



BOOK TWO

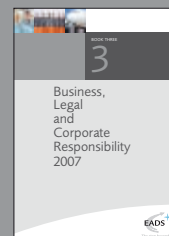
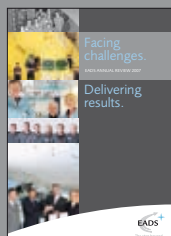
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Financial Statements and Corporate Governance 2007



The step beyond

The complete EADS Annual Report Suite 2007 consists of:



BOOK 1

**FACING CHALLENGES
DELIVERING RESULTS**
Annual Review

Management & Responsibility
Together. Facing challenges.
Delivering results.
The Business Year 2007
EADS Drivers
Useful Information

BOOK 2

**FINANCIAL STATEMENTS AND
CORPORATE GOVERNANCE 2007**
Registration Document Part 1

Risk Factors
Net Assets – Financial Position – Results
Corporate Governance

BOOK 3

**BUSINESS, LEGAL AND
CORPORATE RESPONSIBILITY 2007**
Registration Document Part 2

Information on EADS Activities
Corporate Social Responsibility
General Description of the
Company and its Share Capital

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Financial Statements and Corporate Governance

Letter from the Chief Financial Officer

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DEAR SHAREHOLDERS,

In 2007, EADS took important steps to overcome challenges and risks. At the same time we demonstrated commercial and technology excellence by converting opportunities into sales successes. Indeed, 2007 was a record year for sales, thanks to a favourable market and the strength of our products. Yet we still have much work to do to return EADS to financial strength.

Frankly, the 2007 financial results are unsatisfactory - heavily burdened by the A380 loss due to delays, the cost of the A350 XWB relaunch, the A400M provision resulting from the development delay, and the restructuring provision for the Power8 programme. Moreover, the weakness of the U.S. dollar and the anticipation of a downturn in the market weighed down EADS stock price performance.

The Management responded in multiple ways to these challenges:

First, by capturing a record commercial order intake, Airbus registered 1,341 net orders, and airlines recognised the competitiveness of the A350 XWB with 290 firm orders. Eurocopter also reached an unprecedented order intake of 802 helicopters. Finally, Astrium for the first time became market leader with orders for eight telecom satellites.

This record backlog totalling 339.5 bn€ should provide us headroom even in a tougher market in the years to come. Additionally, we anticipate further positive momentum from being chosen by the U.S. Air Force — with Northrop Grumman — to provide the KC-45 Tanker.

Second, we continued to hedge against the unprecedented weakness of the U.S. dollar. Although the hedged portion of our exposure has decreased - mainly due to the huge order intake and the very long-term order book, especially on A350 - it gives us protection over the next years at decreasing rates, and buys us time to react. Unfortunately, dollar weakness constitutes a continuing threat that cannot be fully addressed through hedging.

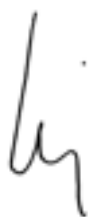
This environment has led to a new phenomenon for programmes like the A380 and A350 where early contracts in the production plan are suffering losses, fluctuating with the quarterly development of the dollar rates. Consequently, we are developing counter-measures, beyond our Power8 cost savings and restructuring programme. This will inevitably mean drastic measures, including the need specifically to further “dollarise” our cost base so as to be less vulnerable against currency fluctuations.

Third, management is reaping the benefits of the restructuring and cost saving programmes. Eurocopter, Defence & Security and Astrium all made significant contributions to operational results. Based on the strong order book we expect further profitable growth of top and bottom line. The Airbus legacy programs continue to deliver and the Power 8 programme contribution in 2007 delivered good early results. This led to a solid free cash flow performance and an unprecedented net cash position of €7 billion: a capital increase is not anticipated.

Finally, Louis Gallois initiated the development of Vision 2020 to have a clear flight plan for the coming years. Each Division and each Function will contribute to making Vision 2020 a reality. And so will Corporate Finance. The Finance Improvement Initiative, which I launched in 2007, streamlines and integrates the Finance function across the Divisions. Together with my Finance Leadership Team, we are driving finance process improvements, transparency, efficiency, and sharing best practices. We are particularly looking at sharing resources. We also address incentivisation schemes to drive ambition and value creation, and focus more on the efficient use of our assets. We need to implement our Vision as soon as possible. We must enhance non-Airbus revenues, increase our services offering and make globalisation a reality. Proactive portfolio management through selective acquisitions, and possible divestments of non-core or non-strategic assets, will further support the Vision goals.

In view of the cash performance of the Group and despite the registered net loss, the Board will propose to the Annual General Meeting of Shareholders a dividend of 12 cents per share. While acknowledging the turbulent macro-economic conditions and capital market environment, the Board wishes to recognise and reward the importance of shareholder loyalty, and the management wishes to express confidence in EADS' short- and medium-term prospects. We expect the conditions for a more substantial dividend will be met for the full year 2008.

Yours truly,



Hans Peter Ring
Chief Financial Officer

EADS REGISTRATION DOCUMENT - PART 1

Financial Statements and Corporate Governance (BOOK 2)

European Aeronautic Defence and Space Company EADS N.V. (the “**Company**” or “**EADS**” and together with its subsidiaries, the “**Group**”) is a Dutch company, which is listed in France, Germany and Spain. Given this fact, the applicable regulations with respect to public information and protection of investors, as well as the commitments made by the Company to securities and market authorities, are described in this registration document (the “**Registration Document**”).

This Registration Document was prepared in accordance with Annex 1 of EC Regulation 809/2004, filed in English with, and approved by, the *Autoriteit Financiële Markten* (the “**AFM**”) on 24 April 2008 in its capacity as competent authority under the *Wet op het financieel toezicht* (as amended) pursuant to Directive 2003/71/EC. The Registration Document is composed of two parts which must be read together: (i) this document entitled Financial Statements and Corporate Governance – (Registration Document Part 1) and (ii) the document entitled Business, Legal and Corporate Responsibility – (Registration Document Part 2). This Registration Document may be used in support of a financial transaction as a document forming part of a prospectus in accordance with Directive 2003/71/EC only if it is supplemented by a securities note and a summary approved by the AFM.

Financial Statements and Corporate Governance



RISK FACTORS



1 NET ASSETS | FINANCIAL POSITION | RESULTS



2 CORPORATE GOVERNANCE



3 FINANCIAL CALENDAR

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Financial Statements and Corporate Governance

(BOOK 2)

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EADS is subject to many risks and uncertainties that may affect its financial performance. The business, financial condition or results of operations of EADS could be materially adversely affected by the risks described below. These are not the only risks EADS faces. Additional risks not presently known to EADS or that it currently deems immaterial may also impair its business operations.

1. Financial Market Risks

EXPOSURE TO FOREIGN CURRENCIES

A significant portion of EADS' revenues is denominated in U.S. dollars, while a substantial portion of its costs is incurred in Euro, and to a lesser extent, in Pounds Sterling. Consequently, to the extent that EADS does not use financial instruments to cover its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the U.S. dollar against these currencies. EADS has therefore implemented an exchange rate strategy in order to manage and minimise such exposure. In order to secure the rates at which U.S. dollar revenues (arising primarily at Airbus and in the commercial satellite business) are converted into euro or pounds sterling, EADS manages a long-term hedging portfolio. There are complexities inherent in determining whether and when foreign exchange rate exposure of EADS will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations and postponements. Furthermore, as a significant portion of EADS' foreign currency exposure is hedged through contractual arrangements with third parties, EADS is exposed to the risk of non-performance by its hedging counterparties. No assurances may be given that EADS' exchange rate hedging strategy will protect it fully from significant changes in the exchange rate of the U.S. dollar to the euro and the pound sterling and that such changes will not affect its results of operation and financial condition.

EADS' consolidated revenues, costs, assets and liabilities denominated in currencies other than the euro are translated

into the euro for the purposes of compiling its financial statements. EADS' exchange rate hedging strategy aims to cover its cash flows, and, to a large extent, earnings before interest and taxes, pre-goodwill impairment and exceptionals ("EBIT*"). Changes in the value of these currencies relative to the euro will have an effect on the euro value of EADS' reported revenues, costs, assets and liabilities and, to a lesser extent, EBIT*.

Currency exchange rate fluctuations in those currencies other than the U.S. dollar in which EADS incurs its principal manufacturing expenses (mainly the euro) may have the effect of distorting competition between EADS and competitors whose costs are incurred in other currencies. This is particularly true with respect to fluctuations relative to the U.S. dollar, as many of EADS' products and those of its competitors (e.g., in the defence export market) are priced in U.S. dollars. EADS' ability to compete with competitors may be eroded to the extent that any of EADS' principal currencies appreciates in value against the principal currencies of such competitors.

See "1.1.4.3 EBIT* Performance by Division — Hedging Impact on EBIT*" for a discussion of EADS' foreign currency hedging policy. See "1.1.3.7 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements" for a summary of EADS' accounting treatment of foreign currency hedging transactions.

EXPOSURE TO SALES FINANCING RISK

In support of sales, EADS (primarily through Airbus and ATR with respect to commercial aircraft) may agree to participate in the financing of customers. As a result, EADS has a significant portfolio of leases and other financing arrangements with airlines. The risks arising from EADS' sales financing activities may be classified into two categories: (i) credit risk, which concerns the customer's ability to perform its obligations under

a financing arrangement, and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft. Measures taken by EADS to mitigate these risks include optimised financing and legal structures, diversification over a number of aircraft and customers, credit analysis of financing counterparties, provisioning for the credit and asset value exposure, and transfers of exposure to third parties. No

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

assurances may be given that these measures will protect EADS fully from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market.

EADS' sales financing arrangements expose it to aircraft value risk, because it retains collateral interests in aircraft for the purpose of securing customers' performance of their financial obligations to EADS, and because it guarantees part of the market value of certain aircraft during limited periods after their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, EADS would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, etc.). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window of an asset value guarantee ("AVG") with respect to that aircraft, EADS would be exposed to losing as much as the difference between the market value of such aircraft and the AVG amount. No assurances may be given that the provisions taken by EADS will be sufficient to cover these

potential shortfalls. Through the Airbus Asset Management Department or as a result of past financing transactions, EADS is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

Finally, EADS also has several outstanding backstop commitments to provide financing related to orders on Airbus' and ATR's backlog. While past experience suggests it is unlikely that all such proposed financing actually will be implemented, a deterioration in the credit markets may reduce the amount of outside financing available to customers to fund their aircraft purchases, causing them to seek to increase their utilisation of backstop commitments provided by EADS. In particular, ongoing market disruptions triggered by the U.S. "subprime" debt crisis may worsen, resulting in the elimination of several potential sources of credit for aircraft financing. To the extent that EADS' customers look to it to fill the gap, EADS' sales financing exposure could increase significantly depending on the agreement reached with customers. Despite the measures taken by EADS to mitigate the risks arising from sales financing activities described above, EADS will be further exposed to the risk of defaults by its customers or significant decreases in the value of the financed aircraft in the resale market, which may have a negative effect on its future results of operation and financial condition.

COUNTERPARTY CREDIT RISK

EADS is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments. However, the Group has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

Cash transactions and derivative counterparties are contracted with a large number of financial institutions worldwide, but only if they meet certain high credit quality criteria. 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 counterparties of financial transactions,

based at a minimum on their credit ratings as published by Standard & Poor's, Moody's and Fitch Ratings. The respective limits are regularly monitored and updated, but there can be no assurances that despite these limits and the diversification of counterparties, EADS will not lose the benefit of certain derivatives, or cash investments, in case of a systemic extension of market disruptions triggered by the U.S. "subprime" debt crisis.

As counterparty credit risk also arises in the context of sales financing transactions, EADS' general policy is to provide financing to customers and through structures with an appropriate credit standing. See "1.1.7.4 Sales Financing".

EXPOSURE ON EQUITY INVESTMENT PORTFOLIO

EADS holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. Equity investments are either accounted for using the equity method (associated companies), if EADS has the ability to exercise significant influence, or at fair value. If fair value is not readily determinable, the investment is measured at cost.

EADS' principal investment in associates is Dassault Aviation. The net asset value of this investment was €2.1 billion at 31st December 2007. EADS believes that its exposure to the risk of unexpected material adverse changes in the fair value of Dassault Aviation (other than business jet market cyclicality) and that of other associated companies is limited. For equity investments other than associates, which make up only a

fraction of EADS' total assets, EADS regards the risk of negative changes in fair value or impairments on these investments as non-significant.

Treasury shares held by EADS are not considered to be equity investments. Additionally, treasury shares are not regarded as

being exposed to risk, as any change in value of treasury shares is recognised directly in equity only when sold to the market and never affects net income. Treasury shares are primarily held to hedge the dilution risk arising from employee stock ownership plans and the exercise by employees of stock options.

2. Business-Related Risks

AIRCRAFT MARKET CYCLICALITY

In 2007, the combined revenues generated from Airbus and ATR represented approximately two-thirds of EADS' consolidated revenues. Historically, the market for commercial passenger aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel, which is itself primarily driven by economic or gross domestic product ("GDP") growth. Other factors, however, play an important role in determining the market for commercial passenger aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger load factors, (iv) airline pricing policies, (v) airline financial health, (vi) deregulation and (vii) environmental constraints imposed upon aircraft operations.

EADS expects that the market for commercial passenger aircraft will continue to be cyclical, and that future downturns in broad economic trends may have a negative effect on its future results of operation and financial condition.

EADS currently expects that commercial aircraft deliveries will reach a cyclical peak in 2011-2012, followed by a decline in later years. However, changes in the economic environment or the financial condition of the airline industry could result in customer requests for postponement or cancellation of otherwise binding contractual orders, to which EADS may agree. In addition, the liquidation or bankruptcy of airline customers could lead to the cancellation of their existing orders. If any of these events were to occur, it could significantly reduce EADS' revenues and ability to generate a profit.

IMPACT OF TERRORISM, EPIDEMICS AND CATASTROPHIC EVENTS ON AIRCRAFT MARKET

As the terrorist attacks in New York and Madrid and the spread of the Severe Acute Respiratory Syndrome ("SARS") virus and avian flu have demonstrated, terrorism and epidemics may negatively affect public perception of air travel safety and comfort, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of war in a given region may also affect the willingness of the public to travel by air. Furthermore, major airplane crashes may have a negative effect on the public's or regulators' perceptions of the safety of a given

class of aircraft, form of design, or airline. As a consequence of terrorism, epidemics and other catastrophic events, an airline may be confronted with sudden reduced demand for air travel and be compelled to take costly security and safety measures. In response to such events, and the resulting negative impact on the airline industry or particular airlines, EADS may suffer from a decline in demand for all or certain types of its aircraft, and EADS' customers may postpone delivery of new aircraft or cancel orders.

DEPENDENCE ON PUBLIC SPENDING AND ON CERTAIN MARKETS

In any single market, public spending (including defence spending) depends on a complex mix of geopolitical considerations and budgetary constraints. Public spending may be subject to significant fluctuations from year to year and country to country. Adverse economic and political conditions as well as downturns in broad economic trends in EADS' markets may reduce the amount of public spending and have a negative effect on EADS' future results of operations and financial condition.

In the case where several countries undertake to enter together into defence or other procurement contracts, economic, political or budgetary constraints in any one of these countries may have

a negative effect on the ability of EADS to enter into or perform such contracts. In 2008, for example, the European Space Agency is expected to set a budget and funding priorities for 2010 and beyond, which could have a significant effect on Astrium's activities.

Further, a significant portion of EADS (including Airbus) backlog is concentrated in certain regions or countries, including the United States of America, China, India and the United Arab Emirates. Adverse economic and political conditions as well as downturns in broad economic trends in these countries or regions may have a negative effect on EADS' and Airbus future results of operations and financial condition.

EMERGENCE OF PUBLIC-PRIVATE PARTNERSHIPS AND PRIVATE FINANCE INITIATIVES

Defence customers, particularly in the U.K., increasingly request proposals and grant contracts under schemes known as public-private partnerships ("PPPs") or private finance initiatives ("PFIs"). PPPs and PFIs differ substantially from traditional defence equipment sales, as they often incorporate elements such as:

- The provision of extensive operational services over the life of the equipment;
- Continued ownership and financing of the equipment by a party other than the customer, such as the equipment provider;
- Mandatory compliance with specific customer requirements pertaining to public accounting or government procurement regulations; and
- Provisions allowing for the service provider to seek out additional customers for unused capacity.

EADS is party to PPP and PFI contracts, for example through Paradigm with Skynet 5 and related telecommunications services, and involved in additional PFI proposals, such as the Airtanker (FSTA) project. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the lifetime of the project.

There can be no assurances of the extent to which EADS will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the ongoing provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. EADS may also encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programmes.

COMPETITION AND MARKET ACCESS

Most of EADS' businesses are subject to significant competition, and Airbus in particular has been affected by downward price pressure resulting from such competition. EADS believes that some of the underlying causes of such price competition have been mitigated by restructuring in the aerospace and defence industry. Nevertheless, certain customers have had greater leverage to encourage competition with respect to a variety of issues, including price and payment terms. No assurance can be given that competition may not intensify, particularly in the context of a prolonged economic downturn in the future.

In addition, the contracts for many aerospace and defence products are awarded, implicitly or explicitly, on the basis of home country preference. Although EADS constitutes a multinational combination which helps to broaden its domestic market, it may remain at a competitive disadvantage in certain countries, especially outside of Europe, relative to local contractors for certain products. The strategic importance and political sensitivity attached to the aerospace and defence industries means that political considerations will play a role in the choice of many products for the foreseeable future.

AVAILABILITY OF GOVERNMENT FINANCING

Since 1992, the E.U. and the U.S. have operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the U.S. sought to unilaterally withdraw from this agreement, which eventually led to the U.S. and the E.U. making formal claims against each other before the World Trade Organisation (“WTO”). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues. The terms and conditions of any new agreement, or the outcome of the formal WTO proceedings, may limit access by EADS to risk-sharing-funds for large projects, or may establish an unfavourable balance of access to

government funds by EADS as compared to its U.S. competitors.

In prior years, EADS and its principal competitors have each received different types of government financing of product research and development. For example, EADS received repayable financing from certain governments in relation to the A380 commercial aircraft programme, and is in discussions with certain E.U. countries regarding financing for the development of the A350 XWB commercial aircraft programme. However, no assurances can be given that government financing will continue to be made available in the future for these and other projects, in part as a result of the proceedings mentioned above.

TECHNOLOGICALLY ADVANCED PRODUCTS AND SERVICES

EADS offers its customers products and services that are often technologically advanced, the design and manufacturing of which can be complex and require substantial integration and coordination along the supply chain. In addition, most of EADS’ products must function under demanding operating conditions. Even though EADS believes it employs sophisticated design, manufacturing and testing practices, there can be no assurance that EADS’ products or services will be successfully developed, manufactured or operated or that they will be developed or will perform as intended.

Certain EADS contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should EADS fail to meet delivery schedules or other measures of contract performance.

For example, following the production difficulties that EADS encountered in 2006 in connection with its A380 programme,

certain customers decided to cancel their A380 freighter orders. In 2007, EADS announced delivery delays on its A400M programme. In both years, EBIT* at EADS was negatively affected as a result, in part due to the contractual penalties to be paid to certain customers as a result of the delivery delays. See “1.1 Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Significant Programme and Restructuring Developments in 2006 and 2007” for further detail.

There can be no assurances that problems similar to the ones encountered in connection with development of the A380 and the A400M will not occur in the future. In addition to any costs resulting from product warranties, contract performance or required remedial action, such problems may result in increased costs or loss of revenues — in particular as a result of contract cancellations — which could have a negative effect on EADS’ future results of operation and financial condition. Any future problems may also have a significant adverse effect on the competitive reputation of EADS’ products.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

MAJOR RESEARCH AND DEVELOPMENT PROGRAMMES

The business environment in many of EADS' principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments. The business plans underlying such investments often contemplate a long payback period before these investments are recouped, and assume a certain level of return over the course of this period in order to justify the initial investment. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved. EADS expects that its consolidated research and development expenses may increase significantly in future years in connection with the ramp-up of

new programmes across all divisions, in particular development on the A350 XWB.

Successful development of new programmes also depends on EADS' ability to attract and retain aerospace engineers and other professionals with the technical skills and experience required to meet its specific needs. Demand for such engineers may often exceed supply depending on the market, resulting in intense competition for qualified professionals. There can be no assurances that EADS will attract and retain the personnel it requires to conduct its operations successfully. Failure to attract and retain such personnel or an increase in EADS' employee turnover rate could negatively affect EADS' future results of operation and financial condition.

"POWER8" RESTRUCTURING PROGRAMME

EADS has announced the implementation of a significant cost reduction and restructuring programme at Airbus, referred to as "Power8". This programme looks at all aspects of the Company to make it leaner, more integrated, more efficient and more productive. As part of Power8, Airbus management is seeking to implement strong cost reduction and cash generating efforts with the goal of achieving EBIT* contributions of €2.1 billion from 2010 onwards and an additional €5 billion of cumulative cash flow from 2007 to 2010. A large part of the cost savings is expected to be realised through the reduction of Airbus' headcount by 10,000 employees (with temporary and on-site subcontractors accounting for approximately 50% of such reduction).

These anticipated cost savings are based on preliminary estimates, however, and actual savings may vary significantly. In particular, EADS' cost reduction measures are based on current conditions and do not take into account any future cost increases that could result from changes in its industry or operations, including new business developments, wage and price increases or other factors. EADS' failure to successfully implement these planned cost reduction measures, or the possibility that these efforts may not generate the level of cost savings it expects going forward, could negatively affect its future results of operation and financial condition.

In addition to the risk of not achieving the anticipated level of cost savings from Power8, EADS may also incur higher than expected implementation costs, depending on the outcome of its current negotiations with labour and other representatives. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated by Power8, including site divestitures by Airbus and the subcontracting of additional work to risk-sharing partners. Restructuring, closures, site divestitures and job reductions may also harm EADS' labour relations and public relations, and have led and could lead to work stoppages and/or demonstrations. In the event that these work stoppages and/or demonstrations become prolonged, or the costs of implementing Power8 are otherwise higher than anticipated following such negotiations, EADS' future results of operation and financial condition may be negatively affected.

Finally, EADS may fail to fully realise the anticipated benefits of site divestitures by Airbus. Divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the transaction. They may also trigger the recording of an impairment charge at or prior to closing, which would have a negative impact on EADS' future results of operation. Risk-sharing partners at divested businesses may also fail to perform as expected.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

INDUSTRIAL RAMP-UP

As a result of the large number of new orders for aircraft recorded in recent years, EADS has accelerated its production rate in order to meet the agreed upon delivery schedules for such new aircraft, in particular at Airbus and Eurocopter. As it nears full capacity, EADS' ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials and parts (such as aluminum, titanium, and

composites) and skilled employees, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors, particularly suppliers of buyer-furnished equipment. The failure of any or all of these factors could lead to missed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders.

PROGRAMME-SPECIFIC RISKS

In addition to the risk factors mentioned above, EADS also faces the following programme-specific risks in the future (while this list does not purport to be comprehensive, it highlights the current risks believed to be material by management):

- *A380 programme.* In connection with the A380 programme and following the delivery delays announced in 2006, EADS faces the following main challenges: (i) management of stress in the supply chain as a result of the steep ramp-up in production in coming years, (ii) avoidance of production disruptions as a result of the implementation of Power8, in particular with respect to its effect on labour relations, and (iii) introduction and successful implementation of a new digital mock-up for future A380 production. EADS' ability to successfully meet these challenges will be critical in ensuring the smooth production of "wave 2" aircraft, *i.e.*, those beyond the initial 25 aircraft produced;
- *A350 XWB programme.* In connection with the A350 XWB programme, EADS faces the following main challenges: (i) meeting the technical performance targets at the beginning of the detailed definition phase, (ii) ensuring the ramp-up of key skilled personnel, *e.g.* for composite stress and design, (iii) securing the achievement of recurring cost targets, (iv) ensuring that the new industrial organisation resulting from Power8 supports effective development, (v) ensuring the performance of the risk sharing partners, including those selected for sites to be divested by Airbus, and (vi) achieving a second engine choice;
- *A400M programme.* In connection with the A400M programme, EADS faces the following main challenges: (i) meeting the revised development and delivery schedule as the engine, certain systems and elements of the airframe continue to undergo development and testing, which leaves a very challenging programme until first flight and subsequent aircraft delivery, (ii) managing a flight test programme that differs significantly from that of commercial Airbus aircraft, and (iii) ensuring that the aircraft is both commercially certified and meets the range of military qualifications required by programme customers in each jurisdiction; and
- *NH90 programme.* In connection with the NH90 programme, EADS faces the following main challenges: (i) meeting the development schedule and cost objectives of ongoing development programmes on the various versions, and (ii) managing the steep industrial ramp-up on the programme and the associated strain on the supply chain.

PENSION COMMITMENTS

EADS participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. For further information related to these plans, see "1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements (IFRS) — Note 22b: Provisions for retirement plans". Although EADS has recorded a provision in its balance

sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading EADS to record additional provisions in respect of such plans. These additional provisions would in turn have a negative effect on EADS' total equity (net of deferred taxes), which could have a negative effect on its future financial condition.

3. Legal Risks

DEPENDENCE ON JOINT VENTURES AND MINORITY HOLDINGS

EADS generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings. These arrangements include primarily:

- the Eurofighter and AirTanker consortia;
- three principal joint ventures: MBDA, ATR and Atlas Elektronik;
- majority interest: Dornier GmbH; and
- investment in associates: Dassault Aviation.

The formation of partnerships and alliances with other market players is an integral strategy of EADS and the proportion of sales generated from consortia, joint ventures and equity holdings may rise in future years. This strategy may from time to time lead to changes in the organisational structure, or realignment in the control, of EADS' existing joint ventures.

EADS exercises varying and evolving degrees of control in the consortia, joint ventures and equity holdings in which it participates. While EADS seeks to participate only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of EADS, and thus may have interests that differ from those of EADS.

In addition, in those holdings in which EADS is a minority partner or shareholder, EADS' access to the entity's books and records, and as a consequence, EADS' knowledge of the entity's operations and results, is generally limited as compared to entities in which EADS is a majority holder or is involved in the day-to-day management.

PRODUCT LIABILITY AND WARRANTY CLAIMS

EADS designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. EADS is subject to the risk of product liability and warranty claims in the event that any of its products fails to perform as designed. While EADS

believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance cover will be adequate.

INTELLECTUAL PROPERTY

EADS relies upon patent, copyright, trademark and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its intellectual property rights in technology and products used in its operations. Despite these efforts to protect its intellectual property rights, any of EADS' direct or indirect intellectual property rights could be challenged, invalidated or circumvented. Further, the laws of certain countries do not protect EADS' proprietary rights to the same extent as the laws in Europe and the United States. Therefore, in certain jurisdictions EADS may be unable to protect its proprietary technology adequately against unauthorised third-party copying or use, which could adversely affect its competitive position.

In addition, although EADS believes that it lawfully complies with the intellectual property rights granted to others, it could have claims asserted against it for infringement of the intellectual property rights of third parties. These claims could harm its reputation, cost it money and prevent it from offering certain products or services. Any claims or litigation in this area, whether EADS ultimately wins or loses, could be time-consuming and costly, injure EADS' reputation or require it to enter into licensing arrangements. EADS might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against EADS, causing further damages.

EXPORT CONTROLS AND OTHER REGULATIONS

The export market is a significant market for EADS. In addition, many of the products EADS designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of EADS' domestic markets may be restricted or subject to licensing and export controls, notably by the U.K., France, Germany and Spain, where EADS carries out its principal military activities as well as by other countries where suppliers come from, notably, the U.S. There can be no assurance (i) that the export controls to which EADS is subject will not become more restrictive, (ii) that new generations of EADS products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors will not make it impossible to obtain export licenses for one or more clients

or constrain EADS' ability to perform under previously signed contracts. Reduced access to military export markets may have a material adverse effect on EADS' business, financial condition and results of operations.

EADS is also subject to a variety of other governmental regulations that may adversely affect its business and financial condition, including among others, regulations relating to the protection of the environment, the use of its products, labour practices and dealings with foreign officials. In addition, EADS' ability to market new products and enter new markets may be dependent on obtaining government certifications and approvals in a timely manner.

4. Industrial and Environmental Risks

Given the scope of its activities and the industries in which it operates, EADS is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. EADS therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment and the promotion of worker health and safety, including costs to prevent, control, eliminate or reduce emissions into the environment, releases of air pollutants into the atmosphere, discharges to surface and subsurface water and soil, and the disposal and treatment of waste materials. Moreover, new laws and regulations, the imposition of tougher licence requirements, increasingly strict enforcement or new interpretations of existing laws and regulations may cause EADS to incur increased capital expenditure and operating costs in the future, which could have a negative effect on its results of operation and financial condition.

If EADS fails to comply with these environmental, health and safety laws and regulations, even if caused by factors beyond its control, that failure may result in the assessment of civil or criminal penalties and fines against it. Regulatory authorities may require EADS to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily, including to prevent imminent risks. In the event of an industrial accident or other serious incident,

employees, customers and other third parties may file claims for personal injury, property damage or damage to the environment (including natural resources). These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages could have a negative effect on EADS' results of operation and financial condition.

In addition, the various products manufactured and sold by EADS must comply with relevant environmental, health and safety laws and regulations in the jurisdictions in which they operate. Although EADS seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the failure to notify or provide regulatory authorities or others with required information may force EADS to adapt, redesign, redevelop, recertify and/or eliminate its products from the market. Seizures of defective products may be pronounced, and EADS may incur administrative, civil or criminal liability. In the event of an accident or other serious incident involving a product, EADS may be required to conduct investigations and undertake remedial activities. Employees, customers and other third parties may also file claims for personal injury, property damage or damage to the environment (including natural resources).

For more information, please see "Part 2/2.3 Environmental Care".

Net Assets, Financial Position and Results

1

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1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations

1.1.1 CERTAIN INFORMATION

In addition to historical information, this document includes forward-looking statements. The forward-looking statements are generally identified by the use of forward-looking words, such as "anticipate", "expect", "estimate", "intend", "plan", "predict", "project", "will", "believe", "should", "may" or other variations of such terms, or by discussion of strategy. These statements relate to EADS' future prospects, developments and business strategies and are based on analyses or forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements represent the view of EADS only as of the dates they are made, and EADS disclaims any obligation to update forward-looking statements, except as may be otherwise required by law. The forward-looking statements in this document involve known and unknown risks, uncertainties and other factors that could cause EADS' actual future results, performance and achievements

to differ materially from those forecasted or suggested herein. These include changes in general economic and business conditions, as well as the factors described in "Risk Factors" above.

