensated by revalued option premiums at Airbus in the course of US dollar hedgings.

Deferred tax assets of 3,512 M € (prior year-end: 2,705 M €) are presented as non-current assets as required by IAS 1.

The fair values of **derivative financial instruments** are included in non-current other assets with an amount of 1,135 M € (prior year-end: 2,440 M €), in current other assets (1,988 M €, prior year-end: 2,955 M €), in other non-current liabilities (1,099 M €, prior year-end: 258 M €) and in other current liabilities (56 M €, prior year-end: 36 M €) which corresponds to a total net fair value of 1,968 M € (prior year-end: 5,101 M €). The volume of hedged US dollar-contracts increases from 51.3 billion US dollar as at December 31, 2007 to net of 64.9 billion US dollar including 9 billion of hedged US dollar vanilla options as at September 30, 2008. The US dollar exchange rate became more favourable (USD / € spot rate of 1.43 at September 30, 2008 vs. 1.47 at December 31, 2007). The average US dollar hedge rate for the hedge portfolio of the Group changed from 1.26 as at December 31, 2007 to 1.35 (excluding US dollar plain vanilla options as out of the money) as at September 30, 2008 (US dollar / € rate respectively).

Current assets

Inventories of 19,919 M € (prior year-end: 18,906 M €) increase by +1,013 M €. This is driven by all divisions except for Airbus: Eurocopter (+626 M €) with an increase in unfinished goods and services thanks to the ramp-up of all commercialized programs (mainly SuperPuma and Dauphin) and governmental programs (mainly NH90 and Tiger), Defence & Security (+377 M €) especially in relation with Eurofighter and Astrium (+305 M €) with a higher level of work in progress, boosted by the satellite and launcher business. The decrease at Airbus by -293 M € mainly reflects a lower level of unfinished goods and services of -496 M €, partially compensated by higher finished goods.

On September 25, 2008 EADS announced an undefined delay of the first flight of the A400M, mainly due to the unavailability of the propulsion system, which is developed by subcontractors of Airbus. Because the engine supplier, which is driving the critical path, declared its inability to specify a new delivery date and beyond that – but not first flight critical – major suppliers of mission critical systems and system integration are struggling with the very challenging requirements. Due to that, a revised technical schedule and the related financial implications of the corresponding delay can no longer be reliably assessed. While the customer is expecting a reliable time schedule for the delivery of the aircraft, EADS has adressed technical, specification, schedule and some contractual issues for further discussions with customers and suppliers.

Currently, as the outcome of the A400M construction contract cannot be estimated reliably, EADS cannot comply with all requirements to account for the contract under the estimate-at-completion accounting methodology according to IAS 11 (Construction Contracts). Consequently and in line with IAS 11, EADS has suspended the application of estimate at completion methodology accounting and has recognised contract costs incurred to date as expenses in the income statement as well as corresponding revenues as far as such contract costs are expected to be recoverable under the “early stage method of accounting” (see also “revenues” and “trade receivables”).

Therefore, EADS has expensed all A400M related work-in-progress previously recognised in the balance sheet, leading to a decrease in unfinished goods and services. Relating expenses exceeding corresponding revenues due to the fact that a portion of the work-in-progress was expected to be non-recoverable, were compensated by the utilization of a portion of the existing loss-at-completion provision, thus not impacting the result of the period.

Finally, the loss-at-completion provision was then updated. While possible additional costs linked to the unspecified new delivery schedule have not been – as well as potential benefits from discussions with customers – taken into account when re-assessing the new provision, only the additional production costs under the contract which EADS was able to estimate reliably were included in the reassessment of the provision (see also “current provisions”).

All such other possible additional costs have been considered to qualify as contingent liabilities due to the fact that they cannot yet be currently reliably estimated.

Trade receivables increase by +450 M € to 5,089 M € (prior year-end: 4,639 M €), thereby including an increase of 792 M € of IAS 11-receivables in MTA related to the suspension of milestone accounting for the A400M contract (see “inventories”). Excluding such receivables, the remaining trade receivables decrease by -389 M €, mainly coming from Defence & Security (-313 M €) and Eurocopter (-209 M €), partly compensated by an increase at Airbus (+114 M €).

Other current assets include “Current portion of other long-term financial assets”, “Current other assets”, “Current tax assets” and “Current prepaid expenses”. The decrease of -779 M € to 4,934 M € (prior year-end: 5,713 M €) comprises among others a decrease of -967 M € regarding positive fair values of derivative financial instruments. This is partly compensated by claims to tax rebates (Value Added Tax) (+106 M €).

Current securities increase from 1,598 M € to 5,654 M € (see also note 8 “Significant cash flow items”).

Cash and cash equivalents decrease from 7,549 M € to 4,327 M €. The decrease mainly results from a change in securities (see also note 8 “Significant cash flow items”).