The following discussion and analysis is derived from and should be read together with the audited Consolidated Financial Statements of EADS as of and for the years ended 31st December 2007, 2006 and 2005 included herein. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board as endorsed by the European Union, and with Part 9 of Book 2 of the Netherlands Civil Code.

Exchange Rate Information

The financial information presented in this document is expressed in Euro, U.S. dollars or Pounds Sterling. The following table sets out, for the periods indicated, certain information concerning the exchange rate between the Euro and the U.S. dollar and Pound Sterling, calculated using the official European Central Bank fixing rate:

Year ended	Average		Period End	
	€-U.S.\$	€-£	€-U.S.\$	€-£
31 st December 2005	1.2441	0.6838	1.1797	0.6853
31 st December 2006	1.2556	0.6817	1.3170	0.6715
31 st December 2007	1.3702	0.6842	1.4721	0.7334

Ratings

EADS is currently rated A1 with a stable outlook by Moody's Investors Service, BBB+ with a stable outlook by Standard and Poor's and BBB+ with a stable outlook by Fitch Ratings.

1.1.2 OVERVIEW

With consolidated revenues of €39.1 billion in 2007, EADS is Europe's premier aerospace and defence company and the second largest aerospace and defence company in the world. In terms of market share, EADS is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2007, it generated approximately 77% of its total revenues in the civil sector (compared to 75% in 2006) and 23% in the defence sector (compared to 25% in 2006). As of 31st December 2007, EADS' active headcount was 116,493.

EADS organises its businesses into the following five operating divisions:

- **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 provision of maintenance services;
- **Defence & Security:** Development, manufacturing, marketing and sale of missile 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; and
- **Astrium:** Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers, and provision of space services.

In addition, EADS has four business units ("BUs") — ATR, EFW (*Elbe Flugzeugwerke GmbH*), EADS Socata and EADS Sogerma — which are allocated to "Other Businesses" for purposes of segment reporting. Their activities comprise the development, manufacturing, marketing and sale of regional turboprop aircraft, light commercial aircraft and aircraft components, as well as civil and military aircraft conversion and maintenance services.

1.1.2.1 Significant Programme and Restructuring Developments in 2006 and 2007

A380 programme. During 2006, Airbus twice revised its delivery schedule for the A380 after having encountered difficulties in the industrialisation of the programme, in

particular in the area of electrical engineering. As a result, earnings before interest and taxes, pre-goodwill impairment and exceptionals ("EBIT*") at Airbus were negatively affected by a net charge of €(2.5) billion in 2006 compared to 2005. This net charge related to the following items:

- Excess costs above the initially expected learning curve, as difficulties in the production process caused Airbus to fall short of the expected improvements in production efficiency over time;
- The recording of loss-making contract provisions, related to contractual penalties to be paid to customers as a result of the delivery delays;
- Write-down of inventory, where necessary to align book value with net realisable value;
- All other settlement obligations as a result of the delivery delays and accrued for in 2006. Together with the three preceding charges, this accounted for approximately €(2.0) billion of the €(2.5) billion decrease in EBIT* in 2006;
- Impairment of assets and provision charges recorded following the freezing of development on the freighter version of the A380 (€(0.3) billion); and
- Ongoing production support for the programme, representing recurring expenses unallocated to unit production costs (€(0.2) billion).

Following a difficult year in 2006, the year 2007 marked the beginning of Airbus' industrial recovery, although the industrial ramp-up remains challenging. The highlight was the first delivery of the A380 to Singapore Airlines in October 2007, followed by a smooth entry into commercial service between Singapore and Sydney. At the same time, Airbus continued to incur significant costs in respect of the A380 programme in 2007, due primarily to excess costs above the initially expected learning curve and ongoing fleet support. Nevertheless, the impact on EBIT* represented a €1.5 billion improvement over 2006.

A400M programme. At the end of 2006, Airbus performed a financial review of the A400M programme. Based on the programme's risks and complexities, Airbus recorded a loss-making contract provision of €(352) million in 2006 for its workshare on the programme, with a corresponding negative impact on its EBIT* for the year. However, as the other divisions of EADS foresaw a positive contribution from the A400M programme at the time, the provision at Airbus was reversed at the EADS group level in 2006. In addition, due to the overall cost increase for the programme, a negative catch-up of €(66) million was recorded at the EADS group level in 2006

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

in order to adjust EBIT* recognised on the programme for the years 2003 to 2006.

Just before the end of 2007, EADS announced that the first deliveries of the A400M would be delayed by six to twelve months. In terms of financial impact, Airbus recorded an

The following table sets forth the income statement impact in 2006 and 2007 of the items described above:

(in €m)	2007	2006
Airbus	(1,174)	(352)
Other divisions	(102)	-
Group adjustment ⁽¹⁾	(169)	286
Total	(1,445)	(66)

(1) Includes the reversal of Airbus loss-making contract provision of €352 million and negative catch-up of €(66) million in 2006; includes consolidation adjustment of €(169) million at group level in 2007.

Although mitigation measures such as a change in A400M programme management, reorganisation of responsibilities and shortening of the chain of command have been implemented, EADS continues to face significant challenges in achieving first flight in summer 2008 and meeting the revised delivery schedule.

A350 XWB programme. In December 2006, Airbus formally launched its new A350 XWB programme and at the same time discontinued the original A350 programme. The launch of the A350 XWB triggered the accrual of a €505 million provision in 2006, related to the anticipated buy-out of delivery commitments under firm orders for the original A350 aircraft that could no longer be fulfilled.

In 2007, EBIT* at Airbus continued to be burdened by charges with respect to the A350 XWB programme, which amounted to approximately €(1.0) billion. These charges related in particular to the recording of loss-making contract provisions on the first orders for the A350 XWB, the margins of which are weighed down by launch-order pricing and initial learning curve costs.

Power8 programme. At the beginning of 2007, Airbus launched a four-year restructuring programme referred to as “Power8”, with the goal of achieving EBIT* contributions of €2.1 billion from 2010 onwards and an additional €5 billion of cumulative cash flow from 2007 to 2010. A large part of the cost savings is expected to be realised through the reduction of Airbus’ headcount by 10,000 employees (including temporary and on-site supplier employees). As part of the planned measures under Power8 to reduce overhead costs, and specifically headcount, EADS recorded a restructuring expense of €(624) million in EBIT* in 2007. At the same time, EADS began to register initial cost savings under the programme in

additional loss-making contract provision and charges totalling €(1.2) billion in 2007, in addition to provisions and charges of €(0.2) billion recorded at EADS group level and €(0.1) billion recorded at other divisions. The provisions are intended to cover, among other things, cost overruns on the programme and the risk of penalty payments to customers.

2007. The Power8 programme supersedes the former “Route 06” cost savings programme, including any unrealised cost savings thereunder.

For further information related to the Power8 programme and its ongoing implementation, see “1.1.2 Airbus—Strategy—Building a leaner, more fully integrated company” and “Recent Developments”.

EADS Sogerma sale. On 10th January 2007, EADS Sogerma completed the sale of three of its subsidiaries dedicated to global support and maintenance — Sogerma Services, Sogerma America Barfield B.C. and EADS Sogerma Tunisie — to the TAT Group. Prior to their sale, EADS recorded an asset impairment totalling €(117) million in 2006 — including €(33) million relating to its retained subsidiaries, Seca and Revima — as well as restructuring provisions of €(42) million. Combined with an underlying operational loss of €(96) million, EADS Sogerma recorded EBIT* of €(351) million in 2006, a deterioration of €(114) million compared to 2005. Following the sale of these subsidiaries, EADS Sogerma’s EBIT* was positive in 2007.

1.1.2.2 Trends

EADS expects that new aircraft orders at Airbus will decline in 2008 to approximately 700 gross orders, following the record 1,458 gross orders recorded in 2007. It also expects that its consolidated research and development expenses will increase in 2008 in connection with the ramp-up of new programmes, in particular development on the A350 XWB, and that some deterioration in the price of delivered aircraft will occur as a result of strong past competition, particularly on long-range aircraft.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

1.1.3 CRITICAL ACCOUNTING CONSIDERATIONS, POLICIES AND ESTIMATES

1.1.3.1 Scope of and Changes in Consolidation Perimeter

Disposals and acquisitions of interests in various businesses can account, in part, for differences in EADS' results of operations for one year as compared to another year.

Airbus: Airbus has been fully consolidated by EADS since 1st January 2001, in light of the control EADS has exercised over the assets, liabilities and operations of Airbus since that date. BAE Systems held a 20% share in Airbus until October 2006, at which time the share was purchased by EADS.

BAE Systems held a put option with respect to its share in Airbus that was granted to it by EADS as part of the Airbus business combination in 2001. BAE Systems' put option was exercisable at fair value and payable in cash or an equivalent amount of EADS shares. In light of these characteristics, revised IAS 32 (which EADS retrospectively applied as of 1st January 2005) required EADS to account for the put option as a liability ("liability for puttable instruments") in the Consolidated Balance Sheet, stated at fair value. (Before this change in accounting policy, EADS recorded BAE Systems' stake in Airbus as minority interests within equity.)

Pursuant to revised IAS 32, dividend payments to BAE Systems were treated as partial repayments of the liability, thus reducing the liability for puttable instruments, without affecting minority interests. Other changes to the liability's fair value were recorded as changes to the liability for puttable instruments and adjustments of goodwill, without any direct impact on the consolidated income statement. A corresponding restatement was made in 2005 to EADS' 2004 consolidated net income and earnings per share to account for this change in accounting policy. At 31st December 2005, the fair value of the liability for puttable instruments was assessed at €3.5 billion.

In June 2006, BAE Systems exercised its put option. An independent investment bank then determined the fair value of its 20% share in Airbus at €2.75 billion, a decrease of €750 million from the assessed value at 31st December 2005. Dividend payments to BAE Systems in 2006 accounted for €129 million of the decrease, while most of the remaining portion of €621 million led to a corresponding reduction in Airbus' goodwill (€613 million). Following payment of the €2.75 billion purchase price in cash by EADS in October 2006, the liability for puttable instruments was derecognised from the balance sheet.

MBDA: EADS and BAE Systems each hold a 37.5% stake in MBDA, with Finmeccanica holding the remaining 25%. In 2005 and 2006, EADS proportionally consolidated 50% of MBDA within the DS Division, with Finmeccanica's holding

reflected as a 12.5% minority interest. As of 1 January 2007, the percentage of the proportional consolidation of MBDA changed from 50% to 37.5%. In 2007, therefore, Finmeccanica's holding is no longer reflected as a minority interest in EADS' accounts. 2005 and 2006 consolidated figures have not been restated.

Acquisitions and Disposals

In January 2007, EADS increased its share in the Atlas Elektronik group from 40% to 49% in connection with the contribution in kind of EADS' naval business to Atlas Elektronik. Atlas Elektronik is proportionately consolidated and the final determination of the difference between the purchase price and the acquired net assets then led to the recording of €42 million of goodwill.

On 10th January 2007, EADS sold its remaining 60% stake in Sogerma Services, as well as its remaining stakes in Sogerma America Barfield B.C. (100%) and EADS Sogerma Tunisie (50.1%), as described above.

On 13th October 2006, EADS acquired BAE Systems' 20% minority share in Airbus after BAE Systems had exercised the put option it held on its Airbus stake in June 2006, as described above. Before the transaction, EADS already controlled Airbus and therefore fully consolidated this subsidiary.

On 3rd August 2006, EADS acquired 40% of the shares of the Atlas Elektronik group, specialised in equipment and systems for naval forces. An initial estimate of the difference between the purchase price and the acquired net assets (not finally determined in 2006) led to the preliminary recording of €41 million of goodwill.

On 28th February 2006, 81% of LFK GmbH and TDW GmbH, which had been fully consolidated by EADS, were sold to the European missile group MBDA, which EADS proportionally consolidates.

On 30th November 2005, EADS sold TDA — Armements S.A.S. to Thales. TDA — Armements S.A.S. was proportionally consolidated at 50% through the end of November 2005.

On 2nd September 2005, EADS acquired Nokia's Professional Mobile Radio (PMR) activities (now known as EADS Secure Networks Oy) from Nokia.

On 28th February 2005, EADS sold its enterprise telephony business, which comprised its civil telecommunication activities, to Aastra Technologies Limited.

See "Notes to Consolidated Financial Statements (IFRS) — Note 4: Acquisitions and disposals".

1.1.3.2 Employee Benefits — IAS 19

Prior to 2006, EADS recognised in its Consolidated Financial Statements actuarial gains and losses on its retirement plans qualifying as defined benefit plans by applying the “corridor approach” of IAS 19. Under this approach, any amount of accumulated unrecognised actuarial net gains and losses that exceeded the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets was amortised through the consolidated income statement on a straight line basis over the expected average remaining working

As a result of the retrospective application of revised IAS 19, the provision for retirement plans in 2005 has been restated by €1,118 million, implying a restatement of €(695) million in total equity (net of deferred taxes), as set forth in the following table:

(in €m)	31 st December 2007	31 st December 2006	31 st December 2005
Provision for retirement plans and similar obligations (old IAS 19)	-	-	4,120
Unrecognised actuarial losses (old IAS 19)	-	-	1,118
Provision for retirement plans and similar obligations (revised IAS 19)	4,668	5,883	5,238
Actuarial losses recognised directly in equity (net of deferred taxes)	(974)	(1,409)	(695)

The 2006 change in accounting policy for the recognition of actuarial gains and losses from the corridor to the equity approach resulted in lower net periodic pension costs in 2006, leading to comparably higher EBIT* of €45 million and higher net income of €25 million (EBIT* impact: Airbus: €12 million; Eurocopter €7 million; Astrium €5 million; Defence €16 million; HQ €5 million).

For further information relating to provisions for retirement plans, see “Notes to Consolidated Financial Statements (IFRS) — Note 22b: Provisions for retirement plans”.

1.1.3.3 U.K. Pension Commitments

In the U.K., 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 U.K. pension plans are Airbus U.K. and MBDA U.K. For Airbus, this remains the case even subsequent to the acquisition of BAE Systems’ 20% minority interest in Airbus on 13th October 2006. Participating Airbus U.K. employees have continued to remain members in the BAE Systems U.K. pension plans due to the U.K. pension agreement between EADS and BAE Systems dated 11th July 2001, as well as a change in U.K. pension legislation enacted in April 2006 that removes previous restrictions on unassociated employers participating in a single pension plan.

lives of the employees participating in the respective plan, i.e. 15 years for EADS, thereby affecting EBIT*. In 2006, EADS opted to apply the “equity approach” under revised IAS 19, pursuant to which actuarial gains and losses are recognised in full within equity (net of deferred taxes) during the period in which they occur, without affecting the consolidated income statement. The provision for retirement plans recorded on the balance sheet in turn covers the full amount of the defined benefit obligation net of plan assets, including accumulated actuarial net gains and losses.

Generally, based on the funding situation of the respective pension plans, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the plans. The different U.K. pension plans in which EADS investments participate are currently underfunded. BAE Systems has previously agreed with the trustees to undertake various measures in order to remedy such underfunding. These include: (i) making regular contribution payments for active employees at levels well above those that would prevail in the case of adequately funded plans and (ii) making extra contributions.

Due to contractual arrangements between EADS and BAE Systems, the contributions that EADS must make in respect of its participation in the two largest pension plans are capped for a defined period of time (i.e., until July 2011 for Airbus U.K. and until December 2007 for MBDA U.K.). 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 U.K. multi-employer plans, with special regulations limiting the regular contributions that must be paid by Airbus U.K. and MBDA U.K. to rates applicable to all participating employers.

Based on the information that BAE Systems has provided regarding the various pension plans, EADS has prepared an estimate of its share of the pension plans’ assets, defined benefit obligations and related underfunding, which takes into account

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

the impacts of the contribution caps' mechanism described above as well as those of future extra contributions agreed by BAE Systems with plan trustees. Accordingly, EADS has recorded a provision of €(494) million as of 31st December 2007 (compared to €(897) million as of 31st December 2006) for its current share of the net pension underfunding in the U.K. A related amount of €(554) million has been recorded in total equity (net of deferred taxes) as of 31st December 2007 (compared to €(853) million as of 31st December 2006), consistent with the application of revised IAS 19 (equity approach) described above.

For further information related to EADS' participation in multi-employer pension plans in the U.K., see "Notes to Consolidated Financial Statements (IFRS) — Note 22b: Provisions for retirement plans".

1.1.3.4 Fair Value Adjustments

The merger of the operations of Aerospatiale-Matra ("**ASM**"), DaimlerChrysler Aerospace ("**Dasa**") and Construcciones Aeronáuticas S.A. ("**CASA**"), leading to the creation of EADS in 2000, was recorded using the purchase method of accounting with ASM as the acquirer. Accordingly, the book value of certain assets and liabilities, mainly property, plant and equipment and inventories, was adjusted by an aggregate amount of €1.8 billion, net of income taxes, to allocate a portion of the respective fair market values of Dasa and CASA at the time of the merger (the "**fair value adjustments**"). These aggregate additions in value are generally being depreciated over four to fifteen years for fixed assets and amortised over approximately 24 months for inventories. In addition, in 2001 in connection with the formation of Airbus S.A.S., EADS adjusted the book value of Airbus fixed assets and inventories by an aggregate amount of €0.3 billion, net of income taxes, to reflect their fair market values. The fair value adjustments lead to a depreciation expense in the Consolidated Statements of Income classified within cost of sales. For management reporting purposes, EADS treats these depreciation charges as non-recurring items in EBIT* pre-goodwill impairment and exceptionals. See "1.1.4 Measurement of Management's Performance — Use of EBIT*".

In 2006, a tax audit of Dasa for the years 1994 until 1999 was finalised. Pursuant to the EADS shareholders' agreement, the related tax expense was reimbursed by Daimler AG. As a result of this audit, goodwill and deferred tax assets were adjusted as of 31st December 2006 with respective impacts in the DS division and at the Headquarters/Consolidation level of €52 million and €12 million, leading to both an other expense and a tax benefit of €64 million in the consolidated income statement for 2006. EADS has treated the charge as a non-recurring item in EBIT*. See "1.1.4 Measurement of Management's Performance — Use of EBIT*".

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

1.1.3.5 Impairment/Write-down of Assets

When a triggering event, such as an adverse material market event or a significant change in forecasts or assumptions, occurs, EADS performs an impairment test on the assets, group of assets, subsidiaries, joint ventures or associates likely to be affected. In addition, EADS tests goodwill for impairment in the fourth quarter of each financial year, whether or not there is any indication of impairment. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount.

Generally, the discounted cash flow method is used to determine the value of the assets. The discounted cash flow method is sensitive to the selected discount rate and estimates of future cash flows by EADS' management ("**Management**"). Consequently, slight changes to these elements can materially affect the resulting asset valuation and therefore the amount of the potential impairment charge.

The discount rate used by EADS is derived from the Group's weighted average cost of capital, adjusted to reflect the riskiness of the business concerned. See "Notes to Consolidated Financial Statements (IFRS) — Note 2: Significant accounting policies — Impairment of non-financial assets" and "Note 12: Intangible assets".

The impairment of goodwill has an effect on profitability, as it is recorded in the line item "Other expenses" on EADS' consolidated income statement. No goodwill was impaired in 2005, 2006 or 2007. However, in 2006, non-goodwill asset impairment charges were recorded at EADS Sogerma (€(84) million in respect of its subsidiaries Sogerma Services, Sogerma Tunisia and Barfield, which were sold to the TAT Group on 10 January 2007, and €(33) million relating to the remaining Sogerma subsidiaries, Seca and Revima), and at Airbus (€(250) million) related primarily to write-down of inventory and impairment of fixed assets on the A380 programme. These charges in turn had a negative effect on EBIT* for 2006. See "Notes to Consolidated Financial Statements (IFRS) — Note 12: Intangible assets" and "Note 13: Property, plant and equipment". For a discussion of goodwill impairment testing methodology, in particular at Airbus, see "Notes to Consolidated Financial Statements (IFRS) — Note 12: Intangible assets".

1.1.3.6 Research and Development Expenses

Since 2003, with the application of IAS 38 "Intangible Assets", EADS has assessed whether product-related development costs qualify for capitalisation as internally generated intangible assets. Criteria for capitalisation are strictly applied. All research and development costs not meeting the IAS 38 criteria are expensed as incurred in the consolidated income statement.

In 2005, €293 million of product-related development costs were capitalised in accordance with IAS 38 (including €259 million relating to the Airbus A380 programme). €411 million was capitalised in 2006 (including €335 million relating to the Airbus A380 programme), and €93 million was capitalised in 2007 (with no capitalisation relating to the Airbus A380 programme following its entry into the production phase at the end of 2006).

Capitalised development costs are generally amortised over the estimated number of units produced. If the number of units produced cannot be estimated reliably, capitalised development costs are amortised over the estimated useful life of the internally generated intangible asset. Amortisation of capitalised development costs is recognised in cost of sales. In 2007, amortisation of capitalised development costs amounted to €(46) million, most of which related to the Airbus A380 programme. Amortisation in respect of the Airbus A380 programme began in 2007 following its entry into the production phase at the end of 2006.

Internally generated intangible assets are reviewed for impairment annually when the asset is not yet in use and subsequently whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

1.1.3.7 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements

More than 60% of EADS' revenues are denominated in U.S. dollars, whereas a substantial portion of its costs is incurred in Euro and, to a significantly lesser extent, Pounds Sterling. EADS uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on its profits. See "1.1.8 Hedging Activities — Foreign Exchange Rates" and "1. Financial Market Risks — Exposure to Foreign Currencies".

Cash flow hedges. The Group generally applies cash flow hedge accounting to foreign currency derivative contracts that hedge the foreign currency risk on future sales as well as to certain interest rate swaps that hedge 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 accumulated other comprehensive income ("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. See "1.1.6 Changes in Consolidated Total Equity (including Minority Interests)". The ineffective portion is immediately recorded in "Profit (loss) for the period". Amounts accumulated in equity are recognised in profit or loss in the periods when the hedged transaction affects the income statement, such as when the forecast sale occurs or when the finance income or finance expense is recognised in the 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 (loss) for the period". For products such as aircraft, EADS typically hedges the first forecasted highly probable future cash inflows for a given month based upon final payments at delivery. See "1.1.8 Hedging Activities — Foreign Exchange Rates".

Cash flow hedges associated with transactions that are cancelled are generally deemed terminated for accounting purposes. The sum of (i) changes in the fair value of these hedges since 1st January and (ii) a reversal of the portion of AOCI corresponding to these hedges prior to 1st January, are then generally recorded in revenues and deferred tax benefits (expenses) in the consolidated income statement.

Revenues in currencies other than the Euro that are not hedged through financial instruments are translated into Euro at the spot exchange rate at the date the underlying transaction occurs.

1.1.3.8 Foreign Currency Translation

EADS' Consolidated Financial Statements are presented in Euro. The assets and liabilities of foreign entities whose reporting currency is other than Euro are translated using period-end exchange rates, while the corresponding income statements are translated using average exchange rates during the period. All resulting translation differences are included as a component of AOCI.

Transactions in foreign currencies are translated into Euro at the exchange rate prevailing on transaction date. Monetary assets and liabilities denominated in foreign currencies at period-end are translated into Euro using the period-end exchange rate. Foreign exchange gains and losses arising from translation of monetary assets are recorded in the consolidated income statement, except when deferred in equity as qualifying hedging instruments in cash flow hedges.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Euro at the exchange rate in effect on 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 that was acquired after 31st December 2004 are treated as assets and liabilities of the acquired company and are translated into Euro at the period-end exchange 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 recorded in AOCI is released to profit or loss when the associated foreign entity is disposed of or liquidated or the associated asset or liability is disposed of, respectively.

Currency Translation Adjustment Related to Airbus

Following the signing of an Advance Pricing Agreement with tax authorities in April 2004, the Airbus GIE (a U.S. dollar-denominated entity) was merged into Airbus SAS (a Euro-denominated entity) with retrospective effect as of 1st January 2004. Consequently, as from such date, operations of the former Airbus GIE are treated as “foreign currency operations” and accounted for in accordance with EADS’ consistently applied accounting principles.

Prior to the merger, Airbus GIE operations, with the exception of those hedged with financial instruments, were recorded at the exchange rate prevailing at the time of aircraft delivery, with outstanding operations being re-valued in the balance sheet at each period end using the closing exchange rate of such period. From 1st January 2004, all non-hedged U.S. dollar-denominated operations, including outstanding operations of the former Airbus GIE, are recorded on the basis of exchange rates prevailing at the date of receipt or payment of U.S. dollars.

In particular, customer advances (and the corresponding revenues recorded when sales recognition occurs) are now translated at the exchange rate prevailing on the date they are received. U.S. dollar-denominated costs are converted at the exchange rate prevailing on the date they are incurred. To the extent that U.S. dollar-denominated customer advances differ, in terms of timing of receipt or amount, from corresponding U.S. dollar-denominated costs, there is a foreign currency exchange impact on EBIT*. Additionally, the magnitude of any such difference, and the corresponding impact on EBIT*, is sensitive to variations in the number of deliveries.

1.1.3.9 Accounting for Sales Financing Transactions in the Financial Statements

In order to support product sales, primarily at Airbus 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. Certain sales contracts may include the provision of an asset value guarantee (“AVGs”), whereby EADS guarantees a portion of the market value of an aircraft during a limited period, starting at a specific date after its delivery (in most cases, 10 years post-delivery). See “1.1.7 Liquidity and Capital Resources — Sales Financing” and “Notes to Consolidated Financial Statements (IFRS) — Note 29: Commitments and contingencies”. The accounting treatment of sales financing transactions varies based on the nature of the financing transaction and the resulting exposure.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

On Balance Sheet. When, pursuant to a financing transaction, the risks and rewards of ownership of the financed aircraft reside with the customer, the transaction is characterised as either a loan or a finance lease. In such instances, revenues from the sale of the aircraft are recorded upon delivery, while financial interest is recorded over time as financial income. The outstanding balance of principal is recorded on the balance sheet in long-term financial assets, net of any accumulated impairments. See “Notes to Consolidated Financial Statements (IFRS) — Note 14: Investments in associates accounted for under the equity method, other investments and other long-term financial assets”.

By contrast, when the risks and rewards of ownership remain with Airbus or ATR, the transaction is characterised as an operating lease. EADS’ general policy is to avoid, whenever possible, operating leases for new aircraft to be delivered to customers. Therefore, new operating leases primarily arise in connection with the future re-marketing of aircraft. Rather than recording 100% of the revenues from the “sale” of the aircraft at the time of delivery, rental income from such operating leases is recorded in revenues over the term of the respective leases. The leased aircraft are recorded at production cost on the balance sheet as property, plant and equipment, and the corresponding depreciation and potential impairment charges are recorded in cost of sales. See “Notes to Consolidated Financial Statements (IFRS) — Note 13: Property, plant and equipment”.

If the present value of an AVG exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease in the Consolidated Financial Statements. In this case, upon aircraft delivery, the cash payment received from the customer is recognised on the Consolidated Balance Sheet as deferred income and amortised straight-line up to the amount, and up to the last exercise date, of the AVG. The production cost of the aircraft is recorded on the balance sheet as property, plant and equipment. Depreciation expenses are recorded in cost of sales in the consolidated income statement. See “Notes to Consolidated Financial Statements (IFRS) — Note 13: Property, plant and equipment” and “Note 26: Deferred income”.

Off Balance Sheet — Contingent Commitments. Certain sales financing commitments, such as lease in/lease out structures and AVGs the present value of which is below the 10% threshold, are not recorded on the balance sheet.

As a result, transactions relating to such AVGs are accounted for as sales, with the related exposure deemed to be a contingent commitment. To reduce exposure under AVGs and to minimise the likelihood of their occurrence, Airbus and ATR extend them with prudent guaranteed asset values and restrictive exercise conditions, including limited exercise window periods.

Under lease in/lease out structures, which Airbus and ATR applied in the past to allow customers with weaker credit to take advantage of certain jurisdictions' leasing-related tax benefits, the risks and rewards of ownership of the aircraft are typically borne by a third party, usually referred to as the head lessor. The head lessor leases the aircraft to Airbus or ATR, which in turn sub-leases it to the customer. To the extent possible, the terms of the head lease and sub-lease match payment streams and other financial conditions. Such commitments by Airbus or ATR are reported as off-balance sheet contingent liabilities. See "Notes to Consolidated Financial Statements (IFRS) — Note 29: Commitments and contingencies".

Provisions and Allowances. Under its provisioning policy for sales financing risk, EADS records provisions to fully cover its estimated financing and asset value net exposure. Provisions pertaining to sales financing exposure, whether on-balance sheet or off-balance sheet, are recorded as impairments of the related assets or in provisions. Provisions recorded as liabilities relate primarily to off-balance sheet commitments. See "Notes to Consolidated Financial Statements (IFRS) — Note 22(c): Other provisions". Provisions are recorded as impairments of the related assets when they can be directly related to the corresponding asset. See "Notes to Consolidated Financial Statements (IFRS) — Note 13: Property, plant and equipment" and "Note 14: Investments in associates accounted for under the equity method, other investments and other long-term

financial assets". While Management views its estimates of valuations of collateral as conservative, changes in provisions reflecting revised estimates may have a material impact on net income in future periods.

1.1.3.10 Provisions for Loss-Making Contracts

EADS records provisions for loss-making contracts when it becomes probable that total contract costs will exceed total contract revenues. Due to the size, length of time and nature of many of EADS' contracts, the estimation of total revenues and costs at completion is complicated and subject to many variables and estimates, including penalties to be paid to customers related to contract performance. Loss-making contract provisions are therefore reviewed and reassessed regularly. However, future changes in the assumptions used by EADS or a change in the underlying circumstances—including the impact of foreign currency exchange rate fluctuations, as described above under "— Foreign Currency Translation"—may adversely or positively affect the amount of EADS' loss-making contract provisions and its future financial performance. In particular, its provisions for loss-making contracts do not take into account assumptions on the hedge rates that may apply under such contracts. Therefore, such provisions will vary depending on the evolution of currency exchange rates (in particular the U.S. dollar versus the euro) and other assumptions resulting from regular contract review, including cost reviews.

1.1.4 MEASUREMENT OF MANAGEMENT'S PERFORMANCE

1.1.4.1 Order Backlog

Year-end order backlog (valued at catalogue prices for commercial aircraft activities) consists of contracts signed up to that date. Only firm orders are included in calculating order backlog — for commercial aircraft, a firm order is defined as one for which EADS receives a non-refundable down payment on a definitive contract not containing a "walk-away" provision. Defence-related orders are included in the backlog upon signature of the related procurement contract (and the receipt, in most cases, of an advance payment). Commitments under defence "umbrella" or "framework" agreements by

governmental customers are not included in backlog until they are officially notified to EADS.

For civil market contracts, amounts of order backlog reflected in the table below are derived from catalogue prices, escalated to the expected delivery date and, to the extent applicable, converted into Euro (at the corresponding hedge rate for the hedged portion of expected cash flows, and at the period-end spot rate for the non-hedged portion of expected cash flows). The amount of defence-related order backlog is equal to the contract values of the corresponding programmes.

CONSOLIDATED BACKLOG⁽¹⁾ FOR THE YEARS ENDED 31ST DECEMBER 2007, 2006 AND 2005

	Year ended 31 st December 2007		Year ended 31 st December 2006		Year ended 31 st December 2005	
	Amount in € bn	In percentage ⁽³⁾	Amount in € bn	In percentage ⁽³⁾	Amount in € bn	In percentage ⁽³⁾
Airbus ⁽²⁾	283.8	81%	210.1	77%	202.0	77%
Military Transport Aircraft	19.9	6%	20.3	8%	21.0	8%
Eurocopter	13.5	4%	11.0	4%	10.0	4%
Defence & Security ⁽⁴⁾	17.9	5%	17.6	6%	18.5	7%
Astrium	12.9	4%	12.3	5%	10.9	4%
Total divisional backlog	348.0	100%	271.3	100%	262.4	100%
Other Businesses	2.4		2.3		2.1	
Headquarters/Consolidation	(10.9)		(10.8)		(11.3)	
Total	339.5		262.8		253.2	

(1) Without options.

(2) Based on catalogue prices for commercial aircraft activities.

(3) Before "Other Businesses" and "Headquarters/Consolidation".

(4) MBDA proportionally consolidated at 37.5% in 2007, 50% in 2005 and 2006. 2005 and 2006 figures have not been restated. Change of consolidation effect on 2006 figures: €(1.7) billion.

The €76.7 billion increase in the 31st December 2007 order backlog, to €339.5 billion, reflects an order intake at EADS in 2007 (€136.8 billion) that was more than triple the revenues accounted for in the same year (€39.1 billion). However, this favourable book-to-bill ratio was partially offset by the effect of the weaker U.S. dollar spot rate used for conversion of the non-hedged portion of the backlog into Euro, which had a negative impact of €19.9 billion at year end.

Airbus' backlog increased by €73.7 billion from 2006, to €283.8 billion, reflecting a book-to-bill ratio of more than four with net order intake of 1,341 aircraft in 2007 (€117.3 billion). Total order backlog amounted to 3,421 aircraft at the end of 2007 (as compared to 2,533 aircraft at the end of 2006). However, the positive book-to-bill ratio was partially offset by negative net foreign currency adjustments to the backlog, reflecting the year-end valuation of the non-hedged portion of Airbus' order backlog.

The MTA Division's backlog decreased by €0.4 billion from 2006, to €19.9 billion, reflecting a book-to-bill ratio of less than one. Revenues recognised in the MTA Division (€1.1 billion) were partially offset by an order intake of €0.8 billion in 2007, driven by orders for eleven C-295 aircraft and seven CN-235 aircraft.

The Eurocopter Division's backlog posted a solid €2.5 billion increase from 2006, to €13.5 billion, reflecting a book-to-bill ratio of more than one with new orders of €6.6 billion. This

strong order intake consisted of 802 total new orders in 2007 (as compared to 615 in 2006), bringing its order backlog to 1,388 helicopters at the end of 2007 (as compared to 1,074 helicopters at the end of 2006).

Despite the change of consolidation effect (€(1.7) billion) relating to MBDA, the DS Division's backlog increased by €0.3 billion from 2006, to €17.9 billion, reflecting a book-to-bill ratio of more than one with new orders of €7.5 billion. Order intake was driven by orders for military air systems and secured communication networks, in particular an order for 72 Eurofighter aircraft from Saudi Arabia.

Astrium's backlog increased by €0.6 billion from 2006, to €12.9 billion, reflecting a book-to-bill ratio of more than one with new orders of €4.5 billion, especially in telecommunication satellites (including 2 satellites for the Yahsat secure satellite communications system in the U.A.E.) and M51 missile systems.

The amounts recorded under "Headquarters/Consolidation" primarily reflect the elimination of Airbus' work share in the A400M programme. The MTA Division's order backlog includes 100% of the value of the A400M order to reflect the Division's prime-contractor responsibility over the programme. The effect of internal subcontracting (corresponding to the work share of other EADS divisions on the A400M programme) is therefore eliminated in EADS' consolidated order backlog.

The table below illustrates the proportion of commercial and defence backlog at the end of each of the past three years.

	Year ended 31 st December 2007		Year ended 31 st December 2006		Year ended 31 st December 2005	
	Amount in € bn ⁽¹⁾	In percentage	Amount in € bn ⁽¹⁾	In percentage	Amount in € bn ⁽¹⁾	In percentage
Backlog:						
Commercial Sector	285	84%	210	80%	201	79%
Defence Sector ⁽²⁾	55	16%	53	20%	52	21%
Total	340	100%	263	100%	253	100%

(1) Including "Other Businesses" and "Headquarters/Consolidation".

(2) MBDA proportionally consolidated at 37.5% in 2007, 50% in 2005 and 2006. 2005 and 2006 figures have not been restated.

1.1.4.2 Use of EBIT*

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 resulting from these transactions.

Set forth below is a table reconciling EADS' profit (loss) before finance costs and income taxes (as reflected in EADS' IFRS consolidated income statement) with EADS' EBIT*.

(in €m)	Year ended 31 st December 2007	Year ended 31 st December 2006	Year ended 31 st December 2005
Profit (loss) before finance costs and income taxes	(33)	278	2,712
Disposal of goodwill/Subsequent adjustments to goodwill	12	64 ⁽¹⁾	-
Exceptional depreciation (fixed assets)	49	57	136
Exceptional disposal (fixed assets)	24	-	-
Exceptional depreciation (others)	-	-	4
EBIT*	52	399	2,852

(1) Relates to the finalisation of a tax audit for Dasa for the years 1994 until 1999. See "1.1.3 Critical Accounting Considerations, Policies and Estimates — Fair Value Adjustments".

1.1.4.3 EBIT* Performance by Division

Set forth below is a breakdown of EADS' consolidated EBIT* by division for the past three years.

(in €m)	Year ended 31 st December 2007	Year ended 31 st December 2006	Year ended 31 st December 2005
Airbus	(881)	(572)	2,307
Military Transport Aircraft	(155)	75	48
Eurocopter	211	257	212
Defence & Security ⁽¹⁾	340	348	201
Astrium	174	130	58
Total Divisional EBIT*	(311)	238	2,826
Other Businesses	94	(288)	(171)
HQ/Consolidation ⁽²⁾	269	449	197
Total	52	399	2,852

(1) MBDA proportionally consolidated at 37.5% in 2007, 50% in 2006 and 2005. 2005 and 2006 figures have not been restated. Change of consolidation effect on 2006 figures: €(30) million.

(2) HQ/Consolidation includes results from headquarters, which mainly consist of the "share of profit from associates accounted for under the equity method" from EADS' investment in Dassault Aviation. In 2006 and 2007, it also reflected the consolidation adjustments at group level in respect of the A400M programme (€286 million in 2006; €(169) million in 2007).

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

2007 compared to 2006. EADS' consolidated EBIT* decreased by 87.0%, from €0.4 billion for 2006 to €0.1 billion for 2007, primarily reflecting the increased loss at Airbus as well as the loss at the MTA Division. This decrease was partially offset by an increase in EBIT* at Other Businesses and at Astrium.

Airbus' EBIT* decreased by 54.0%, from €(0.6) billion for 2006 to €(0.9) billion for 2007, primarily reflecting (i) a larger loss-making contract provision recorded in respect of the A400M programme, (ii) a restructuring expense recorded in respect of Power8 implementation, (iii) charges recorded in respect of the A350 XWB programme, and (iv) an approximate €(0.2) billion deterioration in the price of delivered aircraft. See "1.1.2 Overview — Significant Programme and Restructuring Developments in 2006 and 2007". Also contributing to the decrease was an approximate €(0.2) billion negative impact of exchange rate effects relating to (x) generally less favourable rates of hedges that matured in 2007 as compared to 2006 (based on Airbus' 2007 compounded conversion rate of €-U.S.\$1.14, as compared to €-U.S.\$1.10 in 2006) which had a negative effect of €(0.4) billion and (y) revaluation of loss-making contract provisions which had a negative effect of €(0.4) billion, partially offset by (z) gains on maturing A380 hedges and some positive impact of the revaluation of certain assets and liabilities and other currency translation adjustments. See "1.1.3 Critical Accounting Considerations, Policies and Estimates — Foreign Currency Translation". The decrease in EBIT* was partially offset by (i) an increase in the number of aircraft delivered (453 in 2007, as compared to 434 in 2006), (ii) lower charges recorded in respect of the A380 programme, and (iii) initial savings from Power8.

The MTA Division's EBIT* decreased from €75 million for 2006 to €(155) million for 2007, primarily reflecting (i) a margin reduction of €(92) million recorded in respect of the A400M programme as a result of the announced delay, combined with revenue recognition of only two milestones in 2007 as compared to five in 2006, and (ii) €(62) million of inventory write-down related to medium and light aircraft. See "1.1.2 Overview — Significant Programme and Restructuring Developments in 2006 and 2007".

The Eurocopter Division's EBIT* decreased by 17.9%, from €257 million for 2006 to €211 million for 2007, primarily reflecting a margin correction and provision in the NH90 programme for €(125) million. The decrease in EBIT* was partially offset by a record level of deliveries (488 in 2007, as compared to 381 in 2006) with a favourable mix effect.

The DS Division's EBIT* decreased by 2.3%, from €348 million for 2006 to €340 million for 2007, due primarily to (i) the change of consolidation effect relating to MBDA in 2007, and (ii) higher one-time effects in 2006 (mainly €121 million higher capital gains). The decrease in EBIT* was partially offset by (i) improved operating performance at Defence & Communication Systems, Defence Electronics and Military Air Systems, and

(ii) restructuring costs that were lower than in 2006. At comparable perimeter, the DS Division's EBIT* increased by 6.9% in 2007 compared to 2006.

Astrium's EBIT* increased by 33.8%, from €130 million for 2006 to €174 million for 2007, primarily reflecting an increased contribution from services, in particular from Paradigm Secure Communications Ltd., as well as a volume increase and better process efficiency in space transportation. The increase in EBIT* was partially offset by a decline in the satellites business.

The EBIT* of Other Businesses increased from €(288) million for 2006 to €94 million for 2007. EBIT* in 2006 primarily reflected the burden of non-recurring asset impairment charges and restructuring provisions recorded at EADS Sogerma. In contrast, EBIT* was positive at EADS Sogerma in 2007, while also increasing at ATR, EFW and Socata.

Headquarters/Consolidation EBIT* decreased by 40.1%, from €449 million for 2006 to €269 million for 2007, primarily reflecting the €(169) million consolidation adjustment at group level in respect of the A400M programme in 2007, in contrast to the positive €286 million adjustment in 2006. See "1.1.2 Overview — Significant Programme and Restructuring Developments in 2006 and 2007". Partially offsetting the decrease in EBIT* was an increase in "share of profit from associates accounted for under the equity method" from EADS' investment in Dassault Aviation, including a positive €17 million IFRS catch-up in 2007 (as compared to the absence of an IFRS catch-up in 2006), as well as a higher €69 million in gains from real estate disposals and the sale of Embraer shares totalling €46 million.

2006 compared to 2005. EADS' consolidated EBIT* decreased to €0.4 billion in 2006 from €2.9 billion in 2005, primarily reflecting the loss at Airbus and the impairment and restructuring charges recorded at EADS Sogerma. This decrease was slightly offset by an increase in EBIT* at EADS' four other operating divisions.

Airbus' EBIT* decreased to €(0.6) billion in 2006 from €2.3 billion in 2005, primarily reflecting (i) cost overruns, provisions and impairment charges recorded in connection with the A380 programme, (ii) a loss at completion provision recorded in respect of the A400M programme, and (iii) a provision recorded for the buy-out of delivery commitments under firm orders for the former A350 aircraft. See "1.1.2 Overview — Significant Programme and Restructuring Developments in 2006 and 2007". Also contributing to the decrease was (i) an approximate €(720) million negative impact of exchange rate effects relating to (x) generally less favourable rates of hedges that matured in 2006 as compared to 2005 (based on Airbus' 2006 compounded conversion rate of €-U.S.\$1.10, as compared to €-U.S.\$1.04 in 2005) which had a negative effect of

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

€(820) million, partially offset by (y) a €100 million positive impact of the revaluation of certain assets and liabilities and other currency translation adjustments, as well as (ii) a €376 million increase in research and development expenses in 2006. The decrease in EBIT* was partially offset by an increase in the number of aircraft delivered (434 in 2006, as compared to 378 in 2005), as well as operational efficiency gains resulting mainly from the "Route 06" cost savings programme totalling approximately €500 million.

The MTA Division's EBIT* increased to €75 million for 2006 from €48 million for 2005, primarily reflecting the margin impact on revenue recognition for the completion of five milestones under the A400M programme in 2006 (including the positive €17 million EBIT* impact from the shift of revenue recognition for one milestone to the first quarter of 2006), compared to only one milestone in 2005.

The Eurocopter Division's EBIT* increased to €257 million for 2006 from €212 million for 2005, primarily reflecting (i) a record level of deliveries (381 in 2006, as compared to 334 in 2005) with a favourable mix effect, (ii) progress made on military programmes and (iii) increased customer support activities. This volume impact was partially offset by (i) a negative effect from the U.S. dollar, (ii) higher selling and administrative expenses following activity ramp-up and (iii) increased production contract costs related to the NH90.

The DS Division's EBIT* increased to €348 million for 2006 from €201 million for 2005, due primarily to (i) improved operating performance, (ii) capital gains in 2006 totalling €127 million (mainly on the sale of LFK GmbH to MBDA), and (iii) €58 million in lower costs in 2006 relating to unmanned aerial vehicles ("UAV") projects, which in 2005 had a €100 million negative impact on EBIT*. The EBIT* increase was partially offset by restructuring costs that were €73 million higher than in 2005 and by perimeter effects.

Astrium's EBIT* increased to €130 million for 2006 from €58 million for 2005, primarily reflecting (i) a volume increase relating to progress made on Ariane 5 production, ballistic missile deliveries and Paradigm services and (ii) the positive impact of operational efficiencies derived from prior years' restructuring efforts.

The EBIT* of Other Businesses decreased by €117 million compared to 2005, to €(288) million. The decrease was primarily due to asset impairment charges and restructuring provisions recorded at EADS Sogerma prior to the sale of its remaining 60% share in Sogerma Services as well as the shares of the subsidiaries Barfield and Sogerma Tunisia to the TAT Group in January 2007. EADS Sogerma recorded EBIT* of €(351) million in 2006 (compared to €(237) million in 2005), with an underlying operation loss of €(96) million in addition to these impairment

charges and restructuring provisions. The loss at EADS Sogerma was partially offset by positive EBIT* at ATR, EFW and Socata.

Headquarters/Consolidation EBIT* increased to €449 million for 2006 from €197 million for 2005, primarily reflecting the consolidation reversal of the provision related to the A400M programme recorded at Airbus. See "1.1.2 Overview — Significant Programme and Restructuring Developments in 2006 and 2007". Partially offsetting this increase was a decrease in "share of profit from associates accounted for under the equity method" from EADS' investment in Dassault Aviation, reflecting the absence of a catch-up in 2006 of Dassault Aviation's 2005 income (as compared to a €64 million catch-up in 2005 for 2004 results).

Foreign Currency Impact on EBIT*. More than 60% of EADS' consolidated revenues in 2007 were denominated in currencies other than the Euro. Given the long-term nature of its business cycles (evidenced by its multi-year backlog), EADS hedges a significant portion of its net foreign exchange exposure to mitigate the impact of exchange rate fluctuations on its EBIT*. See "1.1.8 Hedging Activities — Foreign Exchange Rates" and "1. Financial Market Risks — Exposure to Foreign Currencies". In addition to the impact that hedging activities have on EADS' EBIT*, the latter is also affected by the impact of revaluation of certain assets and liabilities at the closing rate, such as loss-making contract provisions, and currency translation adjustments related to former Airbus GIE, as described above.

During 2007, cash flow hedges covering approximately U.S.\$16.3 billion of EADS' U.S. dollar-denominated revenues matured. In 2007, the compounded exchange rate at which hedged U.S. dollar-denominated revenues were accounted for was €-U.S.\$1.16, as compared to €-U.S.\$1.12 in 2006. This difference resulted in an approximate €(450) million decrease in EBIT* from 2006 to 2007, of which approximately €(400) million was at Airbus. This decrease, together with the revaluation of loss-making contract provisions which had a negative effect of €(400) million, was partially offset by the €667 million positive impact of gains on matured A380 hedges and some higher positive impact of the revaluation of certain assets and liabilities and currency translation adjustments related to former Airbus GIE.

During 2006, cash flow hedges covering approximately U.S.\$14.7 billion of EADS' U.S. dollar-denominated revenues matured. In 2006, the compounded exchange rate at which hedged U.S. dollar-denominated revenues were accounted for was €-U.S.\$1.12, as compared to €-U.S.\$1.06 in 2005. This difference resulted in an approximate €(900) million decrease in EBIT* from 2005 to 2006, of which approximately €(820) million was at Airbus. This decrease was partially offset by the €100 million positive impact of the revaluation of certain assets and liabilities and currency translation adjustments related to former Airbus GIE.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

The tables below set forth the notional amount of foreign exchange hedges in place as of 31st December 2007, and the average U.S. dollar rates applicable to corresponding EBIT*.

	2008	2009	2010	2011	2012	2013	Total
Total Hedges (in U.S.\$ bn)	15.6	15.2	11.9	5.8	2.1	0.7	51.3
Of which €-U.S.\$	14.0	13.5	10.6	4.8	1.7	0.7	45.3
Of which £-U.S.\$	1.6	1.7	1.3	1.0	0.4	-	6.0
Forward Rates (in U.S.\$)							
€-U.S.\$	1.16	1.25	1.33	1.38	1.44	1.46	
£-U.S.\$	1.57	1.66	1.77	1.87	1.94	-	

Restructuring. Total restructuring expenses of €(677) million were recorded in 2007, compared to €(168) million in 2006. For 2007, this included expenses primarily related to (i) Airbus (€(624) million), relating to Power8 implementation, and

(ii) the DS Division (€(53) million). The related, yet to be implemented, restructuring burden is accounted for at year-end both as a provision and as other liabilities.

1.1.5 EADS RESULTS OF OPERATIONS

The following table sets forth a summary of the IFRS consolidated income statements of EADS for the past three years.

IFRS CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31ST DECEMBER 2007, 2006 AND 2005

(in €m, except for earnings (losses) per share)	Year ended 31 st December 2007	Year ended 31 st December 2006	Year ended 31 st December 2005
Revenues	39,123	39,434	34,206
Cost of sales	(34,802)	(34,722)	(27,530)
Gross margin	4,321	4,712	6,676
Selling and administrative expenses	(2,178)	(2,274)	(2,183)
Research and development expenses	(2,608)	(2,458)	(2,075)
Other income	233	297	222
Other expenses	(97)	(188)	(153)
Share of profit from associates accounted for under the equity method and other income from investments	296	189	225
Profit (loss) before finance costs and income taxes	(33)	278	2,712
Interest result	(199)	(121)	(155)
Other financial result	(538)	(123)	(22)
Income taxes	333	81	(825)
Profit (loss) for the period	(437)	115	1,710
Attributable to:			
Equity holders of the parent (Net Income (loss))	(446)	99	1,676
Minority interests	9	16	34
Earnings (losses) per share (basic) (in €)	(0.56)	0.12	2.11
Earnings (losses) per share (diluted) (in €)	(0.55)	0.12	2.09

Set forth below are year-to-year comparisons of results of operations, based upon EADS' Consolidated Statements of Income.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

Consolidated Revenues

Consolidated revenues decreased slightly by 0.8% in 2007 to €39.1 billion, as compared to €39.4 billion for 2006. A decrease in revenues at the MTA Division and DS Division (primarily reflecting the change of proportionate consolidation effect relating to MBDA) was nearly offset by an increase at other divisions in 2007.

Set forth below is a breakdown of EADS' consolidated revenues by division for the past three years.

(in €m)	Year ended 31 st December 2007	Year ended 31 st December 2006	Year ended 31 st December 2005
Airbus	25,216	25,190	22,179
Military Transport Aircraft	1,140	2,200	763
Eurocopter	4,172	3,803	3,211
Defence & Security ⁽¹⁾	5,465	5,864	5,636
Astrium	3,550	3,212	2,698
Total Divisional Revenues	39,543	40,269	34,487
Other Businesses	1,269	1,257	1,155
HQ/Consolidation ⁽²⁾	(1,689)	(2,092)	(1,436)
Total	39,123	39,434	34,206

(1) MBDA proportionally consolidated at 37.5% in 2007, 50% in 2005 and 2006. 2005 and 2006 figures have not been restated. On a comparable basis, revenues in 2006 would have been €(418) million lower.

(2) HQ/Consolidation includes, in particular, adjustments and eliminations for intercompany transactions.

Airbus

Set forth below is a breakdown of Airbus' deliveries by aircraft type for the past three years.

Number of aircraft	Year ended 31 st December 2007	Year ended 31 st December 2006	Year ended 31 st December 2005
Single Aisle	367	339	289
Widebody	6	9	9
Long-Range	79	86 ⁽¹⁾	80
Large Aircraft	1	-	-
Total	453	434	378

(1) Includes internal delivery of green a/c (MRTT for Australia) from Airbus to MTA Division.

2007 compared to 2006. Airbus' consolidated revenues remained stable, amounting to €25.2 billion for 2006 and 2007. Aircraft deliveries recognised in revenues increased (453 in 2007 as compared to 434 in 2006), driven by deliveries of single-aisle A318/A319/A320/A321 aircraft. Airbus delivered 28 more aircraft of this type in 2007 (367 aircraft) than in the previous year. Deliveries of long-range aircraft decreased slightly from 86 in 2006 to 79 in 2007.

Offsetting this positive volume increase was a decrease in revenue recognition on the A400M programme, as well as an approximate €(1.1) billion negative impact resulting primarily from the continued decline of the hedge rates used to convert payments upon deliveries for the portion of such payments which was hedged. For a discussion of the impact of exchange rate variations on EADS' results of operations, see "1.1.3 Critical Accounting Considerations, Policies and Estimates — Accounting for Hedged Foreign Exchange Transactions in the Financial Statements", "1.1.3 Critical Accounting Considerations, Policies and Estimates — Foreign Currency Translation", "1.1.8 Hedging Activities — Foreign

Exchange Rates" and "1. Financial Market Risks — Exposure to Foreign Currencies".

2006 compared to 2005. Airbus' consolidated revenues increased by 13.6%, from €22.2 billion for 2005 to €25.2 billion for 2006, reflecting primarily the increase in aircraft deliveries recognized in revenues (434 in 2006 as compared to 378 in 2005). As in 2005, most of the deliveries in 2006 were for single-aisle A319/A320/A321 aircraft. Airbus delivered 50 more aircraft of this type in 2006 (339 aircraft) than in the previous year. Deliveries of long-range aircraft increased from 80 in 2005 to 86 in 2006.

Offsetting these positive factors was an approximate €(720) million negative impact resulting primarily from the continued decline of the hedge rates used to convert payments upon deliveries for the portion of such payments which was hedged, which amounted to negative €(820) million, and was itself partially offset by the €100 million positive impact of the revaluation of certain assets and liabilities and other currency translation adjustments.

Military Transport Aircraft

Set forth below is a breakdown of the MTA Division's new aircraft deliveries by aircraft type for the past three years.

Number of aircraft	Year ended 31 st December 2007	Year ended 31 st December 2006	Year ended 31 st December 2005
CN-235	7	1	1
C-212	-	-	2
C-295	7	7	10
P-3	1	-	-
Total	15	8	13

For 2007, consolidated revenues of the MTA Division decreased by 48.2%, from €2.2 billion for 2006 to €1.1 billion for 2007. The large decrease is primarily due to the completion of fewer milestones on the A400M programme (two in 2007 as compared to five in 2006 (including the shift of revenue recognition for one milestone to the first quarter of 2006)).

For 2006, consolidated revenues of the MTA Division increased by 188%, from €0.8 billion for 2005 to €2.2 billion

for 2006. The strong increase is primarily related to revenue recognition for the completion of five milestones under the A400M programme in 2006 (including the €0.5 billion impact of the shift of revenue recognition for one milestone to the first quarter of 2006), compared to only one in 2006. Revenues also increased due to the ramp-up of the Multi Role Tanker Transport (MRTT) programme.

Eurocopter

Set forth below is a breakdown of the Eurocopter Division's deliveries by product type for the past three years.

Number of aircraft	Year ended 31 st December 2007	Year ended 31 st December 2006	Year ended 31 st December 2005
Tiger	10	9	12
Light	275	217	183
Medium	172	134	121
Heavy	31	21	18
of which NH90	8	3	0
Total	488	381	334

For 2007, consolidated revenues of the Eurocopter Division increased by 9.7%, from €3.8 billion for 2006 to €4.2 billion for 2007, primarily reflecting an overall increase in helicopter deliveries from 381 in 2006 to 488 in 2007, in particular in the civil segment, as well as growth in customer services.

For 2006, consolidated revenues of the Eurocopter Division increased by 18.4%, from €3.2 billion for 2005 to €3.8 billion for 2006, primarily reflecting ramp-up of military programmes, growth in customer services and an overall increase in helicopter deliveries from 334 in 2005 to 381 in 2006.

Defence & Security

For 2007, consolidated revenues of the DS Division decreased by 6.8%, from €5.9 billion for 2006 to €5.5 billion for 2007,

primarily reflecting the change of proportionate consolidation effect (€(0.4) million) relating to MBDA and a decrease in stand-off missile activity. Partially offsetting this decrease was the ramp-up in Eurofighter production and growth in security revenues. At comparable perimeter, the DS Division's revenues increased slightly by 0.3% in 2007 compared to 2006.

For 2006, consolidated revenues of the DS Division increased by 4.0%, from €5.6 billion for 2005 to €5.9 billion for 2006, primarily reflecting the ramp-up in Eurofighter production and growth in the digital professional mobile radio (PMR) business, acquired from Nokia in 2005. Partially offsetting this increase was the partial lack of contribution to 2006 consolidated revenues from LFK GmbH, following its sale to MBDA in early 2006.

Astrium

Set forth below is a breakdown of Astrium's deliveries of commercial telecommunications satellites for the past three years.

	Year ended 31 st December 2007	Year ended 31 st December 2006	Year ended 31 st December 2005
Commercial Telecommunications Satellites	2	4	4

For 2007, consolidated revenues of Astrium increased by 10.5%, from €3.2 billion for 2006 to €3.6 billion for 2007. The increase was primarily due to an increase in revenues from Paradigm services, Ariane 5 production and ballistic missile deliveries.

For 2006, consolidated revenues of Astrium increased by 19.1%, from €2.7 billion for 2005 to €3.2 billion for 2006. The increase was primarily due to the continued ramp-up of Ariane 5 production, increased M51 ballistic missile activity, an increase in revenues from the Paradigm business at Astrium Services and the first revenues recorded in connection with the Satcom BW military communication system.

Consolidated Cost of Sales

For 2007, consolidated cost of sales was roughly stable, increasing from €34.7 billion for 2006 to €34.8 billion for 2007. The slight increase was primarily due to the higher number of aircraft deliveries and to charges relating to the A400M programme, A350 XWB programme and Power8 implementation (as described above), which were partially offset by decreased charges in respect of the A380 programme in 2007. Consolidated cost of sales also includes the amortisation of capitalised development costs pursuant to IAS 38, which amounted to €(46) million in 2007. Mainly as a result of the above stated items and a negative dollar effect at Airbus in respect of revenues, the gross margin decreased from 11.9% in 2006 to 11.0% in 2007.

For 2006, consolidated cost of sales increased by 26.1%, from €27.5 billion for 2005 to €34.7 billion for 2006. In addition to the higher sales activity that occurred in 2006, the increase was primarily due to cost overruns relating to the A380 programme and transition costs related to the A350 programme, as described above. Asset impairment charges and restructuring provisions recorded at EADS Sogerma also had a negative effect. Mainly as a result of the above stated items and negative dollar effect at Airbus in respect of revenues, the gross margin decreased from 19.5% in 2005 to 11.9% in 2006.

Consolidated Selling and Administrative Expenses

For 2007, consolidated selling and administrative expenses decreased by 4.2%, from €2.3 billion for 2006 to

€2.2 billion for 2007, primarily reflecting lower expenses at the DS Division (perimeter effect relating to MBDA, business unit savings, etc.) and at EADS Sogerma (following the sale of its support and maintenance activities at the beginning of 2007). This decrease was partially offset by higher expenses at the Eurocopter Division and Astrium, primarily reflecting an overall increase in selling activities, and by restructuring expenses relating to Power8 implementation at Airbus.

For 2006, consolidated selling and administrative expenses increased slightly, from €2.2 billion for 2005 to €2.3 billion for 2006, primarily reflecting higher expenses at the DS Division (perimeter effect, higher restructuring expenses and Eurofighter marketing campaign costs), Eurocopter Division (higher marketing expenses) and Airbus (tanker campaign costs at EADS North America and expanding Airbus subsidiaries in Japan and the Middle East).