Due to the closing of negotiations for the sale of the Airbus site of Laupheim and the high probability of a positive outcome of the final negotiations concerning the sale of the Airbus site in Filton as well as regarding the disposal of the investments in Socata and Revima, the respective non-current and current assets amounting to 444 M € (prior year-end: 0 M €) are reclassified to **non-current assets / disposal groups classified as held for sale**. **Liabilities directly associated to non-current assets classified as held for sale** amount to 222 M € (prior year-end: 0 M €).

Total equity

Equity attributable to equity holders of the parent (including purchased treasury shares) amounts to 11,931 M € (prior year-end: 13,090 M €). The decrease is mainly due to income and expense recognised in equity of -1,150 M €, which includes the profit for the period attributable to the equity holders of the parent of +1,082 M € as well as changes in the fair value of cash flow hedges of -2,360 M € net of tax. The amount of equity is reduced by the cash distribution to shareholders of -97 M €.

Minority interests increase to 143 M € (prior year-end: 85 M €) mainly in relation to initial consolidations as well as the allocation of recognised income and expense.

Non-current liabilities

Non-current provisions of 7,368 M € (prior year-end: 8,055 M €) comprise the non-current portion of pension provisions with a decrease of -306 M € to 4,076 M € (prior year-end: 4,382 M €). Compared with year-end 2007, the assumed discount rate in Euro-countries for the calculation of pension provisions increases from 5.25% / 5.35% to 6.75%, thus leading to lower recognised actuarial losses. Based on the latest available information of half-year 2008, BAe Systems' pension schemes also lead to a decrease of recognised actuarial losses. Since EADS applies the equity approach for actuarial gains and losses, the decrease of -320 M € is recorded in non-current pension provisions with a corresponding net of tax increase in equity (+203 M €) and minority interests (+8 M €).

Moreover, other provisions are included in non-current provisions, which decrease by -381 M € to 3,292 M €. A significant part of the decrease is dedicated to the provision for the A380 and A350XWB due to the strengthening of USD / € rate and due to utilisations and reclassification for settlement and buy-out charges for the A350 program. Other provisions include among others aircraft financing activities with a decrease of -10 M € to 694 M € (thereof foreign exchange effects of +17 M €).

Long-term financing liabilities of 3,009 M € (prior year-end: 3,090 M €), excluding foreign exchange-rate effects of +23 M €, decrease by -104 M € in particular due to Airbus.

Other non-current liabilities comprise "Non-current other liabilities" and "Non-current deferred income" and increase in total by +1,570 M € to 16,450 M € (prior year-end: 14,880 M €). They mainly include non-current customer advance payments received of 9,254 M € (prior year-end: 8,420 M €), the non-current portion of European Government refundable advances amounting to 4,724 M € (prior year-end: 4,854 M €) and non-current negative fair values of derivative financial instruments of 1,099 M € (prior year-end: 258 M €). The main part of non-current deferred income of 534 M € (prior year-end: 753 M €) is linked to deferred revenues of Airbus and ATR according to Residual Value Guarantee clauses. The remaining portfolio, which is included in non-current deferred income, is reversed over the guaranteed period.

Current liabilities

Current provisions decrease by -126 M € to 4,252 M € (prior year-end: 4,378 M €) and comprise the current portion of pensions (286 M €) and other provisions (3,966 M €). The decrease mainly reflects a utilization of a loss-at-completion provision for the A400M contract in Airbus for costs expected to be non-recoverable (see "inventories"), partly offset by an increase in provisions for outstanding costs at Defence & Security and Eurocopter.

After reassessing the loss-at-completion provision for the A400M contract, an amount of € 387 M € (including foreign exchange rate effect) was provided for to cover additional expected losses under the contract which EADS was able to reliably estimate.

Short-term financing liabilities of 962 M € (prior year-end: 1,724 M €) decrease by -762 M € due to a reduced amount of outstanding commercial paper of EADS B.V. (-501 M €).

Trade liabilities decrease by -245 M € to 7,153 M € (prior year-end: 7,398 M €), mainly relating to Airbus (-132 M €) and Defence (-68 M €).

Other current liabilities include “Current other liabilities” and “Current deferred income”. They increase by +2,231 M € to 22,620 M € (prior year-end: 20,389 M €). Other current liabilities mainly comprise current customer advance payments of 18,471 M € (prior year-end: 16,214 M €).

8. Significant cash flow items

Cash provided by operating activities increases from 1,106 M € to 3,060 M €. Gross cash flow from operations (excluding working capital change) of 2,347 M € falls below prior period’s level (first nine months 2007: 3,016 M €); changes in other operating assets and liabilities (working capital changes) amount to +713 M € (first nine months 2007: -1,910 M €). Working capital mainly improves thanks to lower additions to inventories and higher advance payments received.