Consolidated Research and Development Expenses

For 2007, consolidated research and development ("R&D") expenses increased by 6.1%, from €2.5 billion for 2006 to €2.6 billion for 2007. Most of the increase was attributable to higher expenses at Airbus, due to development on the A350 XWB and A330-200F. The DS Division recorded slightly lower R&D expenses in 2007, whereas the MTA Division, Eurocopter and Astrium recorded slightly higher expenses than in 2006. These changes also reflect the fact that in 2007 only €93 million of R&D qualified for capitalisation as an intangible asset under IAS 38, which was considerably less than the €411 million of R&D capitalised in 2006. See "1.1.3 Critical Accounting Considerations, Policies and Estimates — Research and Development Expenses".

For 2006, consolidated R&D expenses increased by 18.5%, from €2.1 billion for 2005 to €2.5 billion for 2006. Most of the increase was attributable to higher expenses at Airbus, due to development on the former A350, and later in the year on the new A350 XWB. A380-related R&D expenses continued to decrease from their peak of €1,082 million in 2003 to €771 million in 2006 (as compared to €813 million in 2005), excluding continuing development costs. The MTA and DS Divisions recorded slightly lower R&D expenses in 2006, whereas Eurocopter and Astrium recorded slightly higher expenses than in

2005. These changes also reflect the capitalisation of €411 million of R&D in 2006 as an intangible asset under IAS 38, of which €335 million related to Airbus for the A380.

Consolidated Other Income and Other Expenses

Consolidated other income and other expenses represent gains and losses on disposals of investments in fixed assets, income from rental properties and certain provisions.

For 2007, the net of other income and other expenses was positive €136 million as compared to positive €109 million for 2006. The increase was mainly attributable to the recording of lower overall expenses in 2007, as well as to gains on the sale of land and buildings in France and Germany.

For 2006, the net of other income and other expenses was positive €109 million as compared to positive €69 million for 2005. The increase was mainly attributable to capital gains of €127 million recorded in the DS Division primarily relating to the sale of LFK GmbH and TDW GmbH to MBDA during 2006.

Consolidated Share of Profit from Associates Accounted for under the Equity Method and Other Income from Investments

Consolidated share of profit from associates accounted for under the equity method and other income from investments principally includes results from companies accounted for under the equity method and the results attributable to non-consolidated investments.

For 2007, EADS recorded €296 million in consolidated share of profit from associates accounted for under the equity method and other income from investments as compared to €189 million for 2006. The €107 million increase primarily reflects the results of EADS' equity investment in Dassault Aviation, including a €17 million positive IFRS catch-up in 2007 (as compared to the absence of an IFRS catch-up in 2006), as well as a capital gain of €46 million from EADS' sale of its 2.13% interest in Embraer. See "Notes to Consolidated Financial Statements (IFRS) — Note 9: Share of profit from associates accounted for under the equity method and other income from investments".

For 2006, EADS recorded €189 million in consolidated share of profit from associates accounted for under the equity method and other income from investments as compared to €225 million for 2005. The €36 million decrease primarily relates to the results of EADS' equity investment in Dassault Aviation, including the non-recurrence of a positive catch-up

in income of €64 million recorded in 2005 relating to Dassault Aviation's income of 2004.

Consolidated Interest Result

Consolidated interest result reflects the net of interest income and expenses arising from financial assets and liabilities, including interest expense on refundable advances provided by European governments to finance research and development activities.

For 2007, EADS reported a consolidated net interest expense of €(199) million, as compared to €(121) million of consolidated net interest expense for 2006. The deterioration is due primarily to a lower average net cash balance held during 2007 following the acquisition of BAE Systems' 20% share in Airbus in October 2006, as well as the incurrence of higher interest expenses on European government refundable advances.

For 2006, EADS reported a consolidated net interest expense of €(121) million, as compared to €(155) million of consolidated net interest expense for 2005. The improvement is primarily due to more favourable interest rates.

Consolidated Other Financial Result

For 2007, consolidated other financial result deteriorated to €(538) million from €(123) million for 2006. This negative €(415) million change primarily results from (i) the €(202) million negative effect in 2007 from the unwinding of discounts on provisions recorded at Airbus, compared to a €(22) million negative effect in 2006, and (ii) a €(274) million negative effect in 2007 from valuation changes of U.S. dollar-denominated cash balances on the Euro-denominated balance sheets of Group companies, compared to a €(136) million negative effect in 2006, and (iii) a negative €(5) million effect from the mark-to-market valuation of "embedded derivatives", compared to a positive €46 million effect in 2006. Such "embedded derivatives" are financial instruments that, for accounting purposes, are deemed to be embedded in U.S. dollar-denominated purchase orders of equipment, where the U.S. dollar is not conclusively the currency in which the price of the related equipment is routinely denominated in international commerce and is not the functional currency of any of the parties to the transaction. See "Notes to the Consolidated Financial Statements (IFRS) — Note 10: Total finance costs".

For 2006, consolidated other financial result deteriorated to €(123) million from €(22) million for 2005. This negative €(101) million change primarily results from the €(136) million negative effect in 2006 from valuation changes of U.S. dollar-denominated cash balances on the Euro-denominated balance

sheets of Group companies, which had generated a positive €147 million in other financial result in 2005. This negative factor was partially offset by a positive €46 million effect from the mark-to-market valuation of embedded derivatives.

Consolidated Income Taxes

For 2007, income taxes yielded a positive €333 million, compared to a positive €81 million in 2006. The increase was due to a taxable loss of €(770) million recorded in 2007, compared to taxable income of €34 million recorded in the previous year. See “Notes to the Consolidated Financial Statements (IFRS) — Note 11: Income taxes”.

For 2006, income taxes yielded a positive €81 million, compared to an expense of €(825) million in 2005. The change was due primarily to a significant reduction in tax expense during 2006, reflecting the Group's reduced profit before income taxes, as well as a tax-free gain on the sale of LFK GmbH and TDW GmbH to MBDA in 2006. This decrease was partially offset by higher valuation allowances on deferred tax assets at Airbus.

Consolidated Minority Interests

For 2007, consolidated minority interests were €9 million, as compared to €16 million for 2006, reflecting primarily the interest of Daimler Luft — und Raumfahrt Holding AG (“DLRH”) in the results of Dornier GmbH. The decrease in minority interests for 2007 primarily relates to the change in the proportional consolidation of MBDA from 50% to 37.5% as of 1st January 2007, as a result of which Finmeccanica's 12.5% stake in MBDA is no longer reflected as a minority interest in EADS' accounts. See “1.1.3.1 Scope of and Changes in Consolidation Perimeter”.

For 2006, consolidated minority interests were €16 million, as compared to €34 million for 2005, reflecting primarily the

interests of Finmeccanica (€25 million) and DLRH (€15 million) in the results of MBDA and Dornier GmbH, respectively. The decrease in total minority interests for 2006 relates to a consolidation impact from the sale of LFK GmbH and TDW GmbH to MBDA, which amounted to €(27) million in 2006.

Consolidated Net Income (Loss) (Profit (loss) for the Period Attributable to Equity Holders of the Parent)

As a result of the factors discussed above, EADS recorded a consolidated net loss of €(446) million for 2007 as compared to consolidated net income of €99 million for 2006 and €1,676 million for 2005.

Earnings per Share (EPS)

Basic earnings per share decreased by €(0.68) per share, from €0.12 per share in 2006 to a loss of €(0.56) per share in 2007. The number of outstanding shares at 31st December 2007 was 804,209,475. The denominator used to calculate EPS was 803,128,221 shares, reflecting the weighted average number of shares outstanding during the year. In 2005, EADS reported basic earnings per share of €2.11.

Diluted earnings per share decreased by €(0.67) per share, from €0.12 per share in 2006 to a loss of €(0.55) per share in 2007. The denominator used to calculate diluted EPS was 805,548,401, reflecting the weighted average number of shares outstanding during the year, adjusted to assume the conversion of all potential ordinary shares. In 2005, EADS reported diluted earnings per share of €2.09.

See “Notes to Consolidated Financial Statements (IFRS) — Note 20: Total equity” and “Note 35: Earnings per share”.

1.1.6 CHANGES IN CONSOLIDATED TOTAL EQUITY (INCLUDING MINORITY INTERESTS)

The following table sets forth a summary of the changes in consolidated total equity for the period 1st January 2007 through 31st December 2007.

(in €m)	
Balance at 31st December 2006	13,152
Change in actuarial gains and losses	435
Accumulated other comprehensive income	121
<i>Thereof currency translation adjustments</i>	<i>(196)</i>
Profit (loss) for the period	(437)
Cash distribution to EADS N.V. shareholders/dividends paid to minorities	(98)
Capital increase	48
Purchase of treasury shares	-
Share-based payments (IFRS 2)	48
Change in minority interests ⁽¹⁾	(94)
Balance at 31st December 2007	13,175

(1) Related to the change in the proportion of consolidation of MBDA.

The increase in consolidated total equity in 2007 primarily reflects the effects of (i) changes in actuarial gains and losses, which in turn primarily reflect actuarial gains with respect to the participation in BAE Systems pension plans in the U.K., and (ii) changes in accumulated other comprehensive income (“AOCI”). These were partially offset by net loss for the period and the cash distribution to shareholders and dividends paid to minorities during 2007, as well as the change in minority interests. Set forth below is a discussion of AOCI and its impact on consolidated total equity. For a discussion of the

other line items affecting consolidated total equity, see “Notes to Consolidated Financial Statement (IFRS) — Note 20: Total equity”.

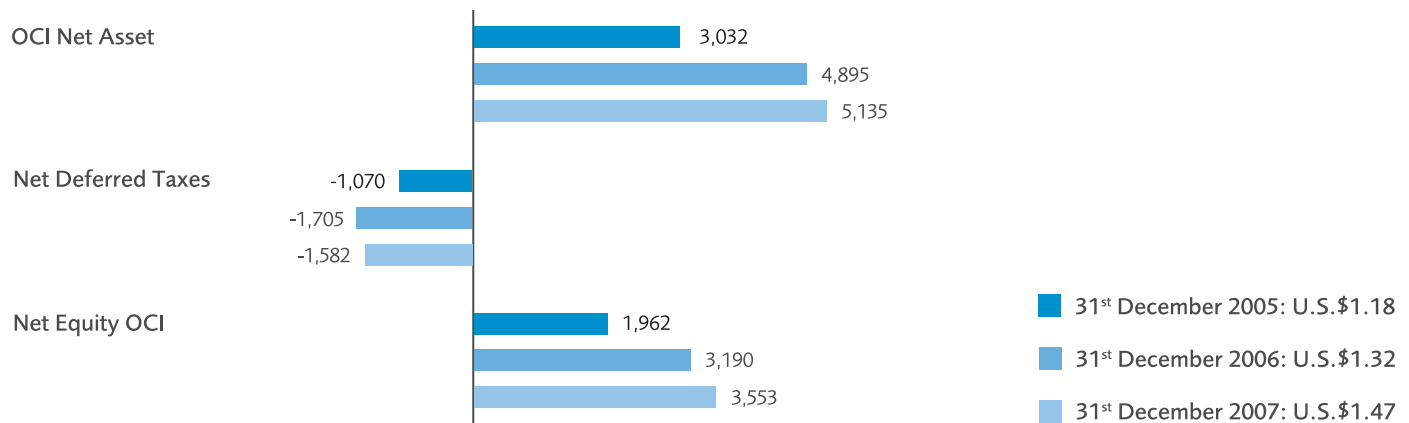
In 2007, AOCI increased by €121 million. The change in AOCI was due to the positive variation (after accounting for deferred taxes) of the year-end mark-to-market valuation of that portion of EADS’ hedge portfolio qualifying for cash flow hedge accounting under IAS 39.

IAS 39 Related Impact on AOCI

At 31st December 2007, the notional amount of the outstanding portfolio of hedges qualifying for IAS 39 hedge accounting treatment ("**cash flow hedges**") amounted to approximately U.S.\$51.3 billion hedged against the Euro and the Pound Sterling. The year-end mark-to-market valuation of EADS' portfolio of cash flow hedges resulted in a positive AOCI valuation change of €0.4 billion from 31st December 2006, based on a closing rate of €-U.S.\$1.47, as compared to a positive AOCI valuation change of €1.2 billion at 31st December 2006 from 31st December 2005, based on a closing rate of €-U.S.\$1.32.

Positive pre-tax mark-to-market values of cash flow hedges are included in other assets, while negative pre-tax mark-to-market values of cash flow hedges are included in liabilities for financial instruments. Year-to-year changes in the mark-to-market value of cash flow hedges are recognised as adjustments to AOCI. These adjustments to AOCI are net of corresponding changes to deferred tax assets (for cash flow hedges with negative mark-to-market valuations) and deferred tax liabilities (for cash flow hedges with positive mark-to-market valuations). Set out below is a graphic presentation of cash flow hedge related movements in AOCI over the past three years (in €m).

RELATED MOVEMENTS IN AOCI



As a result of the positive change in the fair market valuation of the cash flow hedge portfolio in 2007, AOCI-related net assets increased to €5.1 billion for 2007 from €5.0 billion for 2006. The corresponding €0.1 billion tax effect increased the AOCI-related deferred tax liability to €1.6 billion at 31st December 2007.

Currency Translation Adjustment Impact on AOCI

The negative €(196) million currency translation adjustment (CTA) related impact on AOCI in 2007 reflects the consequences (negative €(168) million) of the merger of Airbus *Groupement d'intérêt économique* ("**Airbus GIE**") (a U.S. dollar-denominated entity) into Airbus SAS (a Euro-denominated

entity) as well as the negative effects of the weakening U.S. dollar. Before the merger, Airbus GIE operations were recorded at the current exchange rate of the period except for those hedged with financial instruments. As from 1st January 2004, former Airbus GIE operations are recorded on the basis of historical exchange rates. As a result, no additional CTA is generated by former Airbus GIE operations. The portion of outstanding CTA as at 31st December 2003, booked in respect of non-monetary balance sheet items relating to transactions realised as from 1st January 2004 (i.e., mainly aircraft deliveries), is gradually released to the consolidated income statement, in line with such deliveries. See "1.1.3 Critical Accounting Considerations, Policies and Estimates — Foreign Currency Translation".

1.1.7 LIQUIDITY AND CAPITAL RESOURCES

The Group's objective is to maintain sufficient cash and cash equivalents at all times to meet its present and future cash requirements and maintain a favourable credit rating. It attempts to achieve this policy objective by:

- Implementing measures designed to generate cash;
- Developing and maintaining access to the capital markets; and
- Containing its exposure to customer financing.

EADS benefits from a strong positive cash position, with €11.8 billion of consolidated gross cash (including securities of €4.3 billion) at 31st December 2007. This cash position is further supported by a €3.0 billion syndicated back-up facility. Overall, financial liabilities (short and long-term) amounted to €4.8 billion at 31st December 2007.

EADS defines its consolidated net cash position as the difference between (i) cash, cash equivalents and securities and (ii) financial liabilities (as recorded in the Consolidated Balance Sheet). The net cash position at 31st December 2007 was €7.0 billion. The factors affecting EADS' cash position, and consequently its liquidity risk, are discussed below.

1.1.7.1 Cash Flows

EADS generally finances its manufacturing activities and product development programmes, and in particular the development of new commercial aircraft, through a combination of flows generated by operating activities, customers' advance payments, risk-sharing partnerships with sub-contractors and European government refundable advances. In addition, EADS' military activities benefit from government-financed research and development contracts. If necessary, EADS may raise funds in the capital markets.

The following table sets forth the variation of EADS' consolidated net cash position over the periods indicated.

(in €m)	Year ended 31 st December 2007	Year ended 31 st December 2006	Year ended 31 st December 2005
Consolidated net cash position at 1st January	4,229	5,489	3,961
Gross cash flows from operations ⁽¹⁾	3,862	3,541	3,868
Changes in other operating assets and liabilities (working capital)	1,175	(143)	1,239
<i>Thereof Paradigm refinancing</i>	1,158	98	-
Cash used for investing activities ⁽²⁾	(1,550)	(1,369)	(2,694)
<i>Thereof industrial capital expenditures</i>	(2,028)	(2,708)	(2,818)
<i>Thereof customer financing</i>	61	1,160	174
<i>Thereof others</i>	417	179	(50)
Capital increase	46	94	187
Contribution to plan assets of pension schemes	(303)	-	-
Treasury share buy-back	-	(35)	(288)
Cash distribution to shareholders/dividends paid to minorities	(98)	(536)	(396)
Payments related to liability for puttable instruments	-	(2,879) ⁽³⁾	(93)
Other changes in financial position	(337)	67	(295)
Consolidated net cash position at 31st December	7,024	4,229	5,489
Free Cash Flows	3,487	2,029	2,413
<i>Thereof Free Cash Flows before customer financing</i>	3,426	869	2,239

(1) Represents cash flow from operations, excluding variations in working capital.

(2) Does not reflect (i) investments in, or disposals of, available-for-sale securities (disposal of €1,008 million for 2005; disposal of €3,357 million for 2006; addition of €(2,641) million for 2007), which are classified as cash and not as investments solely for the purposes of this net cash presentation; (ii) changes in cash from changes in consolidation (€12 million for 2005; €0 million for 2006; €(249) million for 2007); (iii) contribution to plan assets of pension schemes (€(303) million for 2007); or (iv) increase in customer financing when it is non-recourse to EADS (€(121) million for 2005).

(3) Payments include the acquisition price of €2,750 million for the 20% stake in Airbus as well as a dividend payment from Airbus to BAE Systems amounting to €129 million.

The consolidated net cash position at 31st December 2007 was €7.0 billion, a 66.1% increase from 31st December 2006. The increase primarily reflects a solid €3.9 billion gross cash flow from operations, as well as changes in working capital resulting in a positive impact of €1.2 billion. This increase was partially offset by investing activities that consumed €(1.6) billion, as well as a €(303) million contribution to plan assets of pension schemes in Germany.

Gross Cash Flows from Operations

Gross cash flow from operations was less impacted than EBIT* in 2007 by one time effects, and amounted to €3,862 million in 2007, compared to €3,541 million in 2006 and €3,868 million in 2005.

Changes in Other Operating Assets and Liabilities (Working Capital)

Working capital is comprised of inventory, trade receivables, other assets and prepaid expenses netted against trade liabilities, other liabilities (including customer advances) and deferred income.

Changes in working capital resulted in a positive impact on the net cash position for 2007 (€1.2 billion) and a negative impact on the net cash position for 2006 (€(0.1) billion). In 2007, the main net contributor to the positive working capital variation was pre-delivery payments from customers (€4.8 billion), €1.2 billion of which resulted from the securitisation of

future receivables (guaranteed customer payments) following achievement of an important milestone on the Paradigm programme in 2007. Approximately half of the remaining €3.6 billion in pre-delivery payments resulted from customer payments at Airbus. The positive variation of advance payments received was partially offset by the change in gross inventory in 2007 (€(3.0) billion), reflecting inventory growth across all divisions, in particular at Airbus which accounted for approximately half of the total.

In 2006, the main net contributor to the negative working capital variation was the change in gross inventory (€(1.9) billion), primarily reflecting the ramp-up of Airbus production of the A380, partially offset by the inflow of overall pre-delivery payments from customers (€1.6 billion).

European Government Refundable Advances. As of 31st December 2007, total European government refundable advances received, recorded on the balance sheet in the line items "non-current other liabilities" and "current other liabilities", amounted to €5.3 billion, including accrued interest.

For 2007, new receipts of European government refundable advances totalled €0.2 billion and reimbursements totalled €0.4 billion. Related accrued interest for 2007 of €0.3 billion was recorded on the balance sheet in the line items "non-current other liabilities" and "current other liabilities".

Set out below is a breakdown of total amounts of European government refundable advances outstanding, by product/project.

(in €bn)	2007	2006	2005
Long Range & Wide Body	1.3	1.5	1.8
A380	3.5	3.3	2.8
Eurocopter	0.2	0.2	0.2
Others	0.3	0.4	0.5
Total	5.3	5.4	5.3

Cash Used for Investing Activities

Management categorises cash used for investing activities into three components: (i) industrial capital expenditures, (ii) customer financing and (iii) others.

Industrial Capital Expenditures. Industrial capital expenditures (investments in property, plant and equipment and intangible assets) amounted to €2.0 billion for 2007, as compared to €2.7 billion for 2006 and €2.8 billion for 2005. A380-related capital expenditure totalled €0.2 billion for 2007, as compared to €0.7 billion for 2006 and €0.8 billion for 2005 (including capitalised research and development costs).

The remaining portion of capital expenditures in 2007 related to other programmes at Airbus of €0.7 billion (relating primarily to the A400M programme) and additional programmes in the other divisions of €1.1 billion, including the build-up of Skynet 5 satellites at Paradigm and ongoing businesses. Excluding Airbus and Paradigm-related expenditures, EADS' other divisions incur approximately €0.7 billion annually in capital expenditures related to ongoing businesses. Investments in aircraft leases are included in customer financing, and not in industrial capital expenditures, even though the underlying assets are eventually recorded in property, plant and equipment.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

For the period 2008 to 2009, it is expected that the majority of EADS' capital expenditures will occur in connection with Airbus activities — in particular, for the A350 XWB programme in respect of which firm commitments are currently being negotiated with risk sharing partners within the context of planned Airbus site divestments.

Customer Financing. EADS aims to structure financing so as to facilitate the future sell-down or reduction of its exposure. With gross exposure at its lowest level in two decades, consolidated cash flows generated by customer financing amounted to €61 million for 2007, as compared to an exceptionally high level of €1,160 million for 2006. The cash inflows in 2006 and 2007 primarily result from the payments received on sell-downs and repayments of outstanding finance leases and loans over the course of the year more than offsetting additions to customer sales financing. See “— Sales Financing”.

Others. For 2007, the positive €417 million figure primarily reflects the sale of buildings and participations in small entities as well as the sale of Embraer shares. For 2006, the positive €179 million figure primarily reflects the sale of LFK GmbH to MBDA and other asset sales.

Free Cash Flows

As a result of the factors discussed above, positive free cash flows amounted to €3.5 billion for 2007, as compared to €2.0 billion for 2006 and €2.4 billion for 2005. Positive free cash flow before customer financing was €3.4 billion for 2007, as compared to €0.9 billion for 2006 and €2.2 billion for 2005.

Contribution to Plan Assets of Pension Schemes

In 2007, the cash outflow of €(0.3) billion relates to the implementation of a Contractual Trust Arrangement (CTA) for allocating and generating pension plan assets in accordance with IAS 19. The CTA was initially funded by a €0.5 billion contribution in cash and securities (thereof

€0.3 billion in cash, €0.2 billion in securities not classified as cash-equivalent) by certain EADS companies in Germany. See “Notes to Consolidated Financial Statements (IFRS) — Note 22b: Provisions for retirement plans”. EADS may make additional contributions to plan assets over time in order to reduce the provision for retirement plans on its balance sheet.

Other Changes in Financial Position

In 2007, the cash outflow of €(337) million primarily reflects the change in the proportional consolidation of MBDA from 50% in 2006 to 37.5% in 2007. The cash inflow of €67 million in 2006 generally mirrors the currency effects on financial liabilities.

1.1.7.2 Consolidated Cash and Cash Equivalents and Securities

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 deposit, overnight deposits, commercial paper, other money market instruments and bonds. See “1.1.8 Hedging Activities — Interest Rates” and “Notes to Consolidated Financial Statements (IFRS) — Note 30a: Information about Financial Instruments — Financial risk management”.

EADS has a fully automated cross-border cash pooling system (covering France, Germany, Spain, the Netherlands, the U.K. and the U.S.). The cash pooling system enhances Management's ability to assess reliably and instantaneously the cash position of each subsidiary within the Group and enables Management to allocate cash optimally within the Group depending upon shifting short-term needs.

Total cash and cash equivalents (including available-for-sale securities) in 2007 includes €0.6 billion from the 37.5% consolidation of MBDA, compared to €0.6 billion in 2006 from the 50% consolidation of MBDA.

1.1.7.3 Consolidated Financing Liabilities

The following table sets forth the composition of EADS' consolidated financing liabilities, including both short-and long-term debt, as of 31st December 2007:

(in €m)	31 st December 2007			Total
	Not Exceeding 1 year	Over 1 year up to 5 years	More Than 5 years	
Bonds/Commercial paper	579	1,039	430	2,048
Liabilities to financial institutions	108	301	651	1,060
Loans	183	166	382	731
Liabilities to affiliated companies	163	-	-	163
Finance Leases	69	52	69	190 ⁽¹⁾
Others	622	-	-	622
Total	1,724	1,558	1,532	4,814⁽²⁾

(1) This figure reflects the €677 million effect of the netting of defeased bank deposits against sales financing liabilities.

(2) Financing liabilities include non-recourse Airbus debt for €859 million.

The outstanding balance of financing liabilities decreased from €5.8 billion at 31st December 2006 to €4.8 billion at 31st December 2007. Financing liabilities include liabilities connected with sales financing transactions, which totalled €1,356 million at 31st December 2007. See “— Sales Financing”. Of this total, €396 million bore interest at a fixed rate of 9.88% while the remainder bore interest primarily at variable rates.

EMTN Programme. EADS currently has a €3 billion Euro Medium Term Note (“EMTN”) Programme in place. In 2003, it conducted an initial €1.0 billion issue of notes maturing in 2010 and bearing interest at 4.625% (effective interest rate: 4.686%), which was later swapped into a variable rate of 3-month EURIBOR plus 1.02%. Later in 2003, it issued an additional €0.5 billion of notes maturing in 2018 and bearing interest at 5.5% (effective interest rate: 5.6%), which was swapped during 2005 into a variable rate of 3-month EURIBOR plus 1.81%.

European Investment Bank Loan. In 2004, the European Investment Bank granted a long-term loan to EADS in the amount of U.S.\$421 million at an interest rate of 5.1% (effective interest rate: 5.1%).

Commercial Paper Programme. EADS regularly issues commercial paper on a rolling basis, under a so-called “billet de trésorerie” programme. This commercial paper bears interest at fixed or floating rates with individual maturities ranging from 1 day to 12 months. As of 31st December 2007, the average interest rate on these borrowings was 4.54%. The issued volume at 31st December 2007 amounted to €501 million. The programme has been in place since 2003 and has a maximum authorised volume limit of €2 billion.

1.1.7.4 Sales Financing

EADS favours cash sales, and encourages independent financing by customers, in order to avoid retaining credit or asset risk in relation to delivered products.

However, in order to support product sales, primarily at Airbus 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. Dedicated and experienced teams at headquarters and at Airbus and ATR, respectively structure such financing transactions and closely monitor total EADS finance and asset value exposure and its evolution in terms of quality, volume and cash requirements intensity. EADS aims to structure all financing it provides to customers in line with market-standard contractual terms so as to facilitate any subsequent sale or reduction of such exposure.

In determining the amount and terms of a financing transaction, Airbus and ATR take into account the airline's credit rating as well as risk factors specific to the intended operating environment of the aircraft and its expected future value. Market yields and current banking practices also serve to benchmark the financing terms offered to customers.

Approximately 28% of the €4.8 billion of total consolidated financing liabilities as at 31st December 2007 are derived from the funding of EADS' sales financing assets, which are of a long-term nature and have predictable payment schedules. The decrease from 30% of total financial liabilities in 2006 primarily reflects the effects of the weakening U.S. dollar on these U.S. dollar-denominated liabilities.

The following table presents a breakdown of consolidated financing liabilities related to sales financing:

(in €m)	Principal Amount Outstanding 2007	Principal Amount Outstanding 2006	Principal Amount Outstanding 2005
Finance Leases ⁽¹⁾	35	72	118
Liabilities to financial institutions	742	905	1,074
Loans	579	725	882
Total sales financing liabilities	1,356	1,702	2,074

(1) These figures reflect the effect of the netting of defeased bank deposits against sales financing liabilities (€677 million in 2007; €927 million in 2006; €1,102 million in 2005).

The amounts of total sales financing liabilities at 31st December 2007, 2006 and 2005 reflect the offsetting of sales financing liabilities by €0.7 billion (for 2007), €0.9 billion (for 2006) and €1.1 billion (for 2005) of defeased bank deposits securing such liabilities. Of the remaining €1.4 billion total sales financing liabilities at 31st December 2007, €0.9 billion is in the form of non-recourse debt, where EADS' repayment obligations are limited to its receipts from transaction counterparties. A significant portion of financial assets representing non-cancellable customer commitments have terms closely matching those of the related financial liabilities. See "Notes to Consolidated Financial Statements (IFRS) — Note 23: Financing liabilities". See also "— 1.1.3 Critical Accounting Considerations, Policies and Estimates — Accounting for Sales Financing Transactions in the Financial Statements".

Sales financing transactions are generally collateralised by the underlying aircraft. Additionally, Airbus and ATR benefit from protective covenants and from security packages tailored according to the perceived risk and the legal environment of each transaction.

EADS classifies the exposure arising from its sales financing activities into two categories: (i) Financing Exposure, where the customer's credit — its ability to perform its obligations under a financing agreement — constitutes the risk; and (ii) Asset Value Exposure, where the risk relates to decreases in the future value of the financed aircraft. See also "1. Financial Market Risks — Exposure to Sales Financing Risk".

Customer Financing Exposure. Airbus Customer Financing Exposure as of 31st December 2007 is spread over 74 aircraft, operated at any time by approximately 21 airlines. In addition, other aircraft related assets, such as spare parts, may also serve as collateral security. 77% of Airbus Financing Gross Exposure is distributed over 4 airlines in 4 countries, not taking backstop commitments into account.

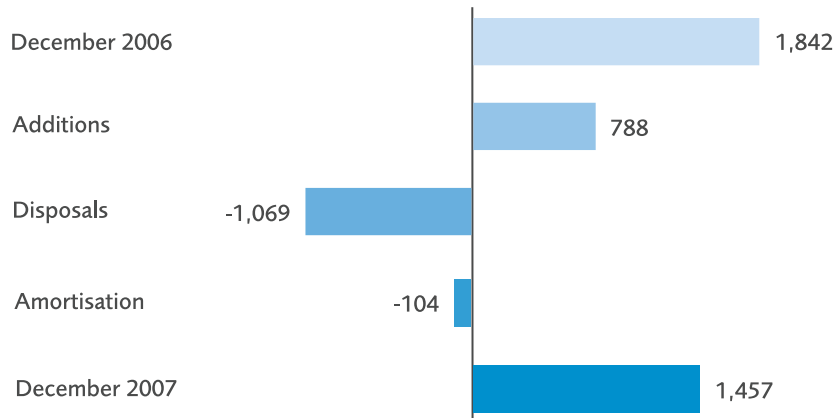
ATR Customer Financing Gross Exposure as of 31st December 2007 is distributed over 188 aircraft. EADS proportionally consolidates only 50% of ATR and shares the risk with its partner, Alenia.

Gross Customer Financing Exposure: Customer Financing Gross Exposure is computed as the sum of (i) the net book value of aircraft under operating leases; (ii) the outstanding principal amount of finance leases or loans; and (iii) the net present value of the maximum commitment amounts under financial guarantees.

Gross Financing Exposure from operating leases, finance leases and loans differs from the value of related assets on EADS' balance sheet and related off-balance sheet contingent commitments for the following reasons: (i) assets are recorded in compliance with IFRS, but may relate to transactions where there is limited recourse to Airbus or ATR; (ii) the value of the assets is impaired or depreciated on the Consolidated Balance Sheet; (iii) off-balance sheet gross exposure is calculated as the net present value of future payments, whereas the financial statements present the total future payments in nominal terms; and (iv) exposure related to AVGs recorded as operating leases in the financial statements is categorised under Asset Value Exposure, not Financing Exposure.

Airbus has reduced Gross Financing Exposure by 70% from its 1998 peak of U.S.\$6.1 billion, to U.S.\$1.5 billion (€1.0 billion) as of 31st December 2007, while the Airbus fleet in operation has increased from 1,838 aircraft to 4,794 aircraft over roughly the same period. Management believes that the current level of Gross Financing Exposure enhances Airbus' ability to assist its customers in the context of a tight aircraft financing market. The chart below illustrates the evolution of Airbus' Gross Financing Exposure during 2007 (in U.S.\$ millions).

EVOLUTION OF AIRBUS GROSS EXPOSURE DURING 2007



ATR as a whole has reduced gross exposure by approximately 60% from a peak of U.S.\$1.8 billion in 1997 to U.S.\$0.7 billion (€0.5 billion) as of 31st December 2007.

In response to the continued demand by its customers for financing, EADS expects to undertake additional outlays in connection with customer financing of commercial aircraft, mostly through finance leases and loans. Nevertheless, it intends to keep the amount as low as possible, and expects the net increase of sales financing gross exposure to be relatively low in 2008.

Net Exposure. Net exposure is the difference between gross exposure and the estimated value of the collateral security. Collateral value is assessed using a dynamic model based on the net present value of expected future rentals from the aircraft in the leasing market and potential cost of default. This valuation model yields results that are typically lower than residual value estimates by independent sources in order to allow for what Management believes is its conservative assessment of market conditions, as well as for repossession and transformation costs. See “1.1.3 Critical Accounting Considerations, Policies and Estimates — Accounting for Sales Financing Transactions in the Financial Statements”.

The table below shows the transition from gross to net financing exposure (which does not include AVGs) as at 31st December 2007, 2006 and 2005. It includes 100% of Airbus' customer financing exposure and 50% of ATR's exposure, reflecting EADS' stake in ATR.

(in €m)	Note*	Airbus	Airbus	Airbus	ATR	ATR	ATR	Total EADS	Total EADS	Total EADS
		100%	100%	100%	50%	50%	50%			
		12/31/2007	12/31/2006	12/31/2005	12/31/2007	12/31/2006	12/31/2005	12/31/2007	12/31/2006	12/31/2005
Operating Lease	13	506	1,080	1,308	94	136	185	600	1,216	1,493
Finance leases and loans	14	1,017	957	1,616	19	29	25	1,036	986	1,641
Others		0	0	1,019	81	87	96	81	87	1,115
On Balance sheet customer financing		1,523	2,037	3,943	194	252	306	1,717	2,289	4,249
Off Balance sheet customer financing	29	526	834	846	42	43	42	568	877	888
Non-recourse transactions on balance sheet		(931)	(1,121)	(1,327)	0	0	0	(931)	(1,121)	(1,327)
Off balance sheet adjustments		(128)	(351)	(244)	0	0	0	(128)	(351)	(244)
Gross customer financing exposure	29	990	1,399	3,218	236	295	348	1,226	1,694	3,566
Collateral Values	29	(411)	(521)	(1,819)	(211)	(270)	(314)	(622)	(791)	(2,133)
Net exposure		579	878	1,399	25	25	34	604	903	1,433
Asset impairments and provisions on:										
Operating Lease	29	(102)	(272)	(319)	0	0	0	(102)	(272)	(319)
Finance Lease & loans	29	(191)	(199)	(396)	0	0	0	(191)	(199)	(396)
Assets held for sale	29	0	0	(196)	0	0	0	0	0	(196)
Off balance sheet commitments	29	(286)	(407)	(488)	0	0	0	(286)	(407)	(488)
On balance sheet commitments	29	0	0	0	(25)	(25)	(34)	(25)	(25)	(34)
Asset impairments and provisions		(579)	(878)	(1,399)	(25)	(25)	(34)	(604)	(903)	(1,433)
Residual exposure		-	-	-	-	-	-	-	-	-

(*) The indicated numbers refer to the number of the Notes to Consolidated Financial Statements (IFRS).

The gross value of consolidated operating leases shown in the table above (€600 million in 2007, €1,216 million in 2006 and €1,493 million in 2005) is accounted for in "Property, Plant and Equipment" at net book value of operating leases before impairment. Corresponding accumulated asset impairments (€102 million in 2007, €272 million in 2006 and €319 million in 2005) are charged against this net book value. See "Notes to Consolidated Financial Statements (IFRS) — Note 13: Property, Plant and Equipment" and "Note 29: Commitments and contingencies".

Also shown in the table above is the gross value for consolidated finance leases and loans (€1,036 million in 2007, €986 million in 2006 and €1,641 million in 2005). Consolidated finance leases (€690 million in 2007, €739 million in 2006 and €924 million in 2005) are

accounted for as long-term financial assets, recorded at their book value before impairment. Loans (€346 million in 2007, €247 million in 2006 and €717 million in 2005) are also accounted for as long-term financial assets, recorded at their outstanding gross amount. Corresponding overall accumulated impairments (€191 million in 2007, €199 million in 2006 and €396 million in 2005) are charged against the book values. See "Notes to Consolidated Financial Statements (IFRS) — Note 14: Investments in associates accounted for under the equity method, other investments and long-term financial assets".

Off-balance sheet customer financing exposure at Airbus and ATR (accounted for at 50% by EADS) was €568 million in 2007, €877 million in 2006 and €888 million in 2005. These amounts reflect the total nominal value of future payments

under lease in/lease out structures. The corresponding net present value of future payments (discounted and net of mitigating factors) is included in total Gross Financing Exposure for an amount of €440 million in 2007, €526 million in 2006 and €644 million in 2005. A provision of €286 million has been accrued for in EADS' balance sheet as of 31st December 2007 to cover the full amount of the corresponding net exposure. See "Notes to Consolidated Financial Statements (IFRS) — Note 29: Commitments and contingencies".

Asset Value Exposure. A significant portion of EADS' asset value exposure arises from outstanding AVGs, primarily at Airbus. 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 AVG-related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise periods of outstanding AVGs are distributed through 2019, resulting in low levels of exposure maturing in any year. Because exercise dates for AVGs are on average in the 10th year following aircraft delivery, AVGs issued in 2007 will generally not be exercisable prior to 2017, and, therefore, an increase in near-term exposure is not expected.

Gross Exposure. Gross Asset Value Exposure is defined as the sum of the maximum guaranteed tranche amounts (as opposed to the sum of the maximum guaranteed asset value amounts) under outstanding AVGs. At 31st December 2007, Airbus Gross Asset Value Exposure (discounted present value of future guaranteed tranches) was U.S.\$2.9 billion (€2.0 billion). The off-balance sheet portion of Airbus Gross Asset Value, representing AVGs with net present values of less than 10% of the sales price of the corresponding aircraft, was €880 million, excluding €513 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 remaining Airbus Gross Asset Value Exposure is recorded on-balance sheet.

Net Exposure. The present value of the risk inherent to the given asset value guarantees, where a settlement is considered to be probable, is fully provided for and included in the total amount of provisions for asset value risks of €501 million. 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. See "Notes to Consolidated Financial Statements (IFRS) — Note 22(c): Other provisions".

Backstop Commitments. 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 (other than the corresponding work-in-progress), and (iii) third parties may participate in the financing.

Orders and Backstop Commitments. Over the last three years (2005, 2006 and 2007), the average number of newly ordered aircraft in respect of which a backstop commitment has been provided amounted to 6% of the average orders recorded over the same period, i.e. 70 supported aircraft per year out of 1,131 orders per year on average. These financing commitments may or may not materialise at the contractual delivery date of the aircraft. In addition, the level of financing support together with the terms and conditions offered to customers will vary.

Deliveries and Financing Support Implemented at Delivery. Over the last three years (2005, 2006 and 2007), the average number of aircraft delivered in respect of which financing support has been provided by Airbus amounted to 2% of the average number of deliveries over the same period, i.e. 9 aircraft financed per year out of 422 deliveries per year on average. This financing support may take the form of senior or junior loans or guarantees. Such support may have originated from EADS' contractual backstop commitments provided at signing of the purchase agreement (see above) or may be the result of a request for financing assistance made by the customer ahead of aircraft delivery.

See "Notes to Consolidated Financial Statements (IFRS) — Note 29: Commitments and contingencies" for further discussion of EADS' sales financing policies and accounting procedures.

1.1.8 HEDGING ACTIVITIES

1.1.8.1 Foreign Exchange Rates

More than half of EADS' revenues are denominated in U.S. dollars (approximately U.S.\$29 billion at Airbus in 2007), with approximately half of such currency exposure "naturally hedged" by U.S. dollar-denominated costs. The remainder of costs is incurred primarily in Euro, and to a lesser extent, in Pounds Sterling. Consequently, to the extent that EADS does not use financial instruments to hedge its net current and future exchange rate exposure from the time of a customer order to the time of delivery, its profits will be affected by market changes in the exchange rate of the U.S. dollar against these currencies. As EADS intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, EADS uses hedging strategies solely to manage and minimise the impact on its EBIT* from the volatility of the U.S. dollar. See "1.1.4 Measurement of Management's Performance — EBIT* Performance by Division — Hedging Impact on EBIT*". See also "1. Financial Market Risks — Exposure to Foreign Currencies".

As EADS uses financial instruments to hedge its net foreign currency exposure, the portion of its U.S. dollar-denominated revenues not hedged by financial instruments (approximately 30% of total consolidated revenues) is exposed to changes in exchange rates. Of this non-hedged portion of revenues, a certain percentage (relating to customer pre-delivery payments) is converted into Euro at the spot rate effective at the time the payment was received by EADS. The remainder of non-hedged U.S. dollar-denominated revenues (corresponding to payments upon delivery) are subject to changes in the spot rate at the time of delivery. See "1.1.3 Critical Accounting Considerations, Policies and Estimates — Foreign Currency Translation".

Exposure on aircraft sales. For products such as aircraft, EADS typically hedges forecasted sales in U.S. dollars. The hedged items are defined as the 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 U.S. dollar exposure at inception. For EADS, a forecasted transaction is regarded as highly probable if the future delivery is included in the firm order book or is very likely to materialise in view of contractual evidence (e.g., a letter of intent). The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot and interest rates as well as the robustness of the commercial cycle.

Exposure on non-aircraft business. For the non-aircraft business, EADS typically hedges inflows and outflows of

foreign currencies from sales and purchase contracts following the same logic, typically in lower volumes.

Exposure on treasury operations. In connection with its treasury operations, EADS enters into foreign exchange swaps (notional amount of €2.1 billion at year-end 2007) to adjust for short-term fluctuations of non-Euro cash balances at the BU level. Year-to-year changes in the fair market value of these swaps are recorded in the consolidated income statement in the line item "other financial result". These changes may have a material impact on EADS' net income.

Embedded derivatives. EADS 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 U.S. dollar and Pounds Sterling. Gains or losses relating to such embedded foreign currency derivatives are reported in the line item "other financial result". These changes may have a material impact on EADS' net income. In addition, EADS hedges currency risk arising from financial transactions in other currencies than Euro, such as funding transactions or securities.

Hedge Portfolio. EADS manages a long-term hedge portfolio with a maturity of several years covering its net exposure to U.S. dollar sales, mainly from the activities of Airbus (and to a lesser extent, of the Eurocopter Division, ATR, the DS Division and the MTA Division). The net exposure is defined as the total currency exposure (U.S. dollar-denominated revenues), net of the part that is "naturally hedged" by U.S. dollar-denominated costs. The hedge portfolio covers the vast majority of the Group's hedging transactions.

For financial reporting purposes, EADS mostly designates a portion of the total firm future cash flows as the hedged position to cover its expected net 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 as well as synthetic forwards.

The contract or notional amounts of EADS' foreign exchange 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.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

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

Year ended 31 st December 2007 (in €m)	Remaining period			Total
	Not exceeding 1 year	1 year up to 5 years	More than 5 years	
Foreign Exchange Contracts:				
Net forward sales (purchase) contracts	10,209	20,931	447	31,587
Structured USD forward:				
Purchased USD call options	162	2,686	-	2,848
Purchased USD put options	162	2,686	-	2,848
Written USD call options	162	2,686	-	2,848
FX swap contracts	1,838	48	189	2,075

1.1.8.2 Interest Rates

EADS uses an asset and liability management approach with the objective of limiting its interest rate risk. EADS attempts 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 instruments in order to minimise risks and financial impacts. Therefore, EADS may use interest rate derivatives for hedging purposes.

Hedging instruments that are specifically related to debt instruments (such as the notes issued under the EMTN programme) have at most the same nominal amounts, as well as the same maturity dates, as the corresponding hedged item.

The notional amounts of such interest rate derivative financial instruments are as follows, specified by expected maturity.

Year ended 31 st December 2007 (in €m)	Remaining period			Total
	Not exceeding 1 year	1 year up to 5 years	More than 5 years	
Interest rate contracts	225	2,403	3,044	5,672

For further information relating to market risk and the ways in which EADS attempts to manage this risk, see “Notes to Consolidated Financial Statements (IFRS) — Note 30a: Information about Financial Instruments — Financial risk management”.

1.2 Financial Statements

The English versions of the following documents shall be deemed to be incorporated in and form part of this Registration Document:

- The Consolidated Financial Statements (IFRS) and the Company financial statements of EADS for the year ended 31st December 2005 as included in “Part 1/1.2 Financial Statements” of the Registration Document filed in English with, and approved by, the AFM on 26th April 2006 and filed in English with the Chamber of Commerce of Amsterdam; and
- The Consolidated Financial Statements (IFRS) and the Company financial statements of EADS for the year ended 31st December 2006 as included in “Part 1/1.2 Financial Statements” of the Registration Document filed in English with, and approved by, the AFM on 25th April 2007 and

filed in English with the Chamber of Commerce of Amsterdam.

Copies of the above-mentioned Registration Documents are available free of charge upon request in English, French, Spanish and German at the registered office of the Company and on www.eads.com. Copies of the financial statements referred to above are also available in English on www.eads.com and for inspection at the Chamber of Commerce of Amsterdam.

EADS confirms that the reports of the auditors set forth in sections 1.2.1 and 1.2.2 below (as well as those incorporated by reference herein) have been accurately reproduced and that as far as EADS is aware and is able to ascertain from the information provided by the auditors, no facts have been omitted which would render such reports inaccurate or misleading.

1.2.1 EADS N.V. CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

EADS N.V. Consolidated Income Statements (IFRS) for the years ended 31st December 2007, 2006 and 2005

(in €m)	Note	2007	2006	2005
Revenues	5,6	39,123	39,434	34,206
Cost of sales	7	(34,802)	(34,722)	(27,530)
Gross margin		4,321	4,712	6,676
Selling expenses		(864)	(914)	(832)
Administrative expenses		(1,314)	(1,360)	(1,351)
Research and development expenses		(2,608)	(2,458)	(2,075)
Other income	8	233	297	222
Other expenses		(97)	(188)	(153)
Share of profit from associates accounted for under the equity method	9	210	152	210
Other income from investments	9	86	37	15
Profit (loss) before finance costs and income taxes	5	(33)	278	2,712
Interest income		502	454	423
Interest expenses		(701)	(575)	(578)
Other financial result		(538)	(123)	(22)
Total finance costs	10	(737)	(244)	(177)
Income taxes	11	333	81	(825)
Profit (loss) for the period		(437)	115	1,710
Attributable to:				
Equity holders of the parent (Net income (loss))		(446)	99	1,676
Minority interests		9	16	34
Earnings per share		€	€	€
Basic	35	(0.56)	0.12	2.11
Diluted	35	(0.55)	0.12	2.09

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

EADS N.V. Consolidated Balance Sheets (IFRS) at 31st December 2007 and 2006

(in €m)			
Assets	Note	2007	2006
Non-current assets			
Intangible assets	12	10,832	10,855
Property, plant and equipment	13	13,393	14,178
Investment property	33	96	137
Investments in associates accounted for under the equity method	14	2,238	2,095
Other investments and other long-term financial assets	14	1,553	1,666
Non-current other assets	17	3,543	4,231
Deferred tax assets	11	2,705	2,624
Non-current securities	18	2,691	1,294
		37,051	37,080
Current assets			
Inventories	15	18,906	16,892
Trade receivables	16	4,639	4,852
Current portion of other long-term financial assets	14	166	103
Current other assets	17	5,172	4,014
Current tax assets		375	428
Current securities	18	1,598	549
Cash and cash equivalents	27	7,549	8,143
		38,405	34,981
Non-current assets/disposal groups classified as held for sale	19	0	76
Total assets		75,456	72,137
Equity and liabilities			
Equity attributable to equity holders of the parent			
Capital stock		814	816
Reserves		7,406	7,593
Accumulated other comprehensive income		5,076	4,955
Treasury shares		(206)	(349)
		13,090	13,015
Minority interests		85	137
Total equity	20	13,175	13,152
Non-current liabilities			
Non-current provisions	22	8,055	8,911 ⁽¹⁾
Long-term financing liabilities	23	3,090	3,561
Non-current other liabilities	24	14,127	11,722 ⁽¹⁾
Deferred tax liabilities	11	2,188	2,465
Non-current deferred income	26	753	1,110
		28,213	27,769
Current liabilities			
Current provisions	22	4,378	3,552 ⁽²⁾
Short-term financing liabilities	23	1,724	2,196
Trade liabilities	25	7,398	7,461
Current other liabilities	24	19,683	17,239 ⁽²⁾
Current tax liabilities		179	218
Current deferred income	26	706	486
		34,068	31,152
Liabilities directly associated with non-current assets classified as held for sale	19	0	64
Total liabilities		62,281	58,985
Total equity and liabilities		75,456	72,137

(1) Regarding the retrospective change in presentation of "Non-current provisions" (€(152) million) and "Non-current other liabilities" (+€152 million) for financial instruments please refer to "Changes in Accounting Policies" in Note 2 "Summary of significant accounting policies".

(2) Regarding the retrospective change in presentation of "Current provisions" (€(79) million) and "Current other liabilities" (+€79 million) for financial instruments please refer to "Changes in Accounting Policies" in Note 2 "Summary of significant accounting policies".

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 31st December 2007, 2006 and 2005

(in €m)	Note	2007	2006	2005
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))		(446)	99	1,676
Profit for the period attributable to minority interests		9	16	34
<i>Adjustments to reconcile net income (loss) to cash provided by operating activities:</i>				
Interest income		(502)	(454)	(423)
Interest expense		701	575	578
Interest received		480	380	313
Interest paid		(370)	(271)	(242)
Income taxes		(333)	(81)	825
Income taxes received (paid)		36	(239)	(265)
Depreciation and amortisation		1,772	1,691	1,653
Valuation adjustments		582	163	(76)
Results on disposal of non-current assets		(125)	(336)	(170)
Results of companies accounted for by the equity method		(210)	(152)	(210)
Change in current and non-current provisions		2,268	2,150	175
Change in other operating assets and liabilities:		1,175	(143)	1,239
– Inventories		(2,998)	(1,942)	(3,264)
– Trade receivables		(148)	(7)	(388)
– Trade liabilities		44	686	666
– Advance payments received		4,817	1,564	4,237
– Other assets and liabilities		(540)	(444)	(12)
Cash provided by operating activities		5,037	3,398	5,107
Investments:				
– Purchase of intangible assets, Property, plant and equipment		(2,028)	(2,708)	(2,818)
– Proceeds from disposals of intangible assets, Property, plant and equipment		162	76	101
– Acquisitions of subsidiaries and joint ventures (net of cash)	27	0	(82)	(131)
– Proceeds from disposals of subsidiaries (net of cash)	27	29	86	89
– Payments for investments in associates, other investments and other long-term financial assets		(568)	(421)	(659)
– Proceeds from disposals of associates, other investments and other long-term financial assets		481	813	485
– Dividends paid by companies valued at equity		39	46	36
– Increase in equipment of leased assets		(30)	(147)	(40)
– Proceeds from disposals of leased assets		371	215	256
– Increase in finance lease receivables		(150)	(16)	(219)
– Decrease in finance lease receivables		118	79	85
Disposals of non-current assets / disposal groups classified as held for sale and liabilities directly associated with non-current assets classified as held for sale		26	690	0
Change of securities		(2,641)	3,357	1,008
Reimbursement from / contribution to plan assets		(303)	0	0
Change in cash from changes in consolidation		(249) ⁽¹⁾	0	12
Cash (used for) provided by investing activities		(4,743)	1,988	(1,795)
Increase in financing liabilities		236	1,252	456
Repayment of financing liabilities		(955)	(468)	(800)
Cash distribution to EADS N.V. shareholders		(97)	(520)	(396)
Dividends paid to minorities		(1)	(16)	0
Payments related to liability for puttable instruments		0	(2,879) ⁽²⁾	(93)
Capital increase		46	94	187
Purchase of treasury shares		0	(35)	(288)
Cash used for financing activities		(771)	(2,572)	(934)
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents		(117)	(57)	17
Net (decrease) increase in cash and cash equivalents		(594)	2,757	2,395
Cash and cash equivalents at beginning of period		8,143	5,386	2,991
Cash and cash equivalents at end of period	27	7,549	8,143	5,386

(1) The total amount is related to the change in the percentage of the proportional consolidation of MBDA from 50% in 2006/2005 to 37.5%; please refer to Note 3 "Scope of Consolidation".

(2) Payments include the acquisition price of €2,750 million for the 20% stake in Airbus and in addition a dividend payment from Airbus to BAE Systems amounting to €129 million.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).
For details, see Note 27, "Consolidated Statement of Cash Flows (IFRS)".

EADS N.V. Consolidated Statements of Recognised Income and Expense (IFRS) for the years ended 31st December 2007, 2006 and 2005⁽¹⁾

(in €m)	2007	2006	2005
Currency translation adjustments for foreign operations	(196)	(324)	(58)
Effective portion of changes in fair value of cash flow hedges	2,124	3,326	(3,849)
Net change in fair value of cash flow hedges transferred to profit or loss	(1,884)	(1,463)	(1,875)
Effective portion of changes in fair value of available-for-sale financial assets	4	76	52
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(54)	0	0
Actuarial gains (losses) on defined benefit plans	608	(690)	(459)
Tax on income and expense recognised directly in equity	(46)	(662)	2,203
Income and expense recognised directly in equity	556	263	(3,986)
Profit (loss) for the period	(437)	115	1,710
Total recognised income and expense of the period	119	378	(2,276)
Attributable to:			
Equity holders of the parent	78	382	(2,295)
Minority interests	41	(4)	19
Total recognised income and expense of the period	119	378	(2,276)

(1) For other information regarding changes in Equity, please refer to Note 20 "Total Equity".

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

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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 (Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands). EADS’ core business is the manufacturing of commercial aircraft, civil 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 and Madrid. The Consolidated Financial Statements were authorised for issue by EADS’ Board of Directors on 10th March 2008, 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”), adopted by the International Accounting Standards Board (“IASB”), 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 generally 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 below) 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.

New Standards, Amendments to existing Standards and new Interpretations

The IFRS rules applied by EADS for preparing 2007 year end Consolidated Financial Statements are the same as for 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 Standards

IFRS 7 Financial Instruments: Disclosures (issued 2005)

IFRS 7 and the complementary amendment to IAS 1 (see below under paragraph b) became effective 1st January 2007. Both Standards introduce additional qualitative as well as quantitative disclosure requirements regarding the nature and extent of risk arising from financial instruments. However, they do not have any impact on the classification or valuation of EADS’ financial instruments.

b) Amended Standards

The application of the following amended Standard is mandatory for EADS as of 1st January 2007.

IAS 1 Presentation of Financial Statements: Capital Disclosure (issued 2005)

This amendment led to additional disclosures which shall enable users of EADS Group Financial Statements to evaluate the Group’s objectives, policies and processes for managing capital.

c) New Interpretations

The following four Interpretations have become effective as of 1st January 2007:

IFRIC 7 Applying the Restatement Approach under IAS 29 (issued 2005)

IFRIC 8 Scope of IFRS 2 (issued 2006)

IFRIC 9 Reassessment of Embedded Derivatives (issued 2006)

IFRIC 10 Interim Financial Reporting and Impairment (issued 2006)

IFRIC 7 addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred taxes.

IFRIC 8 requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2.

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

IFRIC 10 requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The application of the four Interpretations did not have an impact on EADS Group Financial Statements.

New or amended IFRS Standards and Interpretations issued but not yet applied

IFRS 2 “Share-based Payments – Vesting Conditions and Cancellations” was amended in January 2008 and will become effective for EADS on 1st January 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The adoption of revised IFRS 2 will not have a material impact on EADS’ Financial Statements.

IFRS 3R “Business Combinations” and **IAS 27R** “Consolidated and Separate Financial Statements” (not yet endorsed) were revised and issued in January 2008 and will become effective beginning on or after 1st July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary

is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IFRS 8 “Operating Segments” (issued 2006) will replace IAS 14 “Segment Reporting” for accounting periods beginning on or after 1st January 2009.

IFRS 8 requires the presentation of information regarding operating segments and follows a pure management approach. The application of IFRS 8 is not expected to have an impact on the presentation or the definition of EADS segments as they have been determined based on a management approach. However, additional disclosure requirements might have to be included in EADS Consolidated Financial Statements.

EADS has decided not to opt for early adoption of this Standard.

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. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The not yet endorsed amendment has been released in March 2007 and becomes mandatory to EADS as of 1st January 2009. The application of amended IAS 23 will result in the mandatory capitalisation of borrowing cost related to qualifying assets and will thus increase the amount of total cost capitalised for qualifying assets.

Amendment to IAS 1 “Presentation of Financial Statements: A revised presentation” has been issued in September 2007 and becomes mandatory to EADS as of 1st January 2009. The revised Standard aims to improve user’s ability to analyse and compare the information given in financial statements and therefore requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. It has not yet been endorsed by the EU. The adoption of revised IAS 1 will have an impact on the presentation of EADS’ Financial Statements.

Amendment to IAS 32 and IAS 1 “Puttable Financial Instruments” were issued in February 2008 and will become effective for EADS as of 1st January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity

if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The adoption of revised IAS 32 and IAS 1 will not have a material impact on EADS' Financial Statements.

IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" (issued 2006), **IFRIC 12** "Service Concession Arrangements" (issued 2006, not yet endorsed) and **IFRIC 14** "IAS 19 – The Limit of a Defined Benefit Asset Minimum Funding Requirements and their Interaction" (issued 2007, not yet endorsed) will become mandatory for EADS for annual periods beginning on 1st January 2008. New IFRIC 11 and IFRIC 14 are not expected to have an impact on EADS' Financial Statements. The application of IFRIC 12 is expected to have no material impact on EADS' Consolidated Financial Statements.

IFRIC 13 "Customer Loyalty Programmes" (issued 2007, not yet endorsed) will become mandatory for EADS as at 1st January 2009. As EADS does not grant any customer loyalty award credits the application of the Interpretation will not have an impact on EADS Group Financial Statements.

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 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.

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 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 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 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 income statement.

The financial statements of EADS' investments in associates and joint ventures are prepared for the same reporting date as for the parent company. Adjustments are made where necessary to bring the accounting policies into 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 balance sheet 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 to be analysed 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 31st 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 released to profit or loss 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 balance sheet date, and as current asset or liability when the item is realised or settled respectively within twelve months after the balance sheet 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, revenue can be measured reliably and 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 and value added tax. For the preparation of the Consolidated Income Statement intragroup 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 balance sheet date.

For construction contracts, when the outcome can be estimated reliably, revenues are recognised by reference to the stage (percentage) of completion ("PoC") of the contract activity. 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, revenue is only recognised to the extent of the expenses incurred that are recoverable. Changes in profit rates are reflected in current earnings as

identified. Contracts are reviewed regularly and in case of probable losses, provisions are recorded.

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 fulfilment 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 13 “Property, plant and equipment”). 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 Balance Sheet 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 14 “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 13 “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 23 “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 29 “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 and 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.

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 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.

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 labour costs and applicable manufacturing overheads, including depreciation charges. Borrowing costs are not capitalised. 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 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.

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 of market prices.

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 labour, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Borrowing costs are not capitalised. 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 and 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, first 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 an entity could obtain at balance sheet 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.

Impairment losses recognised for goodwill are not reversed in future periods. For any other non-financial asset an impairment loss recognised in prior periods is reversed through profit or loss up to its recoverable amount provided that there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss has been recognised. The respective asset's carrying amount is increased to its recoverable amount, taking into account any amortisation or depreciation that would have been chargeable on the asset's carrying amount since the last impairment loss.

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 cash and cash equivalents, trade and loan receivables, finance lease receivables, available-for-sale financial assets 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 balance sheet 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 balance sheet 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.

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

The majority of the Group's **securities** are 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.

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. 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.

Equity investments classified as available-for-sale are considered for impairment in case of a significant or prolonged decline of their fair value below their cost. Any impairment loss recognised in the Consolidated Income Statement on equity instruments is not reversed through the Consolidated Income Statement.