Cash used for investing activities amounts to -5,450 M € (first nine months 2007: -3,008 M €). This mainly comprises a change in securities of -4,357 M € and purchases of intangible assets, property, plant and equipment and investment property of -1,066 M €, namely in Airbus and Astrium.

Cash used for financing activities decreases by -91 M € to -825 M € (first nine months 2007: -734 M €). The outflow mainly comprises the net repayment of financing liabilities as well as the cash distribution to shareholders.

9. Number of shares

The total number of shares outstanding is 809,263,685 and 804,017,011 as of September 30, 2008 and 2007, respectively. EADS’ shares are exclusively ordinary shares with a par value of 1.00 €.

During the nine-month period ended September 30, 2008, the number of treasury shares held by EADS decreased from 9,804,998 as of December 31, 2007 to 5,505,427 as of September 30, 2008.

New shares amounting to 14,200 (in the first nine months 2007: 424,537 new shares) were issued as a result of the exercise of stock options in compliance with the implemented stock option plans. Under the 2008 Employee Stock Ownership Plan, which was granted in June 2008, 2,031,820 shares were issued in July 2008. (Under the 2007 Employee Stock Ownership Plan 2,037,835 shares were issued in June 2007).

10. Earnings per share

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

	January 1 to September 30, 2008	January 1 to September 30, 2007
Net income (loss) attribut. to equity holders of the parent	1,082 M €	-705 M €
Weighted average number of ordinary shares outstanding	806,251,855	802,805,702
Basic earnings per share	1.34 €	-0.88 €

For calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's only category of dilutive potential ordinary shares is stock options as well as performance and restricted shares. Since the average price of EADS shares during the nine-month period ended September 30, 2008 did not exceed the exercise price of any stock option plan (in the nine-month period ended September 30, 2007: the 1st, 2nd, 4th and 5th stock option plans) initiated by the Group, there were no related potential ordinary shares to increase the weighted average number of shares. 468,041 shares (nine-month period ended September 30, 2007: 2,524,149 shares) are considered dilutive according to IAS 33.

	January 1 to September 30, 2008	January 1 to September 30, 2007
Net income (loss) attribut. to equity holders of the parent	1,082 M €	-705 M €
Weighted average number of ordinary shares outstanding (diluted)	806,719,896	805,329,851
Diluted earnings per share	1.34 €	-0.88 €

11. Related party transactions

The Group has entered into various transactions with related companies in the first nine months of 2008 and 2007 that have all been carried out in the normal course of business. As is the Group's policy, all related party transactions have to be carried out at arm's length. Transactions with related parties include the French State, Daimler, Lagardère and SEPI (Spanish State). Except for the transactions with the French State and SEPI, such transactions are not considered material to the Group either individually or in the aggregate. The transactions with the French State include mainly sales from the Eurocopter, Defence & Security and Astrium divisions for programs like Tiger, M51 / M45 ballistic missiles and SCALP naval cruise missiles. The transactions with SEPI include mainly sales from MTAD and Defence & Security divisions for programs like the A400M and Eurofighter.

In 2007, Lagardère and the French State through Sogéade had granted to the Group their received dividend in relation with 2006 for an amount of 29 M € as an interest free loan.

12. Number of employees

The number of employees at September 30, 2008 is 118,487 as compared to 116,493 at December 31, 2007.

13. Litigation and claims

On April 1, 2008, EADS, as well as the concerned EADS and Airbus executives, took notice of the decision of the AMF Collège to initiate proceedings, respectively for breach of market information duties and for breach of insider trading rules. For the first time, EADS and the persons involved will be able to confront AMF's interpretation with their explanations of the facts of the case.

Considering the fact that there is no decision on the substance so far, EADS insists that the principle of presumption of innocence be upheld. EADS considers that the financial risk associated with the procedure against the Group and its possible consequences on EADS is not material. However, it recognizes that these proceedings may have significant consequences on its image and reputation.

On June 12, 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 U.S. purchasers of EADS securities from July 27, 2005 through March 9, 2007. Named as defendants are EADS and four either present or former executives of EADS and Airbus. The action seeks damages for alleged violations of the US securities laws in connection with disclosures relating to the delivery schedule for the A380. The action is in its preliminary stage and defendants are currently preparing a response to the operative complaint. The Group anticipates a vigorous defense.

14. Subsequent events

On October 2, 2008, the sale of the site of Laupheim, Germany from Airbus to Diehl / Thales was closed with effect from October 1, 2008, thereby transferring all operational business.

On November 3, 2008, EADS and DAHER announced the conclusion of the agreement for DAHER to acquire a 70% majority share in EADS Socata. The association of DAHER and EADS Socata will allow the creation of a European industrial leader in the area of Aerostructures, Business Aviation and Services and the development of joint projects in these areas.