Financial assets designated at fair value through profit or loss — 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 recognising 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 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 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. If it is probable that the Group is not able to collect all amounts due according to the original terms of receivables, an impairment charge has to be recognised. The amount of the impairment loss is equal to the difference between the 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 or the next market-based repricing date 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 profit or loss.

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 held for sale and disposal groups — Non-current assets (or disposal groups) are 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 Balance Sheet. 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 recognising 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 and non-current "other assets", such derivative financial instruments with negative fair values are recorded as current and non-current "Other liabilities". Trading derivatives are classified as a current asset or liability.

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 ("Fair Value Hedges"), (ii) hedges of the variability of cash flows attributable to recognised assets or liabilities, highly probable forecast transactions or unrecognised firm commitments ("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 fair value of both the hedging instrument and 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 profit or loss 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 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.
- 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 in "Profit for the period".

The fair values of various derivative financial instruments used as hedging instruments are disclosed in Note 30 "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 disclosed in Note 30.

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 30 "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 tax 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 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 Recognised Income and Expense (SORIE).

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 profit or loss 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 leads to according personnel expense in that period in the income statement but to no recognition of plan assets or provision in the balance sheet.

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.

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 (balance sheet 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 balance sheet date through the 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 1st 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 balance sheet 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 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 method with any difference between proceeds (net of transaction costs) and redemption amount being recognised in “Total finance income (costs)” over the period of the financing liability.

Other liabilities — Other liabilities comprise other financial liabilities such as refundable advances and derivatives having a negative market value and other non-financial liabilities such as advance payments received from customers. 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. Because of their risk-sharing basis, such refundable advances are recorded as “Other Liabilities”.

In the course of the implementation of IFRS 7, EADS changed its balance sheet presentation in 2007 retrospectively for 31st December 2006 regarding derivatives having a negative market value formerly presented in “Provisions for negative fair values of derivative financial instruments” (IAS 39 Hedging contracts) to “Other liabilities” in order to present them as financial liability. Further, EADS uses financial liabilities representing payment obligations towards airlines denominated in USD as hedging instruments to hedge the foreign currency risk inherent in future aircraft sales under a cash flow hedge.

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 the 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 28 “Litigation and claims”.

Use of Accounting Estimates

The preparation of the Group Financial Statements in accordance with IFRS requires management to use certain critical accounting estimates about the future as well as to make assumptions and perform judgements in the process of applying accounting policies. These consequently affect the amounts of assets, liabilities, income and expenses reported by EADS. Actual results in subsequent periods could differ from those accounting estimates.

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 and disclosed in the respective Notes (see in particular “significant accounting policies” as well as, regarding deferred tax assets Note 11 “Income Taxes”; regarding goodwill impairment Note 12 “Intangible Assets”; for impairment of tangible assets Note 13 “Property, Plant and Equipment”; Note 15 “Inventories”; regarding loss making contracts see Note 22 “Provisions”; Note 29 “Commitments and Contingencies” and Note 30 “Information about financial instruments”).

3. Scope of Consolidation

Perimeter of consolidation (31st December 2007) – The Consolidated Financial Statements include, in addition to EADS N.V.:

- 2007: 193 (2006: 212) companies which are fully consolidated,
- 2007: 34 (2006: 31) companies which are proportionately consolidated,

- 2007: 24 (2006: 26) companies which are investments in associates and are accounted for using the equity method.

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

The percentage of the proportional consolidation of MBDA has changed from 50% to 37.5% as of 1st January 2007.

4. Acquisitions and Disposals

a) Acquisitions

In January 2007, EADS increased its share in the Atlas Elektronik group from 40% to 49% in connection with the contribution in kind of the EADS naval business into Atlas Elektronik. Atlas Elektronik is proportionately consolidated and the final allocation of the purchase price to the acquired assets and liabilities led to a goodwill of €42 million.

EADS acquired on 3rd August 2006 40% of the shares of the Atlas Elektronik group, specialised in equipment and systems for naval forces, which is consolidated proportionally. The difference between the purchase price and the acquired net assets (not finally determined in 2006) led to the recognition of a goodwill of €41 million.

On 13rd October 2006, EADS acquired BAE Systems’ 20% minority share in Airbus after BAE Systems had exercised the put option it held on its Airbus stake in June 2006. Before the transaction, EADS was already controlling Airbus and consequently fully consolidated this subsidiary.

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

b) Disposals

Following an agreement dated 10th January 2007, EADS sold the remaining 60% shares of Sogerma Services as well as all shares of its subsidiaries Sogerma America Barfield B.C. (100%) and EADS Sogerma Tunisie (50.1%).

On 28th February 2006, 81% of LFK GmbH and TDW GmbH, which had been fully consolidated by EADS, were sold to the European Missile Group MBDA. MBDA is jointly owned by BAE Systems (37.5%), EADS (37.5%) and Finmeccanica (25%). In EADS consolidated Financial Statements, MBDA Group is proportionately consolidated.

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

c) Subsequent Changes in Value of Assets and Liabilities Acquired and Cost of Acquisition

In 2006, a tax audit of DASA for the years 1994 until 1999 was finalised. According to the EADS shareholders agreement, the related tax expense was reimbursed by Daimler AG. Thus deferred tax assets and goodwill have been adjusted as of

31st December 2006 in Defence & Security by €52 million and in Headquarters by €12 million.

d) Non-Current Assets held for Sale and Discontinued Operations

With regard to the plan to sell the sites in Méaulte, St. Nazaire Ville, Nordenham, Varel, Augsburg, Laupheim and Filton, an

in-depth analysis has been performed to assess whether the requirements of IFRS 5 for the classification as disposal group(s) held for sale were met as at 31st December 2007. Considering the status of the project as of 31st December 2007, the actions still necessary to complete the plan to sell all of the sites were considered of such a magnitude that it was not unlikely that significant changes to the plan to sell could be made.

Notes to the Consolidated Income Statements (IFRS)

5. Segment Reporting

The Group operates in five divisions (segments) which reflect the internal organisational 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 tables present information with respect to the Group's business segments. Consolidation effects, the holding function of EADS Headquarters and other activities not allocable to the divisions are disclosed in the column "HQ/Conso.". "Other Businesses" comprises the development, manufacturing, marketing and sale of regional turboprop aircraft and light commercial aircraft, aircraft components as well as civil and military aircraft conversion and maintenance services.

a) Business Segment Information for the year ended 31st December 2007

(in €m)	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security	Astrium	Other Businesses	HQ/Conso.	Consolidated
Total revenues	25,216	1,140	4,172	5,465	3,550	1,269	18	40,830
Internal revenues	(526)	(193)	(146)	(522)	(12)	(308)	0	(1,707)
Revenues	24,690	947	4,026	4,943	3,538	961	18	39,123
Segment result	(904)	(156)	210	307	165	94	41	(243)
thereof impairment charge for intangible assets and property, plant and equipment	0	0	0	0	0	0	0	0
thereof additions to other provisions (see Note 22c)	(3,084)	(27)	(325)	(622)	(103)	(56)	(226)	(4,443)
Share of profit from associates accounted for under the equity method	0	0	0	11	5	0	194	210
Profit (loss) before finance costs and income taxes	(904)	(156)	210	318	170	94	235	(33)
Disposal of goodwill	0	0	0	12	0	0	0	12
Exceptional depreciation/disposal	23	1	1	10	4	0	34	73
EBIT* pre-goodwill impairment and exceptionals (see definition in Note 5c)	(881)	(155)	211	340	174	94	269	52
Total finance costs								(737)
Income tax benefit								333
Loss for the period								(437)
Attributable to:								
Equity holders of the parent (Net loss)								(446)
Minority interests								9
OTHER INFORMATION								
Identifiable segment assets (incl. goodwill) ⁽¹⁾	34,162	2,523	5,281	9,463	6,059	1,055	(243)	58,300
thereof goodwill	6,374	12	111	2,431	574	0	17	9,519
Investments in associates	0	0	3	89	15	9	2,122	2,238
Segment liabilities ⁽²⁾	27,189	2,213	4,383	10,015	6,037	946	(584)	50,199
thereof provisions (see Note 22)	6,642	40	1,079	2,919	688	233	832	12,433
Capital expenditures (incl. leased assets)	946	102	206	233	446	57	68	2,058
Depreciation, amortisation	1,238	28	76	140	166	42	82	1,772
Research and development expenses	2,175	16	93	169	78	8	69	2,608

(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 income from associates, total finance costs and income taxes.

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

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

b) Business Segment Information for the year ended 31st December 2006

(in €m)	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security	Astrium	Other Businesses	HQ/Conso.	Consolidated
Total revenues	25,190	2,200	3,803	5,864	3,212	1,257	30	41,556
Internal revenues	(820)	(226)	(155)	(557)	(10)	(336)	(18)	(2,122)
Revenues	24,370	1,974	3,648	5,307	3,202	921	12	39,434
Segment result	(602)	71	257	270	122	(288)	296	126
thereof impairment charge for intangible assets and property, plant and equipment	(148) ⁽⁴⁾	0	0	0	0	(45) ⁽²⁾	0	(193)
thereof additions to other provisions (see Note 22c)	(2,479)	(2)	(267)	(549)	(83)	(178)	227	(3,331)
Share of profit from associates accounted for under the equity method	0	0	0	17	5	0	130	152
Profit (loss) before finance costs and income taxes	(602)	71	257	287	127	(288)	426	278
Subsequent adjustment to goodwill	0	0	0	52	0	0	12	64
Exceptional depreciation	30	4	0	9	3	0	11	57
EBIT* pre-goodwill impairment and exceptionals (see definition in Note 5c)	(572)	75	257	348	130	(288)	449	399
Total finance costs								(244)
Income tax benefit								81
Profit for the period								115
Attributable to:								
Equity holders of the parent (Net income)								99
Minority interest								16
OTHER INFORMATION								
Identifiable segment assets (incl. goodwill) ⁽¹⁾	33,958	1,716	4,593	9,591	5,488	1,168	490	57,004
thereof goodwill	6,374	12	111	2,476	575	0	17	9,565
Investments in associates	0	0	2	88	10	10	1,985	2,095
Segment liabilities ⁽³⁾	24,096	1,515	3,847	10,398	4,563	1,095	91	45,605
thereof provisions (see Note 22)	6,124	13	1,069	3,223	899	300	835	12,463
Capital expenditures (incl. leased assets)	1,750	121	110	214	462	68	130	2,855
Depreciation, amortisation	1,140	30	74	131	126	88	102	1,691
Research and development expenses	2,035	13	78	195	71	6	60	2,458

(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 income from associates, total finance costs and income taxes.

(2) Impairment charges relate to Sogerma.

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

(4) Impairment charge relates mainly to the A380 programme.

The “EBIT* pre-goodwill impairment and exceptionals” in 2006 includes on HQ/Conso. level the elimination of an addition to the provision for loss making contracts (€352 million) recognised in the Airbus division in order to account for the positive margin of the A400M contract on EADS group level. Due to the cost increase of the contract, a negative catch-up in the amount of €(66) million had to be recognised on group level to adjust previously accounted for EBIT* for the years 2003 to 2006.

As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place

between Eurocopter, Defence & Security and Airbus as the Eurocopter and Defence & Security divisions act as suppliers for Airbus aircraft. Moreover, Airbus acts as a main supplier for the A400M programme which is led by the Military Transport Aircraft division.

Capital expenditures represent the additions to property, plant and equipment and to intangible assets (excluding additions to goodwill of €9 million in 2007 and €64 million in 2006; for further details see Note 5e) “Capital expenditures”).

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

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)	2007	2006	2005
Profit (loss) before finance costs and income taxes	(33)	278	2,712
Disposal of goodwill/subsequent adjustment to goodwill (see Note 4 c.)	12	64	0
Exceptional depreciation/disposal (fixed assets)	73	57	136
Exceptional depreciation (others)	0	0	4
EBIT* pre-goodwill impairment and exceptionals	52	399	2,852

d) Revenues by Destination

(in €m)	2007	2006	2005
Germany	4,332	4,126	3,235
France	3,450	4,271	3,511
United Kingdom	1,991	2,953	2,682
Spain	1,173	1,361	1,017
Other European Countries	6,436	4,465	3,126
North America	7,923	9,425	9,026
Asia/Pacific	8,826	7,857	7,734
Middle East	2,507	3,334	1,860
Latin America	2,054	1,213	645
Other Countries	431	429	1,370
Consolidated	39,123	39,434	34,206

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

e) Capital Expenditures

(in €m)	2007	2006	2005
France	819	968	946
Germany	477	789	962
United Kingdom	512	715	707
Spain	161	187	150
Other Countries	59	49	53
Capital expenditures excluding leased assets	2,028	2,708	2,818
Leased assets	30	147	40
Capital expenditures	2,058	2,855	2,858

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

f) Property, Plant and Equipment by Geographical Area

(in €m)	2007	2006	2005
Germany	3,715	3,909	3,852
France	3,908	3,548	3,140
United Kingdom	3,028	3,177	2,682
Spain	976	937	901
Other Countries	447	615	857
Property, plant and equipment by geographical area	12,074	12,186	11,432

Property, plant and equipment split by geographical area excludes leased assets (2007: €1,319 million, 2006: €1,992 million and 2005: €2,385 million).

6. Revenues

Revenues in 2007 reached €39,123 million compared to €39,434 million in 2006 and €34,206 million in 2005. Revenues in 2007 decreased in comparison to 2006 mainly in Military Transport Aircraft and Defence divisions. The decline at Defence was caused by the change in the percentage of the proportional consolidation from 50% to 37.5% of MBDA. On a comparable basis, revenues of 2006 would have been lower by €418 million. Revenues increased mainly at Eurocopter and Astrium.

Detail of Revenues:

(in €m)	2007	2006	2005
Total revenues	39,123	39,434	34,206
Thereof revenues from the delivery of goods & services	31,813	31,487	28,649
Thereof revenues from construction contracts	6,241	7,001	4,706

The revenues from construction contracts decrease in 2007 in the Military Transport Aircraft division resulting from A400M partly offset in the Defence & Security and Astrium divisions.

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 revenues. In 2007, the revenues from the delivery of goods & services comprise revenues from services including the sale of spare parts of €4,554 million.

For a breakdown of revenues by business segment and geographical region, refer to Note 5 “Segment Reporting”.

7. Functional Costs

Inventories recognised as an expense during the period amount to €25,259 million (2006: €26,267 million; 2005: €20,800 million).

€49 million (2006: €57 million; 2005: €136 million); these are related to the EADS merger, the Airbus Combination and the formation of MBDA.

Cost of sales include the amortisation expenses of fair value adjustments of fixed assets and inventories in the amount of

Personnel expenses are:

(in €m)	2007	2006	2005
Wages, salaries and social contributions	8,696	8,397	8,108
Net periodic pension cost (see Note 22 b)	385	334	377
Total	9,081	8,731	8,485

The decrease in the EADS **gross margin** from €4,712 million to €4,321 million reflects among others charges for A350 and A400M programmes and for Power8 restructuring.

8. Other Income

(in €m)	2007	2006	2005
Other income	233	297	222
Thereof rental income	37	47	48
Thereof income from sale of fixed assets	92	23	39
Thereof release of allowances	11	3	9

Other income in 2007 includes among others the gain from the sale of property in Vélizy, Villepreux and Montigny le Bretonneux in the amount of €50 million as well as the gain from the disposal of investment properties in Neuauwing and

Nabern amounting to €20 million, whereas in 2006 the gain from the sale of LFK GmbH and TDW GmbH in the amount of €111 million was included.

9. Share of Profit from Associates Accounted for under the Equity Method and Other Income from Investments

(in €m)	2007	2006	2005
Share of profit from associates	210	152	210
Other income from investments	86	37	15
Total	296	189	225

The **share of profit from associates accounted for under the equity method** in 2007 is mainly derived from the result of the equity investment in Dassault-Aviation of €194 million (2006: €130 million; 2005: €205 million).

The Dassault-Aviation Group reported in 2007 a net income of €382 million (2006: €281 million) of which EADS recognised an amount of €177 million (2006: €130 million) according to its share of 46.3%. In 2007 the equity investment income from

Dassault-Aviation includes positive IFRS catch-up adjustments amounting to €17 million (2006: €0 million; 2005: €64 million).

Other income from investments comprises in 2007 the capital gain of €46 million from the disposal of the 2.13% interest in

Embraer and the dividend payment from the Eurofighter Jagdflugzeug GmbH of €13 million. In 2006, other income from investments includes the capital gain of €17 million from the sale of the 13% stake in Diehl BGT Defence GmbH & Co. KG.

10. Total Finance Costs

Interest result in 2007 comprises interest income of €502 million (2006: €454 million; 2005: €423 million) and interest expense of €(701) million (2006: €(575) million; 2005: €(578) 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 interest on European Government refundable advances of €289 million (2006: €266 million; 2005: €236 million) and on financing liabilities.

Other financial result in 2007 includes among others negative foreign exchange rate effects of Airbus €(274) million (negative impact in 2006: €(136) million; positive impact in 2005: €147 million), charges from the unwinding of discounted provisions at Airbus amounting to €(202) million (2006: €(22) million) and a burden from the fair value measurement of embedded derivatives not used in hedging relationships in the amount of €(5) million (positive impact in 2006: €46 million; negative impact in 2005: €(108) million).

11. Income Taxes

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

(in €m)	2007	2006	2005
Current tax expense	(64)	(112)	(439)
Deferred tax benefit/(expense)	397	193	(386)
Total	333	81	(825)

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 31st December 2007 (for 2006: 29.6% and for 2005: 31.5%). In 2006, a new tax law was enacted reducing the income tax rates from 2007 onwards to 25.5%.

Deferred tax assets and liabilities for the Group's French subsidiaries were calculated at 31st December 2007 and 2006 using the enacted tax rate of 34.43% for temporary differences. In 2004, the French corporate tax rate in effect was 33 1/3% plus surcharges of 3% ("contribution additionnelle") and 3.3% ("contribution sociale"). In 2004, the French Finance Law (FFL) for 2005 was enacted resulting in a reduction of the "contribution additionnelle" to 1.5% in 2005 and nil from 2006 onwards. Accordingly, the applied tax rate for 2007 and 2006 in France is 34.43% (2005: 34.93%).

In 2007, the German government enacted new tax legislation ("Unternehmensteuerreformgesetz 2008") which decreased the federal corporate tax rate from 25% to 15%, being effective as of

1st January 2008. In addition there is a surcharge ("Solidaritätszuschlag") of 5.5% on the amount of federal corporate taxes. For trade taxes, the basic measurement rate has been reduced from 5% to 3.5%, but the tax deductibility of trade tax has been abolished. In aggregate, the enacted tax rate which has been applied to German deferred taxes as of 1st January 2007 amounts to 30% (2006 and 2005: 38.5%).

With respect to the Spanish subsidiaries, the Spanish government enacted on 28th November 2006 a change in the corporate income tax rate for the years 2007 and 2008. As of 1st January 2007 the corporate income tax rate in Spain decreased from 35% to 32.5% and from 2008 onwards will decrease to 30%. Accordingly, deferred tax assets and liabilities of the Group's Spanish entities were calculated using the enacted tax rate of 30%.

All other foreign subsidiaries apply their national tax rates, among others United Kingdom 28% (in 2006: 30%).

The following table shows a reconciliation from the theoretical income tax benefit (expense) – using the Dutch corporate tax rate of 25.5% as at 31st December 2007, 29.6% as at 31st December 2006 and 31.5% at 31st December 2005 – to the reported tax expense. The reconciling items represent, besides

the impact of tax rate differentials and changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported financial statements according to IFRS rules.

(in €m)	2007	2006	2005
Profit (loss) before income taxes	(770)	34	2,535
* Corporate income tax rate	25.5%	29.6%	31.5%
Expected benefit (expense) for income taxes	196	(10)	(799)
Effects from tax rate differentials	133	65	(54)
Income from investments/associates	109	103	62
Tax credit for R&D expenses	20	34	35
Change of tax rate	(106)	85	(1)
Change in valuation allowances	(3)	(198)	(14)
Tax-free income and non-deductible expenses	(19)	(30)	(28)
Other	3	32	(26)
Reported tax benefit (expense)	333	81	(825)

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 2006, valuation allowances have increased for Airbus while some were partly released in Astrium. Furthermore in 2006, a tax audit of DASA for the years 1994 until 1999 was finalised. According to the EADS shareholders agreement the related tax expense was reimbursed by Daimler AG. Thus deferred tax

assets have been adjusted resulting in a reconciling item of €39 million and included in “other”.

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 are related to the following assets and liabilities:

(in €m)	31 st December 2006		Movement through equity		Movement through income statement		31 st December 2007	
	Tax assets	Tax liabilities	OCI/IAS 19	Others ⁽¹⁾	R&D tax credits	Deferred tax benefit (expense)	Tax assets	Tax liabilities
Intangible assets	14	(209)	0	(24)	0	48	22	(193)
Property, plant and equipment	106	(1,224)	0	20	0	103	152	(1,147)
Investments and other long-term financial assets	51	(97)	4	0	0	137	131	(36)
Inventories	669	(227)	0	(10)	0	33	895	(430)
Receivables and other assets	87	(2,445)	(6)	0	0	218	84	(2,230)
Prepaid expenses	1	(23)	0	15	0	(8)	1	(16)
Provision for retirement plans	1,043	0	(173)	(3)	0	(225)	642	0
Other provisions	944	(71)	0	(3)	0	722	1,752	(160)
Liabilities	782	(508)	129	(8)	0	(359)	690	(654)
Deferred income	529	(24)	0	(7)	0	(36)	486	(24)
Net operating loss and tax credit carry forwards	1,425	0	0	(26)	45	(296)	1,148	0
Deferred tax assets/(liabilities) before offsetting	5,651	(4,828)	(46)	(46)	45	337	6,003	(4,890)
Valuation allowances on deferred tax assets	(664)	0	0	8	0	60	(596)	0
Set-off	(2,363)	2,363	0	0	0	0	(2,702)	2,702
Net Deferred tax assets/(liabilities)	2,624	(2,465)	(46)	(38)	45	397	2,705	(2,188)

(1) "Others" mainly comprises foreign exchange rate effect 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 €35 million (in 2006: €102 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	U.K.	Netherlands	Other countries	31 st December 2007	31 st December 2006
Net Operating Losses (NOL)	507	630	58	1,610	17	43	2,865	3,514
Trade tax loss carry forwards	-	586	-	-	-	-	586	880
Tax credit carry forwards	-	-	300	-	5	-	305	249
Tax effect	174	183	318	451	10	12	1,148	1,425
Valuation allowances	(28)	(77)	-	(399)	-	(4)	(508)	(513)
Deferred tax assets on NOL's and tax credit carry forwards	146	106	318	52	10	8	640	912

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 (€2 million) will expire in 2014. In the Netherlands NOLs and tax credit carry forwards expire after 9 years.

Roll forward of deferred taxes:

(in €m)	2007	2006
Net deferred tax asset beginning of the year	159	604
Deferred tax benefit in income statement	397	193
Deferred tax recognised directly in AOCI (IAS 39)	127	(638)
Variation of Defined benefit plan actuarial gains	(173)	(24)
Others	7	24
Net deferred tax asset at year end	517	159

Details of deferred taxes recognised in equity are as follows:

(in €m)	2007	2006
Available-for-sale investments	(2)	(6)
Cash flow hedges	(1,582)	(1,705)
Defined benefit plan actuarial losses	226	399
Total	(1,358)	(1,312)

Notes to the Consolidated Balance Sheets (IFRS)

12. Intangible Assets

A schedule detailing gross values, accumulated depreciation and net values of intangible assets as of 31st December 2007 is as follows:

Cost

(in €m)	Balance at 1 st January 2007	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 st December 2007
Goodwill	10,710	(29)	9	(29)	0	(12)	10,649
Capitalised development costs	885	(18)	93	(2)	2	(2)	958
Other intangible assets	1,140	(7)	163	7	0	0	1,303
Total	12,735	(54)	265	(24)	2	(14)	12,910

Amortisation

(in €m)	Balance at 1 st January 2007	Exchange differences	Amortisation charge	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 st December 2007
Goodwill	(1,145)	9	0	6	0	0	(1,130)
Capitalised development costs	(12)	0	(46)	0	(2)	2	(58)
Other intangible assets	(723)	7	(181)	7	0	0	(890)
Total	(1,880)	16	(227)	13	(2)	2	(2,078)

Net book value

(in €m)	Balance at 1 st January 2007	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 st December 2007
Goodwill	9,565	(20)	9	(23)	0	(12)	9,519
Capitalised development costs	873	(18)	47	(2)	0	0	900
Other intangible assets	417	0	(18)	14	0	0	413
Total	10,855	(38)	38	(11)	0	(12)	10,832

A schedule detailing gross values, accumulated depreciation and net values of intangible assets as of 31st December 2006 is as follows:

Cost

(in €m)	Balance at 1 st January 2006	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 st December 2006
Goodwill	11,306	2	64	15	0	(677) ⁽¹⁾	10,710
Capitalised development costs	466	3	411	0	5	0	885
Other intangible assets	1,023	0	161	23	(8)	(59)	1,140
Total	12,795	5	636	38	(3)	(736)	12,735

Amortisation/Impairment

(in €m)	Balance at 1 st January 2006	Exchange differences	Amortisation charge	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 st December 2006
Goodwill	(1,139)	0	0	(6)	0	0	(1,145)
Capitalised development costs	(4)	0	(7)	0	(1)	0	(12)
Other intangible assets	(600)	0	(196)	10	8	55	(723)
Total	(1,743)	0	(203)	4	7	55	(1,880)

Net book value

(in €m)	Balance at 1 st January 2006	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 st December 2006
Goodwill	10,167	2	64	9	0	(677) ⁽¹⁾	9,565
Capitalised development costs	462	3	404	0	4	0	873
Other intangible assets	423	0	(35)	33	0	(4)	417
Total	11,052	5	433	42	4	(681)	10,855

(1) Subsequent adjustment of cost of Airbus business combination in the amount of €(613) million and finalisation of tax audit of €(64) million (see below for further details).

On 7th June 2006 BAE Systems exercised a put option to sell its 20% stake in Airbus at a fair value of €2,750 million to EADS (accounted at 31st December 2005 with €3,500 million). The transaction became effective as of 13rd October 2006. In accordance with the Airbus shareholders' agreement, an independent investment bank has determined the purchase price. Compared to 2005's contingent consideration of the Airbus business combination, the acquisition cost of the 20% stake in Airbus was reduced, leading to a decrease in goodwill by €613 million after taking into consideration a dividend payment to BAE Systems of €129 million in 2006 and transaction costs.

In 2006, a tax audit of DASA for the years 1994 until 1999 was finalised. According to the EADS shareholders agreement the related tax expense was reimbursed by Daimler AG. Thus

deferred tax assets and goodwill have been adjusted as of 31st December 2006 in Defence & Security by €52 million and Headquarters by €12 million.

EADS acquired on 3rd August 2006 40% of the shares of the Atlas Elektronik group, specialised in equipment and systems for naval forces, which is consolidated proportionally. The difference between the purchase price and the acquired net assets led to the recognition of a goodwill of €41 million.

Goodwill impairment tests

EADS performed impairment tests on Cash Generating Unit (CGU) level (on segment level or one level below) in the fourth quarter of the financial year.

As of 31st December 2007 and 2006, goodwill was allocated to Cash Generating Units, which is summarised in the following schedule on segment level:

(in €m)	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security	Astrium	Other Businesses	HQ/Conso.	Consolidated
Goodwill as of 31 st December 2007	6,374	12	111	2,431	574	0	17	9,519
Goodwill as of 31 st December 2006	6,374	12	111	2,476	575	0	17	9,565

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 current operative planning.

The current operative planning 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 3 to 4% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA.

EADS follows an active policy of foreign exchange risk hedging. As of 31st December 2007 the total hedge portfolio with maturities up to 2013 amounts to USD 51 billion (of which USD 6 billion relate to USD/GBP hedges) and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2008 to 2012). The average USD/€ hedge rate of the USD/€ hedge portfolio until 2013 amounts to USD/€ 1.26 and for the USD/GBP hedge portfolio until 2012 amounts to USD/GBP 1.71. For the determination of the operative planning in the Cash Generating Units management assumed future exchange rates of USD/€ 1.45 for 2008 onwards and GBP/€ 0.70 from 2008 onwards to convert in € the portion of future USD and GBP denominated revenues 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 in general amounts to 2% and has remained unchanged from prior years. These current forecasts are based on past experience as well as on future expected market developments.

Airbus Segment

For the purpose of impairment testing, Airbus segment is considered as a single CGU. The goodwill allocated to Airbus relates to the contribution of Airbus U.K., Airbus Germany and Airbus Spain.

The impairment test for Airbus has been conducted based on a fair value less cost to sell methodology. The main assumptions and the recoverable amount obtained have been compared for reasonableness to market data.

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

- Projected cash flows for the next five years are based on Airbus operative plan. 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 has been based on a normative view covering a full aeronautic cycle. The Long Range segment is reflected separately through the Business Case of A350 XWB programme.
- Airbus general market forecast was used as a long-term business assumption with sustaining of current market share per segment. No severe market downturn is forecasted. Cash flow projections include all of the estimated cost savings of the Power8 programme.
- Cash flows have been determined per currency (U.S. dollar and Euro). Accordingly applied discount rates reflect interest rate differential between dollar and euro zones. The USD denominated cash flows were discounted using a weighted average cost of capital after-tax (WACC) of 9.3%, while the Euro denominated cash flows' WACC was 9.5%. The USD discounted flows were then converted into € using U.S. dollar/Euro market spot rate (for the terminal value, the forward rate applied is USD/€ 1.50).
- Carrying value as well as planned cash flow include benefits from the existing hedge portfolio as per end December 2007.

With regard to the assessment of the fair value less cost to sell for the CGU Airbus, EADS 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 in the following areas:

- A change of the Euro against the U.S. dollar by 5 cents would lead to a change of the recoverable amount by +3.4 bn € (if 5 cents in decrease), -3.1 bn € (if 5 cents in addition).
- A reduction in the perpetuity growth rate by 0.5% would lead to a reduction of the recoverable amount by -0.9 bn €.
- An increase of 50 basis points in the WACC would change the recoverable amount by -1.8 bn €, a decrease by +2 bn €.
- 50% achievement of the planned cash savings of Power8 plan would change the recoverable amount by -11.3 bn €. Such a shortfall would trigger additional structural measures that cannot be sized at this stage.

The current positive difference between the recoverable value and the book 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.

Other EADS Segments

The impairment test for all other Cash Generating Units was based on the value in use calculation computed by applying a pre-tax discount rate of 12.1%. Cash flow projections are based on current 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 intake in 2007 and further key orders expected in the next three years, as for example Eurofighter 3rd tranche and export contracts - Unmanned Aerial Vehicles ("UAV") and Missile export orders. The operating margin of the division is expected to increase over the operative planning period thanks to the constantly volume growth and benefiting from initiated cost saving programmes.

The order book of the Astrium division as of 31st December 2007 (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. The successful launch of Skynet 5A and 5B in 2007, despite further development and production of the Skynet V satellites and ground infrastructure had a positive impact on Astrium Division's 2007 cash flow and will positively contribute in the future, thanks to the ramped-up level of revenues from the U.K. Ministry of Defence (MoD).

The recoverable amounts of all Cash Generating Units have exceeded their carrying amounts, indicating no goodwill impairment for 2007 and 2006.

Development Costs

EADS has capitalised development costs in the amount of €900 million as of 31st December 2007 (€873 million as of 31st December 2006) as internally generated intangible assets mainly for the Airbus A380 programme. The amortisation for the A380 programme has started when entering into final assembly line, on a unit of production basis.

13. Property, Plant and Equipment

Schedules detailing gross values, accumulated depreciation and net values of property, plant and equipment show the following as of 31st December 2007:

Cost

(in €m)	Balance at 1 st January 2007	Exchange differences	Additions	Change in consolidation scope ⁽¹⁾	Reclassification	Disposals	Balance at 31 st December 2007
Land, leasehold improvements and buildings including buildings on land owned by others	6,142	(49)	135	(49)	419	(126)	6,472
Technical equipment and machinery	10,063	(314)	402	(59)	1,355	(313)	11,134
Other equipment, factory and office equipment	5,067	(170)	203	(37)	(12)	(1,195)	3,856
Advance payments relating to plant and equipment as well as construction in progress	3,618	(137)	1,066	(1)	(2,059)	(13)	2,474
Total	24,890	(670)	1,806	(146)	(297)	(1,647)	23,936

Depreciation

(in €m)	Balance at 1 st January 2007	Exchange differences	Additions	Change in consolidation scope ⁽¹⁾	Reclassification	Disposals	Balance at 31 st December 2007
Land, leasehold improvements and buildings including buildings on land owned by others	(2,319)	10	(259)	22	34	88	(2,424)
Technical equipment and machinery	(5,886)	191	(967)	44	122	304	(6,192)
Other equipment, factory and office equipment	(2,462)	77	(263)	33	68	665	(1,882)
Advance payments relating to plant and equipment as well as construction in progress	(45)	1	(2)	0	0	1	(45)
Total	(10,712)	279	(1,491)	99	224	1,058	(10,543)

Net book value

(in €m)	Balance at 1 st January 2007	Exchange differences	Additions	Change in consolidation scope ⁽¹⁾	Reclassification	Disposals	Balance at 31 st December 2007
Land, leasehold improvements and buildings including buildings on land owned by others	3,823	(39)	(124)	(27)	453	(38)	4,048
Technical equipment and machinery	4,177	(123)	(565)	(15)	1,477	(9)	4,942
Other equipment, factory and office equipment	2,605	(93)	(60)	(4)	56	(530)	1,974
Advance payments relating to plant and equipment as well as construction in progress	3,573	(136)	1,064	(1)	(2,059)	(12)	2,429
Total	14,178	(391)	315	(47)	(73)	(589)	13,393

(1) The percentage of the proportional consolidation of MBDA has been changed from 50% to 37.5% as of 1st January 2007 leading to an impact of €(64) million in 2007.

Schedules detailing gross values, accumulated depreciation and net values of property, plant and equipment show the following as of 31st December 2006:

Cost

(in €m)	Balance at 1 st January 2006	Exchange differences	Additions	Change in consolidation scope	Reclassification	Disposals	Balance at 31 st December 2006
Land, leasehold improvements and buildings including buildings on land owned by others	5,739	(2)	175	1	314	(85)	6,142
Technical equipment and machinery	8,178	(28)	385	17	1,653 ⁽¹⁾	(142)	10,063
Other equipment, factory and office equipment	6,238	(233)	315	(30)	(767) ⁽¹⁾	(456)	5,067
Advance payments relating to plant and equipment as well as construction in progress	3,474	27	1,404	(8)	(1,259)	(20)	3,618
Total	23,629	(236)	2,279	(20)	(59)	(703)	24,890

Depreciation

(in €m)	Balance at 1 st January 2006	Exchange differences	Additions	Change in consolidation scope	Reclassification	Disposals	Balance at 31 st December 2006
Land, leasehold improvements and buildings including buildings on land owned by others	(2,096)	2	(285)	0	(8)	68	(2,319)
Technical equipment and machinery	(4,568)	3	(869)	(11)	(576) ⁽²⁾	135	(5,886)
Other equipment, factory and office equipment	(3,104)	103	(289)	30	619 ⁽²⁾	179	(2,462)
Advance payments relating to plant and equipment as well as construction in progress	(44)	0	0	0	(1)	0	(45)
Total	(9,812)	108	(1,443)	19	34	382	(10,712)

Net book value

(in €m)	Balance at 1 st January 2006	Exchange differences	Additions	Change in consolidation scope	Reclassification	Disposals	Balance at 31 st December 2006
Land, leasehold improvements and buildings including buildings on land owned by others	3,643	0	(110)	1	306	(17)	3,823
Technical equipment and machinery	3,610	(25)	(484)	6	1,077 ⁽³⁾	(7)	4,177
Other equipment, factory and office equipment	3,134	(130)	26	0	(148) ⁽³⁾	(277)	2,605
Advance payments relating to plant and equipment as well as construction in progress	3,430	27	1,404	(8)	(1,260)	(20)	3,573
Total	13,817	(128)	836	(1)	(25)	(321)	14,178

(1) Reclassification of the at cost value from "other equipment, factory and office equipment" to "technical equipment and machinery" to harmonise presentations in the amount of €848 million.

(2) Reclassification of the cumulative depreciation from "other equipment, factory and office equipment" to "technical equipment and machinery" to harmonise presentations in the amount of €587 million.

(3) Reclassification of the net book value from "other equipment, factory and office equipment" to "technical equipment and machinery" to harmonise presentations in the amount of €261 million.

The 2006 depreciation of **Property, plant and equipment** includes impairment charges of €189 million mainly related to Airbus (A380) and Sogerma.

Property, plant and equipment include at 31st December 2007 and 2006, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of €121 million and €140 million, net of accumulated depreciation of €128 million and €399 million. The related depreciation expense for 2007 was €12 million (2006: €35 million; 2005: €31 million). For investment property please refer to Note 33 “Investment property”.

Other equipment, factory and office equipment include the net book value of “aircraft under operating lease” for

The corresponding non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at 31st December 2007 are as follows:

(in €m)	
Not later than 2008	84
Later than 2008 and not later than 2012	219
Later than 2012	151
Total	454

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

€1,319 million and €1,992 million as of 31st December 2007 and 2006, respectively; related accumulated depreciation is €891 million and €1,509 million. Depreciation expense for 2007 amounts to €105 million (2006: €137 million; 2005: €231 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 29 “Commitments and contingencies” for details on sales financing transactions).

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 26 “Deferred income”).

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

(in €m)	31 st December 2007	31 st December 2006
(i) Net book value of aircraft under operating lease before impairment charge	600	1,216
Accumulated impairment	(102)	(272)
Net book value of aircraft under operating lease	498	944
(ii) Aircraft under operating lease with the present value of the guarantee being more than 10%	821	1,048
Total Net Book value of aircraft under operating lease	1,319	1,992

For details please refer to Note 29 “Commitments and contingencies”.

14. 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 st December 2007	31 st December 2006
Investments in associates accounted for under the equity method	2,238	2,095
Non-current other investments and other long-term financial assets		
Other investments	404	545
Other long-term financial assets	1,149	1,121
Total	1,553	1,666
Current portion of other long-term financial assets	166	103

Investments in associates accounted for under the equity method as of 31st December 2007 and 2006, mainly contain EADS' interest in Dassault-Aviation Group (46.30% at 31st December 2007 and at 31st December 2006) of €2,121 million and €1,985 million. The Dassault-Aviation Group reported in 2007 a net income of €382 million (2006: €281 million) of which EADS recognised an amount of

€177 million (2006: €130 million) according to its share of interest. In 2007, the equity investment income from Dassault-Aviation includes positive IFRS catch-up adjustments amounting to €17 million (2006: €0 million). In addition, as at 31st December 2007, €(6) million (in 2006: €34 million) were recognised in AOCI in relation with the Dassault-Aviation equity investment.

The following table illustrates summarised financial information of the EADS investment of 46.3% in Dassault-Aviation as of 31st December 2007 and 2006:

(in €m)	31 st December 2007	31 st December 2006
Share of the associate's balance sheet:		
Non-current assets	1,949	1,549
Current assets	2,487	2,353
Non-current liabilities	145	175
Current liabilities	2,554	2,126
Total equity	1,737	1,601
Share of the associate's revenues and profit:		
Revenues	1,891	1,529
Net Income	177	130
Carrying amount of the investment	2,121	1,985

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

Other investments comprise EADS' investment in various non-consolidated entities, the most significant being at 31st December 2007, the participation of 10% in Irkut amounting to €62 million (2006: €77 million). The investment in Embraer was sold in February 2007 (2006: €123 million).

Other long-term financial assets of €1,149 million (2006: €1,121 million) and the **current portion of other long-term financial assets** of €166 million (in 2006: €103 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 29 "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 st December 2007	31 st December 2006
Outstanding gross amount of loans to customers	346	247
Accumulated impairment	(79)	(90)
Total net book value of loans	267	157

Finance lease receivables from aircraft financing are as follows:

(in €m)	31 st December 2007	31 st December 2006
Minimum lease payments receivables	795	901
Unearned finance income	(105)	(162)
Accumulated impairment	(112)	(109)
Total net book value of finance lease receivables	578	630

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

(in €m)	
Not later than 2008	128
Later than 2008 and not later than 2012	269
Later than 2012	398
Total	795

Additionally included are €470 million and €437 million of other loans as of 31st December 2007 and 2006, e.g. loans to employees.

Defeased bank deposits of €677 million and €927 million as of 31st December 2007 and 2006, respectively have been offset against financing liabilities.

15. Inventories

Inventories at 31st December 2007 and 2006 consist of the following:

(in €m)	31 st December 2007	31 st December 2006
Raw materials and manufacturing supplies	1,596	1,283
Work in progress	12,253	11,260
Finished goods and parts accounted for at lower of cost and net realisable value	1,217	1,224
Advance payments to suppliers	3,840	3,125
Total	18,906	16,892

The increase in work in progress of €993 million was mainly driven by Airbus' A380 programme, the A400M programme and the ramp-up at Eurocopter partly compensated by the MBDA quotation change from 50% to 37.5% in the amount

of €(318) million. The increase of advance payments provided to suppliers mainly reflects activities in Airbus for supplier funding and in Defence for Eurofighter Series Production Equipment.

The finished goods and parts for resale before write-down to net realisable value amount to €1,565 million in 2007 (2006: €1,559 million) and work in progress before write-down to net realisable value amounts to €13,632 million (2006: €12,186 million). Write downs for finished goods and services

are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. The impairment charges in 2007 and 2006 for work in progress mainly relate to the A380 programme.

16. Trade Receivables

Trade receivables at 31st December 2007 and 2006 consist of the following:

(in €m)	31 st December 2007	31 st December 2006
Receivables from sales of goods and services	5,026	5,227
Allowance for doubtful accounts	(387)	(375)
Total	4,639	4,852

Trade receivables are classified as current assets. As of 31st December 2007 and 2006, respectively, €175 million and €132 million of trade receivables are not expected to be collected within one year.

In application of the **percentage of completion** (POC) method, as of 31st December 2007 an amount of €1,488 million (in 2006: €1,477 million) for construction contracts is included in the trade receivables net of related advance payments received.

(in €m)	2007
Construction contracts: assets	5,134
Construction contracts: liabilities	(5,409)
Construction contracts, net liabilities	(275)
<u>This amount corresponds to:</u>	
Aggregated amount of costs incurred and recognised profits (less recognised losses) to date;	21,128
Less, progress billings	(21,403)

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

(in €m)	2007	2006
Allowance balance at 1 st January	(375)	(407)
Utilisations/Disposals	18	53
Write-downs/reversal of write downs	(33)	(18)
Foreign exchange rate differences	3	(3)
31st December	(387)	(375)

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 €3,403 million.

17. Other Assets

Other assets at 31st December 2007 and 2006 consist of the following:

(in €m)	31 st December 2007	31 st December 2006
Non current other assets		
Positive fair values of derivative financial instruments	2,440	3,235
Prepaid expenses	808	683
Capitalised settlement payments to German Government	166	198
Others	129	115
Total	3,543	4,231
Current other assets		
Positive fair values of derivative financial instruments	2,955	2,032
Value Added Tax claims	627	595
Prepaid expenses	401	384
Receivables from related companies	363	289
Receivables from affiliated companies	81	125
Loans	101	37
Others	644	552
Total	5,172	4,014

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

18. Securities

The Group's security portfolio amounts to €4,289 million and €1,843 million as of 31st December 2007 and 2006, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of €2,406 million (in 2006: €1,294 million) and securities designated at fair value through profit and loss of €285 million (in 2006: €0 million) as well as a **current portion** of available-for-sale-securities of €1,598 million (in 2006: €549 million).

Included in the securities portfolio as of 31st December 2007 and 2006, respectively are corporate bonds bearing either fixed

rate coupons (€827 million nominal value; 2006: €489 million) or floating rate coupons (€3,219 million nominal value; 2006: €993 million) as well as capital protected Notes of Hedgefunds (€275 million nominal value; 2006: €0 million) and other funds (€4 million nominal value). In 2006, there were additionally also credit instruments bearing floating rate coupons (€294 million nominal value) and equity instruments (€51 million nominal value).

19. Non-Current Assets/Disposal Groups Classified as Held for Sale

At 31st December 2007 EADS Group does not account for **non-current assets/disposal groups classified as held for sale** (in 2006: €76 million). The previous year's figure concerns assets and disposal groups mainly related to Sogerma. The disposal group in 2006 includes **liabilities directly associated with non-current assets classified as held for sale** amounting to €64 million.

At 31st December 2006, EADS held three subsidiaries for sale in the Group's Financial Statements. The net assets were written down to the lower of their carrying amount or fair value less costs to sell resulting in an impairment loss of €(84) million.

As of 1st December 2006, EADS carried out a spin-off of the MRO business located in Bordeaux into a separate legal entity "Sogerma Services" and sold 40% of the shares for no consideration. The remaining 60% shares of Sogerma Services as well as the shares of the subsidiaries Barfield and Sogerma

Tunisia were sold beginning of January 2007. The corresponding assets and liabilities of these companies are thus presented as held for sale as of 31st December 2006.

The non-current assets and disposal groups classified as held for sale comprise as of 31st December 2006 trade receivables of €34 million, inventories of €15 million and other assets in the amount of €10 million for the Sogerma business. Included are also Airbus assets of €17 million concerning mainly sales financing activities.

As of 31st December 2006, the corresponding liabilities for the Sogerma business, accounted for as **Liabilities directly associated with non-current assets classified as held for sale** amount to €64 million and comprise current other liabilities (€27 million), provisions (€14 million), short term financing liabilities (€12 million) and other liabilities (€11 million).

20. Total Equity

The reconciliation of movement in capital and reserves for the years ended 31st December 2007, 2006 and 2005 is presented in the following table:

(in €m)	Note	Equity attributable to equity holders of the parent					Total	Minority interests	Total equity
		Capital stock	Share premium	Other reserves	Accumulated other comprehensive income	Treasury shares			
Balance at 31st December 2004		810	8,952	(1,450)	7,678	(177)	15,813	134	15,947
Total recognised income and expenses				1,401	(3,696)		(2,295)	19	(2,276)
Capital increase		9	178				187		187
Share-based Payment (IFRS 2)	31			33			33		33
Cash distribution to EADS N.V. shareholders			(396)				(396)		(396)
Purchase of treasury shares						(288)	(288)		(288)
Cancellation of treasury shares		(1)	(19)			20	0		0
Balance at 31st December 2005		818	8,715	(16)	3,982	(445)	13,054	153	13,207
Total recognised income and expenses				(591)	973		382	(4)	378
Capital increase		5	89				94		94
Share-based Payment (IFRS 2)	31			40			40		40
Cash distribution to EADS N.V. shareholders/dividends paid to minority interests			(520)				(520)	(16)	(536)
Change in minority interests							0	4	4
Purchase of treasury shares						(35)	(35)		(35)
Cancellation of treasury shares		(7)	(124)			131	0		0
Balance at 31st December 2006		816	8,160	(567)	4,955	(349)	13,015	137	13,152
Total recognised income and expenses				(43)	121		78	41	119
Capital increase		3	43				46	2	48
Share-based Payment (IFRS 2)	31			48			48		48
Cash distribution to EADS N.V. shareholders/dividends paid to minority interests			(97)				(97)	(1)	(98)
Change in minority interests ⁽¹⁾							0	(94)	(94)
Cancellation of treasury shares		(5)	(138)			143	0		0
Balance at 31st December 2007		814	7,968	(562)	5,076	(206)	13,090	85	13,175

(1) The total amount is related to the change in the percentage of the proportional consolidation of MBDA from 50% in 2006/2005 to 37.5%; please refer to Note 3 "Scope of Consolidation".

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

Number of shares	2007	2006
Issued as at 1st January	815,931,524	817,743,130
Issued for ESOP	2,037,835	0
Issued for exercised options	613,519	4,845,364
Cancelled	(4,568,405)	(6,656,970)
Issued as at 31st December	814,014,473	815,931,524
Treasury shares as at 31 st December	(9,804,998)	(13,800,531)
Outstanding as at 31st December	804,209,475	802,130,993

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 4th May 2007, 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 have powers to limit and to exclude preferential subscription rights, in both cases for a period expiring at the Shareholders' General Meeting to be held in 2009.

The Shareholders' General Meeting on 4th May 2007 also 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 4th May 2006.

Furthermore, the Shareholders' General Meeting authorised both the Board of Directors and the Chief Executive Officers, with power of substitution, to cancel up to a maximum of 4,568,405 shares. On 12th July 2007, the Chief Executive Officers decided to cancel 4,568,405 treasury shares.

On 4th May 2007, the Shareholders' General Meeting also decided to distribute the result of the fiscal year 2006 resulting

in a gross amount of €0.12 per share, which was paid on 16th May 2007. Relating to the fiscal year 2007 a cash distribution of €0.12 per share is proposed.

In total EADS purchased in 2007 572,872 treasury shares (in 2006: sale of 145,203 treasury shares) and cancelled 4,568,405 shares (in 2006: 6,656,970 shares), resulting in an amount of 9,804,998 treasury shares at 31st December 2007 (in 2006: 13,800,531 treasury shares).

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of €613,519 (in 2006: €4,845,364) in compliance with the implemented stock option plans and €2,037,835 by employees under the 2007 Employee Stock Ownership Plan. In 2006, the Employee Stock Ownership Plan was cancelled and consequently, EADS did not issue any new shares.

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 or that form part of hedging relationships in effective cash-flow hedges as well as from currency translation adjustments of foreign entities. Treasury shares represent the amount paid for own shares held in treasury.

21. 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.

Currently, EADS' long-term rating from Standard & Poor's is BBB+ (Outlook: stable) and A1 (Outlook: stable) from Moody's Investors Service respectively. In accordance with its conservative financial policy it is essential for EADS to maintain an investment grade rating.

EADS' management currently implements a monitoring system which allows benchmarking the return on capital by comparing it with the cost of capital. EADS basically defines return on capital as operating income before interest expense after tax (NOPAT) divided by the sum of total shareholders' equity and

interest bearing liabilities, excluding components arising from cash flow hedges.

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

As mentioned above, the Group reassessed its approach to capital management in 2007. The focus is now on total interest bearing liabilities as one of the capital components rather than on "net liabilities" (interest bearing liabilities net of cash and cash equivalents) as in previous years. Capital management is part of EADS' management by objectives which is planned to be re-aligned with EADS' change in capital definition.

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.

22. Provisions

Provisions are comprised of the following:

(in €m)	31 st December 2007	31 st December 2006
Provision for retirement plans (see Note 22 b)	4,517	5,747
Provision for deferred compensation (see Note 22 a)	151	136
Retirement plans and similar obligations	4,668	5,883
Other provisions (see Note 22 c)	7,765	6,580
Total	12,433	12,463
Thereof non-current portion	8,055	8,911
Thereof current portion	4,378	3,552

Regarding the retrospective change in presentation of "Other provisions" (€(152) million in non-current portion and €(79) million in current portion) with the related reclassification of "Financial Instruments" to "Other liabilities" please refer to Note 2 "Summary of significant accounting policies".

As of 31st December 2007 and 2006, respectively, €4,382 million and €5,602 million of retirement plans and

similar obligations and €3,673 million and €3,309 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.

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 U.K., 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 U.K. pension plans are Airbus U.K. and MBDA U.K.. For Airbus, this remains the case even subsequent to the acquisition of BAE Systems' 20% minority interests on 13th October 2006. Participating Airbus U.K. employees have continued to remain members in the BAE Systems U.K. pension plans due to the U.K. pension agreement between EADS and BAE Systems and a change in U.K. 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 U.K. 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 includes 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 U.K. and until December 2007 for MBDA U.K.). 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 U.K. multi-employer plans with special regulations limiting regular contributions that have to be paid by Airbus U.K. and MBDA U.K. 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 31st 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 U.K. investments as of 31st December 2007 and 2006, 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' U.K. defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

Compared to 2006, the share of Airbus in BAE Systems' main schemes has decreased in 2007 due to a relative decrease in the number of active members. The impact of this change is 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:

	Euro-countries			EADS U.K.			BAE Systems U.K.	
	31 st December			31 st December			31 st December	
Assumptions in %	2007	2006	2005	2007	2006	2005	2007	2006
Discount rate	5.25 - 5.35	4.5	4.0	5.8	5.1	4.7	5.8	5.2
Rate of compensation increase	3.0	3.0	3.0	4.2	3.8	3.7	4.3	4.0
Inflation rate	1.9 - 2.0	1.9 - 2.0	1.75 - 2.0	3.1	2.8	2.7	3.3	3.0
Expected return on plan assets	7.0	6.5	6.5	5.8	5.8	5.8	7.0	7.0

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

Change in defined benefit obligations (in €m)	2007	2006	2005
Defined benefit obligations at beginning of year	9,584	5,927	5,198
Service cost	213	162	153
Interest cost	429	230	252
Plan amendments	22	2	8
Actuarial (gains) and losses	(729)	(185)	517
Acquisitions, curtailments and other	(42)	(15)	2
Benefits paid	(383)	(228)	(208)
Foreign currency translation adjustment	(298)	(5)	5
Change in consolidation ⁽¹⁾	(223)	3,696	0
Defined benefit obligations at end of year	8,573	9,584	5,927

(1) Reflects the change in the percentage of the proportional consolidation of MBDA from 50% in 2006/2005 to 37.5% in 2007 and EADS' share in BAE Systems' pension schemes in 2006.

Due to the BAE Systems U.K. pension plans, service cost increased by €61 million and interest cost by €168 million. Actuarial gains which are related to the BAE Systems U.K.

pension plans amount to €(426) million and foreign currency translation adjustment amounts to €(274) million.

Change in plan assets (in €m)	2007	2006	2005
Fair value of plan assets at beginning of year	3,833	799	658
Actual return on plan assets	119	84	82
Contributions	683	212	111
Acquisitions and other	18	6	5
Benefits paid	(223)	(72)	(60)
Foreign currency translation adjustments	(242)	5	3
Change in consolidation ⁽¹⁾	(157)	2,799	0
Fair value of plan assets at end of year	4,031	3,833	799

(1) Reflects the change in the percentage of the proportional consolidation of MBDA from 50% in 2006/2005 to 37.5% in 2007 and EADS' share in BAE Systems' pension schemes in 2006.

In 2007, the actual return on plan assets of €119 million includes among others, also €42 million relating to the BAE Systems' U.K. pension plans. This actual return also includes actuarial losses on plan assets due to the decrease of EADS' share in BAE Systems' U.K. pension plans. Furthermore, €(223) million of foreign currency translation adjustments and €(122) million of benefits paid result from BAE Systems' U.K. pension plans.

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

Based on past experience, EADS expects a rate of return for plan assets of 7.0%.

In 2007, about 51% of plan assets are invested in equity securities. The remaining plan assets are invested mainly in debt instruments.

Recognised Provision (in €m)	2007	2006	2005	2004	2003
Funded status ⁽¹⁾	4,542	5,751	5,128	4,540	4,116
Unrecognised past service cost	(25)	(4)	(4)	(5)	(14)
Provision recognised in Balance Sheet	4,517	5,747	5,124	4,535	4,102

(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)	2007	2006	2005
Service cost	213	162	153
Interest cost	429	230	252
Expected return on plan assets	(260)	(58)	(42)
Net actuarial loss	0	0	14
Prior service cost	3	0	0
Net periodic pension cost	385	334	377

Due to BAE Systems’ U.K. pension plans service cost increases by €61 million and interest cost rise by €168 million. The expected return on plan assets for BAE Systems’ U.K. pension plans amounts to €(189) million.

Actuarial gains and losses, net of deferred taxes recognised in total equity amount to €(974) million and are developed as follows:

Actuarial gains and losses recognised directly in total equity (in €m)	2007	2006	2005
Cumulative amount at 1 st January	(1,808)	(1,118)	(659)
Recognised during the period ⁽¹⁾	608	(690)	(459)
Cumulative value at 31st December	(1,200)	(1,808)	(1,118)
Deferred Tax Asset at 31 st December	226	399	423
Actuarial gains and losses recognised directly in equity, net	(974)	(1,409)	(695)

(1) Included in 2007 is the change in the percentage of the proportional consolidation of MBDA from 50% in 2006/2005 to 37.5% (€37 million) and in 2006 the allocated pension deficit from U.K. pension schemes with BAE Systems as of 31st December 2006 amounting to €897 million.

The contribution to be paid in 2008 as funding for the CTA is expected to be about €155 million. The contribution expected to be paid in 2008 for the BAE Systems U.K. pension plans are expected to be in the same range as in 2007 (€74 million). For the remaining pension plans no estimate is reasonably possible.

Contribution to state pension plans mainly in Germany and France are to be considered as defined contribution plans. Contributions in 2007 amount to €518 million.

c) Other Provisions

Movements in provisions during the year were as follows:

(in €m)	Balance at 1 st January 2007	Exchange differences	Increase from passage of time	Additions	Reclassi- fication/ Change in consolidated group	Used	Released	Balance at 31 st December 2007
Outstanding costs	1,104	(1)	5	499	89	(292)	(59)	1,345
Aircraft financing risks	1,064	(94)	0	55	0	(49)	(164)	812
Contract losses	421	(2)	65	2,608	(16)	(467)	(63)	2,546
Personnel charges	410	(2)	3	153	1	(129)	(26)	410
Restructuring measures/pre-retirement part-time work	326	(5)	44	679	(19)	(96)	(26)	903
Litigations and claims	238	(18)	0	12	(33)	(18)	(4)	177
Obligation from services and maintenance agreements	211	(1)	8	116	0	(72)	0	262
Warranties	187	0	0	80	(7)	(46)	(21)	193
Asset retirement	80	0	0	8	0	0	0	88
Other risks and charges	2,539	(60)	87	233	(990)	(661)	(119)	1,029
Total	6,580	(183)	212	4,443	(975)	(1,830)	(482)	7,765

The addition to outstanding costs mainly relates to Defence & Security and Eurocopter.

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 €311 million (€432 million at 31st December 2006) and asset value risks of €501 million (€633 million at 31st December 2006) related to Airbus and ATR (see Note 29 "Commitments and contingencies").

The provision for contract losses mainly relates to the division Airbus in conjunction with the A400M and A350 programmes. The measurement of the onerous contract provision for the A350 reflects the programme's expected cost in accordance with

the latest business case revision as well as the impact of the USD exchange rate development. The A400M loss making contract provision is based upon the reassessed cost at completion taking into account financial impacts of the delayed delivery schedule as revised in Q3 2007.

The provisions for restructuring measures mainly relate to Airbus' Power8 programme for the reduction of overhead costs. The plan was announced to the employees in 2007. The restructuring is expected to be completed in 2010.

From the provisions for other risks and charges, parts of the provisions for settlement charges in conjunction with the A380 and A350 programmes were reclassified to liabilities.

23. Financing Liabilities

In 2004, the EIB (European Investment Bank) granted a long-term loan to EADS in the amount of USD 421 million, bearing a fixed interest rate of 5.1% (effective interest rate 5.1%). In 2003, EADS issued two Euro denominated bonds under its EMTN Programme (Euro Medium Term Note Programme). The first issue of €1 billion with expected final maturity in 2010 carries a coupon of 4.625% (effective interest rate 4.686%) 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 +1.81%.

On a rolling basis EADS issues regularly 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 bearing as of 31st December 2007 an average interest rate of 4.54% (2006: 3.3%). The issued volume at 31st December 2007 amounted to €501 million (2006: €1,137 million). The programme has been set up in 2003 with a maximum volume of €2 billion. EADS has decided to manage more pro-actively its money market investor base. EADS has therefore decided to have an outstanding debt in line with this objective and to issue these commercial papers on a regular basis.

Financing liabilities include liabilities connected with sales financing transactions amounting to €1,356 million (2006: €1,702 million), thereof €396 million (2006: €480 million) at a fixed interest rate of 9.88% (2006: 9.88%) and the remaining amount mainly at variable interest rates.

Non recourse Airbus financing liabilities (risk is supported by external parties) amount to €859 million (2006: €1,058 million).

Defeased bank deposits for aircraft financing of €677 million and €927 million as of 31st December 2007 and 2006 respectively have been offset against financing liabilities.

(in €m)	31 st December 2007	31 st December 2006
Bonds	1,469	1,569
thereof due in more than five years: 430 (31 st December 2006: 453)		
Liabilities to financial institutions	952	1,141
thereof due in more than five years: 651 (31 st December 2006: 817)		
Loans	548	673
thereof due in more than five years: 382 (31 st December 2006: 347)		
Liabilities from finance leases	121	178
thereof due in more than five years: 69 (31 st December 2006: 74)		
Long-term financing liabilities	3,090	3,561
Commercial Papers/Bonds	579	1,157
Liabilities to financial institutions	108	140
Liabilities to affiliated companies	163	118
Loans	183	172
Liabilities from finance leases	69	97
Others	622	512
Short-term financing liabilities (due within one year)	1,724	2,196
Total	4,814	5,757

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 follows:

(in €m)	Financing liabilities
2008	1,724
2009	146
2010	1,160
2011	149
2012	103
Thereafter	1,532
Total	4,814

24. Other Liabilities

(in €m)	31 st December 2007	31 st December 2006
Non-current other liabilities		
Thereof customer advance payments	8,420	6,308
Thereof European Governments refundable advances	4,854	5,029
Thereof liabilities for derivative financial instruments	258	152
Others	595	233
Total	14,127	11,722
Current other liabilities		
Thereof customer advance payments	16,214	14,172
Thereof European Governments refundable advances	461	389
Thereof tax liabilities (excluding income tax)	557	600
Thereof liabilities to affiliated companies	46	44
Thereof liabilities to related companies	23	14
Thereof liabilities for derivative financial instruments	36	79
Others	2,346	1,941
Total	19,683	17,239

The decrease of European Governments refundable advances relates mostly to reimbursements paid. This was partly compensated by expenses for accrued interest. Regarding the interest expense on European Governments refundable advances see Note 10 “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 “Other Liabilities” on the balance sheet including accrued interest.

Included in “Other liabilities” are €16,763 million (€15,652 million as of 31st December 2006) due within

one year and €6,660 million (€6,419 million as of 31st December 2006) maturing after more than five years.

Advance payments received relating to construction contracts amount to €3,646 million (€2,198 million as of 31st December 2006).

“Provisions for financial instruments” were retrospectively reclassified in the amount of €231 million to “Liabilities for derivative financial instruments”.

25. Trade Liabilities

As of 31st December 2007, trade liabilities amounting to €294 million (€184 million as of 31st December 2006) mature after more than one year.

26. Deferred Income

(in €m)	31 st December 2007	31 st December 2006
Non-current deferred income	753	1,110
Current deferred income	706	486
Total	1,459	1,596

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 (€955 million and €1,248 million as of 31st December 2007 and 2006, respectively).

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

27. Consolidated Statement of Cash Flows

As of 31st December 2007, EADS' cash position (stated as cash and cash equivalents in the Consolidated Statement of Cash-Flows) includes €602 million (€597 million and €579 million as of 31st December 2006 and 2005, 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 percentage of the proportional consolidation of MBDA has changed from 50% to 37.5% as of 1st January 2007.

Additionally included were €1,202 million as of 31st December 2005 representing the amount Airbus had deposited at BAE Systems.

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

(in €m)	31 st December 2007	31 st December 2006	31 st December 2005
Total purchase price	(12)	(108)	(131)
thereof paid in cash and cash equivalents	(12)	(108)	(131)
Cash and cash equivalents included in the acquired subsidiaries and joint ventures	12	26	0
Cash Flow for acquisitions, net of cash	0	(82)	(131)

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 2006 the aggregate cash flow for acquisitions, net of cash of €(82) million includes mainly the acquisition of Atlas Elektronik Group €(43) million, Sofrelog €(12) million, IFR France €(8) million and Dynamic Process Solutions Inc. €(8) million.

Included in the aggregate cash flow for acquisitions, net of cash in 2005 of €(131) million is mainly the acquisition of Nokia's Professional Mobile Radio - PMR activities (EADS Secure Networks Oy). In addition, there have been cash investments mainly in Dornier GmbH which had been already fully consolidated.

(in €m)	31 st December 2007	31 st December 2006	31 st December 2005
Intangible assets; property, plant and equipment	0	59	21
Financial assets	0	4	0
Inventories	0	44	4
Trade receivables	3	60	11
Other assets	1	4	27
Cash and cash equivalents	12	26	0
Assets	16	197	63
Provisions	(8)	(91)	(4)
Trade liabilities	(1)	(46)	0
Financing liabilities	0	(3)	0
Other liabilities	(4)	(13)	(1)
Liabilities	(13)	(153)	(5)
Fair value of net assets	3	44	58
Goodwill arising on acquisitions	9	64	73
Less own cash and cash equivalents of acquired subsidiaries and joint ventures	(12)	(26)	0
Cash Flow for acquisitions, net of cash	0	82	131

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

(in €m)	31 st December 2007	31 st December 2006	31 st December 2005
Total selling price	28	87	110
thereof received by cash and cash equivalents	28	87	110
Cash and cash equivalents included in the (disposed) subsidiaries	1	(1)	(21)
Cash Flow from disposals, net of cash	29	86	89

The aggregate cash flow from disposals, net of cash, in 2007 of €29 million mainly includes the contribution in kind of Naval Business (HagenU.K., businesses in Germany and in U.K.) 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.

The aggregate cash flow from disposals, net of cash, in 2006 of €86 million includes the sale of LFK GmbH and TDW GmbH amounting to €81 million and Seawolf of €2 million. After the disposal of LFK the cash of LFK was reallocated to the shareholders of MBDA in proportion to their interest.

Included in the aggregate net selling price in 2005 of €89 million are the sale of the 50% participation in TDA – Armements S.A.S. to Thales and the sale of the Enterprise Telephony Business to Aastra.

(in €m)	31 st December 2007	31 st December 2006	31 st December 2005
Intangible assets; property, plant and equipment	17	(18)	(12)
Financial assets	(3)	(4)	0
Inventories	(5)	(89)	(34)
Trade receivables	(19)	(17)	(64)
Other assets	(2)	(22)	(34)
Cash and cash equivalents	1	(1)	(21)
Assets	(11)	(151)	(165)
Provisions	(7)	132	16
Trade liabilities	(5)	18	18
Financing liabilities	8	1	13
Other liabilities	9	52	45
Liabilities	5	203	92
Book value of net assets	(6)	52	(73)
Goodwill arising from disposals	(12)	0	(6)
Result from disposal of subsidiaries	(10)	(139)	(31)
Less own cash and cash equivalents of disposed subsidiaries	(1)	1	21
Cash Flow from disposals, net of cash	(29)	(86)	(89)

Other Notes to the Consolidated Financial Statements (IFRS)

28. Litigation and Claims

EADS is involved in a number of claims and arbitrations that have arisen in the ordinary course of business. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks.

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-U.S. Agreement on Trade in Large Civil Aircraft, the U.S. lodged a request on 6th October 2004 to initiate proceedings before the World Trade Organisation (“WTO”). On the same day, the EU launched a parallel WTO case against the U.S. in relation to its subsidisation of Boeing. On 31st May 2005, the U.S. and the EU each requested the establishment of a panel. At its meeting on 20th 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. The parties continue to provide input in response to the WTO’s written questions in advance of issuance of the WTO panels’ reports. Exact timing of further steps in the WTO litigation process is subject to ruling of the panels and to negotiations between

the U.S. and the EU. Unless a settlement, which is currently not under discussion, is reached between the parties, the WTO panels will render their reports probably sometime in 2008.

The French Autorité des Marchés Financiers (the “AMF”) and the German Federal Financial Supervisory Authority (the “BaFin”) started in 2006 investigations for alleged breaches of market regulations and insider trading rules with respect to, in particular, the A380 delays in 2005 and 2006. However, the BaFin formally notified EADS on 3rd March 2007 that it had discontinued its investigations for suspected breaches of market regulations. Upon referral by the BaFin, German public prosecutors are currently conducting investigations regarding suspected insider offences against a few individuals. Furthermore, in Germany, several individual shareholders have filed civil actions against EADS to recover their alleged losses in connection with the disclosure of A380 programme delays. Following criminal complaints filed by a shareholders’ association and by an individual shareholder (including a civil claim for damages), French investigating judges are carrying out investigations on the same facts. On 3rd October 2006, the EADS Board of Directors decided to conduct an independent

assessment of individual discharge of duties in the situation that led to the A380 delays. This investigation extended to scrutinising potential responsibilities at the management level. It concluded that no individual failed to discharge his duties under appropriate legal standards and no personal liability of members of the top management of EADS and Airbus was identified.

EADS is not aware of any exceptional items or pending or threatened legal or arbitration proceedings that may have, or may have had in a recent period, a material adverse effect on the financial position, the activities or the results of its group taken as a whole, except as stated above.

29. Commitments and Contingencies

Commitments and Contingent Liabilities

Sales financing — In relation to its Airbus and ATR activities, EADS is committing itself in sales financing transactions with selected customers. Sales financing transactions are generally collateralized by the underlying aircraft. Additionally, Airbus 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.

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 follows:

(in €m)	
Not later than 2008	179
Later than 2008 and not later than 2012	554
Later than 2012	472
Total	1,205
Of which commitments where the transaction has been sold to third parties	(699)
Total aircraft lease commitments where EADS bears the risk (not discounted)	506

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. For the amount provided for risk due to litigations and claims, see Note 22 c.) “Other provisions”.

Total aircraft lease commitments of €1,205 million as of 31st December 2007, arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of €851 million. A large part of these lease commitments (€699 million as of 31st December 2007) arises from transactions that were sold down to third parties, which assume liability for the payments. EADS

As of 31st December 2007 and 2006, the total consolidated – **on and off balance sheet** – Commercial Aviation Sales Financing Exposure is as follows (Airbus 100% and ATR 50%):

(in €m)	31 st December 2007	31 st December 2006
Total gross exposure	1,226	1,694
Estimated fair value of collateral (aircraft)	(622)	(791)
Net exposure (fully provided for)	604	903

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 €286 million as of 31st December 2007, as part of the provision for aircraft financing risk (see Note 22 c.) “Other provisions”).

Details of provisions / accumulated impairments are as follows:

(in €m)	31 st December 2007	31 st December 2006
Accumulated impairment on operating leases (see Note 13 “Property, plant and equipment”)	102	272
Accumulated impairment on loans from aircraft financing and finance leases (see Note 14 “Investments in associates accounted for under the equity method, other investments and other long-term financial assets”)	191	199
Provisions for aircraft financing risk (on balance sheet) (see Note 22 c.) “Other provisions”)	25	25
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 22 c.) “Other provisions”)	286	407
Total provisions / accumulated impairments for sales financing exposure	604	903

Asset value guarantees — Certain sales contracts may include the obligation of an asset value guarantee whereby Airbus 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 2019. 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 13 “Property, plant and equipment” and Note 26 “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 31st December 2007, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to €880 million, excluding €513 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 €501 million (see Note 22 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.

Because exercise dates for asset value guarantees are on average in the 10th year following aircraft delivery, asset value guarantees issued in 2007 will generally not be exercisable prior to 2017, and, therefore, an increase in near-term exposure is not expected.

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

Future nominal operating lease payments (for EADS as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to €979 million as of 31st December 2007, and relate mainly to procurement operations (e.g., facility leases, car rentals). Maturities are as follows:

(in €m)	
Not later than 2008	132
Later than 2008 and not later than 2012	325
Later than 2012	522
Total	979

30. 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) credit risk and iii) liquidity 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. 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 U.S. dollar sales, mainly from the activities of Airbus. This hedge portfolio

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.

covers to a large extent the Group's highly probable transactions.

Significant parts of EADS' revenues are denominated in U.S. dollar, 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-U.S. 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, some synthetic forwards and at Airbus to a minor extent non-derivative financial liabilities.

EADS endeavours 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 U.S. 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 U.S. 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 USD 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 EUR, 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 hedges qualify for hedge accounting as either fair value hedges or cashflow hedges.

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 behaviour 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 behaviour of the relevant markets and finally determining the possible range of future outcomes out of this statistical behaviour 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 31st December 2007 and 31st December 2006 is as follows:

31 st December 2007 (in €m)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
FX hedges for forecast transactions or firm commitments	360	-	367	104
Financing liabilities, cash, cash equivalents, securities and related hedges	41	8	50	27
Finance lease receivables and liabilities, foreign currency trade payables and receivables	38	-	11	35
Correlation effect	(48)	-	(16)	(30)
All financial instruments	391	8	412	136

31 st December 2006 (in €m)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
FX hedges for forecast transactions or firm commitments	412	-	429	54
Financing liabilities, cash, cash equivalents, securities and related hedges	20	6	29	12
Finance lease receivables and liabilities, foreign currency trade payables and receivables	32	-	9	29
Correlation effect	(98)	-	(46)	(30)
All financial instruments	366	6	421	65

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 €360 million (2006: €412 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 31st December 2007 the related total VaR amounted to €12 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 as of 31st December 2007) 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. Adverse changes in the capital markets – for example caused by the current uncertain situation in the U.S. mortgage market – 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
31st December 2007								
Non derivative financial liabilities	(14,524)	(15,620)	(10,591)	(831)	(1,347)	(288)	(202)	(2,361)
Derivative financial liabilities	(294)	(384)	(135)	(131)	30	0	0	(148)
Total	(14,818)	(16,004)	(10,726)	(962)	(1,317)	(288)	(202)	(2,509)
31st December 2006								
Non derivative financial liabilities	(14,194)	(15,248)	(10,438)	(659)	(527)	(1,318)	(272)	(2,034)
Derivative financial liabilities	(231)	(290)	(166)	(48)	(5)	31	(2)	(100)
Total	(14,425)	(15,538)	(10,604)	(707)	(532)	(1,287)	(274)	(2,134)

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 30b). 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 €5,315 million (2006: €5,418 million).

Derivative financial liabilities are presented with their market value.

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, based at a minimum on their credit ratings as published by Standard & Poors, Moody's

and Fitch IBCA. 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 an appropriate internal credit risk assessment. In order to support product sales, primarily at Airbus 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 and ATR take into account the airline's credit rating as well as risk factors specific to the intended operating environment of the aircraft and its expected future value. Market yields and current banking practices also serve to benchmark the financing terms offered to customers, including price.

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 and financial assets included in current other assets to credit risk at balance sheet date is the following:

(in €m)	2007	2006
Receivables, neither past due nor impaired	4,353	4,176
Not past due due to negotiations and not impaired	43	4
Receivables impaired individually	16	11
Receivables not impaired and past due ≤ 3 months	728	623
Receivables not impaired and past due > 3 and ≤ 6 months	95	114
Receivables not impaired and past due > 6 and ≤ 9 months	55	90
Receivables not impaired and past due > 9 and ≤ 12 months	108	125
Receivables not impaired and past due > 12 months	347	493
Total	5,745	5,636

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 independent party. Fair values of financial instruments have been determined with reference to available market information

at the balance sheet 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 31st December 2007 and 2006 respectively:

31 st December 2007 (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 ⁽⁴⁾	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	-	-	-	-	-	582	582	472	1,054	1,054
– thereof at cost	-	-	-	293	-(1)	-	-	-	293	-(1)
– thereof Fair value via OCI	-	-	-	206	206	-	-	-	206	206
Current portion of other long-term financial assets	-	-	-	-	-	60	60	106	166	166
Non-current and current other assets ⁽²⁾	201	-	5,194	-	-	976	976	-	6,371	6,371
Trade receivables	-	-	-	-	-	4,639	4,639	-	4,639	4,639
Non-current and current securities	-	285	-	4,004	4,004	-	-	-	4,289	4,289
Cash and Cash Equivalents	-	503	-	5,507	5,507	1,539	1,539	-	7,549	7,549
Total	201	788	5,194	10,010	9,717	7,796	7,796	578	24,567	24,274
Liabilities										
Long-term and short-term financing liabilities	-	-	-	-	-	(4,624)	(4,698)	(190)	(4,814)	(4,888)
Non-current other and current other liabilities ⁽³⁾	(91)	-	(1,211)	-	-	(6,619)	(6,619) ⁽⁵⁾	-	(7,921)	(7,921)
Trade liabilities	-	-	-	-	-	(7,398)	(7,398)	-	(7,398)	(7,398)
Total	(91)	-	(1,211)	-	-	(18,641)	(18,715)	(190)	(20,133)	(20,207)

(1) Fair value is not reliably measurable.

(2) This does not include non-current prepaid expenses (€808 million), current prepaid expenses (€401 million), non-current capitalised settlement payments to German government (€166 million) and its current portion (€33 million, included in current other assets), value added tax claims (€627 million) as well as others (€342 million, thereof €59 million included in non-current other assets and €283 million in current other assets), which do not qualify for financial instruments.

(3) This does not include non-current customer advance payments (€8,420 million) and current customer advance payments (€16,214 million), tax liabilities (€557 million) as well as others (€698 million, thereof €34 million included in non-current other liabilities and €664 million in current other liabilities), which do not qualify for financial instruments.

(4) 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.

(5) The European Governments refundable advances of €5,315 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.

31 st December 2006 (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 ⁽⁴⁾	Financial Instrument 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	-	-	-	-	-	460	460	578	1,038	1,038
– thereof at cost	-	-	-	345	-(1)	-	-	-	345	-(1)
– thereof Fair value via OCI				283	283				283	283
Current portion of other long-term financial assets	-	-	-	-	-	51	51	52	103	103
Non-current and current other assets ⁽²⁾	185	-	5,082	-	-	686	686	-	5,953	5,953
Trade receivables	-	-	-	-	-	4,852	4,852	-	4,852	4,852
Non-current and current securities	-	-	-	1,843	1,843	-	-	-	1,843	1,843
Cash and Cash Equivalents	-	3,476	-	2,810	2,810	1,857	1,857	-	8,143	8,143
Total	185	3,476	5,082	5,281	4,936	7,906	7,906	630	22,560	22,215
Liabilities										
Long-term and short-term financing liabilities	-	-	-	-	-	(5,482)	(5,634)	(275)	(5,757)	(5,909)
Non-current other and current other liabilities ⁽³⁾	(35)	-	(196)	-	-	(6,350)	(6,350) ⁽⁵⁾	-	(6,581)	(6,581)
Trade liabilities	-	-	-	-	-	(7,461)	(7,461)	-	(7,461)	(7,461)
Total	(35)	-	(196)	-	-	(19,293)	(19,445)	(275)	(19,799)	(19,951)

(1) Fair value is not reliably measurable.

(2) This does not include non-current prepaid expenses (€683 million), current prepaid expenses (€384 million), non-current capitalised settlement payments to German Government (€198 million) and its current portion (€29 million, included in current other assets), value added tax claims (€595 million) as well as others (€432 million, thereof €80 million included in non-current other assets and €352 million in current other assets) which do not qualify for financial instruments.

(3) This does not include non-current customer advance payments (€6,308 million) and current customer advance payments (€14,172 million), tax liabilities (€600 million) as well as others (€1,300 million, thereof €222 million included in non-current other liabilities and €1,078 million in current other liabilities) which do not qualify for financial instruments.

(4) 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.

(5) The European Governments refundable advances of €5,418 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.

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 31st December 2007 and 2006, 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.

Securities — The fair value of securities included in available-for-sale investments is estimated by reference to their quoted market price at the balance sheet 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 31st December 2007 and 2006.

The fair value of **financing liabilities** as of 31st December 2007 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.

The following types of **financial assets** held at 31st December 2007 and 2006 respectively are recognised at fair value through profit or loss:

(in €m)	Nominal amount at initial recognition as of 31 st December 2007	Fair value as of 31 st December 2007	Nominal amount at initial recognition as of 31 st December 2006	Fair value as of 31 st December 2006
Designated at fair value through profit or loss at recognition:				
– Money Market Funds (accumulating)	504	503	3,418	3,459
– Bond Funds	-	-	18	17
– Foreign currency Funds of Hedge Funds	234	234	-	-
– Uncapped Structured Interest Rate Notes	50	51	-	-
Total	788	788	3,436	3,476

The unrealised gain recognised in finance income amounts to €0 million (in 2006: €37 million). 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 €2,941 million (in 2006: €1,598 million).

All types of Money Market Funds are presented in Cash and cash equivalents.

Investments in foreign currency Funds of Hedge Funds have been designated at fair value through profit and loss to significantly reduce the inconsistency regarding the recognition

of foreign exchange gains and losses. The funds represent equity investments and would otherwise be accounted as “available for sale” financial assets with unrealised gains and losses to be recognised in AOCI. As these equity funds qualify as non monetary items under IAS 21, the unrecognised foreign exchange gains and losses would also be recognised within AOCI. This would cause a mismatch with the recognition of unrealised gains and losses of associated foreign currency derivatives in profit or loss. These foreign currency derivatives have been purchased together with the equity investments and have a similar notional amount.

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 st December 2007 (in €m)	Remaining period								Total
	2008	2009	2010	2011	2012	2013	2014	2015	
Foreign Exchange Contracts:									
Net forward sales (purchase) contracts	10,209	8,712	7,479	3,468	1,272	450	(3)	0	31,587
Structured USD forward:									
Purchased USD call options	162	1,422	537	513	214	0	0	0	2,848
Purchased USD put options	162	1,422	537	513	214	0	0	0	2,848
Written USD call options	162	1,422	537	513	214	0	0	0	2,848
FX swap contracts	1,838	14	0	0	34	0	189	0	2,075

Year ended 31 st December 2006 (in €m)	Remaining period								Total
	2007	2008	2009	2010	2011	2012	2013	2014	
Foreign Exchange Contracts:									
Net forward sales (purchase) contracts	10,970	10,358	7,000	3,907	855	0	(1)	(3)	33,086
Structured USD forward:									
Purchased USD call options	333	181	114	0	0	0	0	0	628
Purchased USD put options	885	181	114	0	0	0	0	0	1,180
Written USD call options	885	181	114	0	0	0	0	0	1,180
FX swap contracts	3,564	23	15	0	0	0	0	211	3,813

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

Year ended 31 st December 2007 (in €m)	Remaining period								Total
	2008	2009	2010	2011	2012	2013-17	2018	2019	
Interest Rate Contracts	225	536	1,655	122	90	0	1,455	1,589	5,672

Year ended 31 st December 2006 (in €m)	Remaining period								Total
	2007	2008	2009	2010	2011	2012 -17	2018	2019	
Interest Rate Contracts	184	257	140	1,000	15	0	1,542	1,574	4,712
Caps	1,000	0	0	0	0	0	0	0	1,000

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 31st December 2007 and 2006:

31 st December 2007			
Interest rate in %	EUR	USD	GBP
6 months	4.58	4.61	5.91
1 year	4.67	4.25	5.76
5 years	4.56	4.16	5.16
10 years	4.72	4.65	5.08

31 st December 2006			
Interest rate in %	EUR	USD	GBP
6 months	3.85	5.33	5.45
1 year	4.00	5.29	5.62
5 years	4.13	5.10	5.45
10 years	4.20	5.18	5.18

The development of the foreign exchange rate hedging instruments recognised in AOCI is as of 31st December 2007 and 2006 as follows:

(in €m)	Equity attributable to equity holders of the parent	Minority interests	Total
1st January 2006	1,962	0	1,962
Unrealised gains and losses from valuations, net of tax	2,170	1	2,171
Transferred to profit or loss for the period, net of tax	(943)	0	(943)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	1,227	1	1,228
31st December 2006/1st January 2007	3,189	1	3,190
Unrealised gains and losses from valuations, net of tax	1,364	1	1,365
Transferred to profit or loss for the period, net of tax	(1,002)	0	(1,002)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	362	1	363
31st December 2007	3,551	2	3,553

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

(in €m)	31 st December 2007		31 st December 2006	
	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – Cash Flow Hedges	5,192	(124)	5,067	(66)
Foreign currency contracts – not designated in a hedge relationship	154	(48)	123	(1)
Interest rate contracts – Cash Flow Hedges	2	(12)	0	(86)
Interest rate contracts – Fair Value Hedges	0	(67)	15	(44)
Interest rate contracts – not designated in a hedging relationship	27	(43)	37	(34)
Embedded foreign currency derivatives	20	0	25	0
Total	5,395	(294)	5,267	(231)

At 31st December 2007, the Group has interest swap agreements in place with notional amounts totalling €1,500 million (as at 31st December 2006: €1,500 million). The swaps are used to hedge the exposure to changes in the fair value of its EMTN bonds (see Note 23 “Financing liabilities”). The fair value loss on the interest rate swaps of €23 million (2006: €43 million) has been recognised in financial result and offset against an equal gain 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 ineffective gain or loss arising from hedging relationships has been recorded in profit and loss.

e) Net Gains or Losses

EADS net gains or losses recognised in profit or loss in 2007 and 2006 respectively were as follows:

(in €m)	2007	2006
Financial assets or financial liabilities at fair value through profit and loss:		
– Held for trading	(307)	(77)
– Designated on initial recognition	154	114
Available-for-sale-financial assets:		
– Result before taxes removed from OCI and recognised in profit and loss	48	0
Loans and receivables	(127)	(49)
Financial liabilities measured at amortised cost	77	123

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

Net gains and losses of available-for-sale financial assets mainly comprise gains on derecognition.

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 have been recognised directly in equity in 2007 and 2006:

(in €m)	2007	2006
Available-for-sale-financial assets:		
– Unrealised gains or losses recognised directly in OCI	(4)	20

f) Total interest income and total interest expenses

Total interest income for financial assets and total interest expense for financial liabilities which are not measured at fair value through profit or loss are calculated by using the effective interest rate method:

(in €m)	2007	2006
Total interest income on financial asset	347	378
Total interest expense on financing liabilities	(701)	(575)

g) Impairment losses

The following impairment losses on financial assets are recognised in profit and loss in 2007 and 2006 respectively:

(in €m)	2007	2006
Available-for-sale financial assets ⁽¹⁾	(13)	(4)
Loans and receivables	(120)	(94)
Other ⁽²⁾	(24)	(11)
Total	(157)	(109)

(1) Concerns financial assets valued at cost.

(2) Others include finance lease receivables.

31. Share-Based Payment

a) 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. At its 18th December 2006 meeting, the Board of Directors of the Company, using the authorisation given to it by the shareholders' meeting of 4th May 2006 approved the granting of performance shares and restricted shares to eligible employees of the Company.

For the 2006 Stock Option Plan, analogous to all of EADS' previous existing stock option plans, the granted exercise price was exceeding the share price at grant date.

In 2007, compensation expense for Stock Option Plans was recognised for an amount of €39 million (in 2006: €40 million). For the 613,519 options exercised during the year 2007, the average share price at the date of exercise has been €23.88.

At its 7th December 2007 meeting, 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.

The fair value of units granted per vesting date is as follows:

In € (per unit granted)	FV of restricted units to be settled in cash	FV of performance units to be settled in cash
May 2011	21.03	21.03
November 2011	20.93	20.93
May 2012	20.84	20.84
November 2012	20.74	20.74

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

	LTIP 2006	LTIP 2005
Share price (€)	25.34	32.79
Exercise price (€)	25.65 ⁽¹⁾	33.91
Risk-free interest rate (%)(²)	4.13	3.24
Expected volatility (%)	30.7	24.8
Estimated Life (years)	5.5	5.5

(1) The exercise price for the performance and restricted shares are €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 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 lifetime of the performance and restricted units (2007) is contractually fixed (see table below). The measurement is based on the share price as of the balance sheet date (€21.83 as of 31st December 2007) from which the present value of the expected dividend payments is deducted.

The principal characteristics of the options, performance and restricted shares as well as performance and restricted units as at 31st December 2007 are summarised in the various tables below:

	First tranche	Second tranche
Date of shareholders' meeting	24 th May 2000	24 th May 2000
Date of Board of Directors meeting (grant date)	26 th May 2000	20 th October 2000
Number of options granted	5,324,884	240,000
Number of options outstanding	1,671,380	32,000
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 th July 2010	8 th 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 th May 2001	10 th May 2001
Date of Board of Directors meeting (grant date)	12 th July 2001	9 th August 2002
Number of options granted	8,524,250	7,276,700
Number of options outstanding	3,773,169	2,706,434
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 th July 2011	8 th 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 th May 2003	6 th May 2003
Date of Board of Directors meeting (grant date)	10 th October 2003	8 th October 2004
Number of options granted	7,563,980	7,777,280
Number of options outstanding	4,818,873	6,240,986 ⁽¹⁾
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 th October 2013	7 th 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	2,503,423	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 th May 2005
Date of Board of Directors meeting (grant date)	9 th December 2005
Number of options granted	7,981,760
Number of options outstanding	7,764,940
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 th December 2015
Conversion right	One option for one share
Vested	50%
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

		Eighth tranche	
Date of shareholders' meeting		4 th May 2006	
Date of Board of Directors meeting (grant date)		18 th December 2006	
		Stock option plan	
Number of options granted		1,747,500	
Number of options outstanding		1,742,000	
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 th December 2016	
Conversion right		One option for one share	
Vested		0%	
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		1,328,375	386,750
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		875	0
		Ninth tranche	
Date of Board of Directors meeting (grant date)		7 th December 2007	
		Performance and restricted unit plan	
		Performance units	Restricted units
Number of units granted		1,693,940	506,060
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: <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. 		

The following table summarises the development of the number of stock options:

First & Second Tranche	Number of Options				
	Options granted	Balance at 1 st January	Exercised	Forfeited	Balance at 31 st 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

Third Tranche	Number of Options				
	Options granted	Balance at 1 st January	Exercised	Forfeited	Balance at 31 st 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

Fourth Tranche	Number of Options				
	Options granted	Balance at 1 st January	Exercised	Forfeited	Balance at 31 st 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

Fifth Tranche	Number of Options				
	Options granted	Balance at 1 st January	Exercised	Forfeited	Balance at 31 st 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

Sixth Tranche	Number of Options				
	Options granted	Balance at 1 st January	Exercised	Forfeited	Balance at 31 st 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

Seventh Tranche	Number of Options				
	Options granted	Balance at 1 st January	Exercised	Forfeited	Balance at 31 st 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

Eighth Tranche	Number of Options				
	Options granted	Balance at 1 st January	Exercised	Forfeited	Balance at 31 st December
2006	1,747,500	-	-	-	1,747,500
2007	-	1,747,500	-	(5,500)	1,742,000

Total options for all Tranches	46,436,354	-	(13,383,740)	(4,302,832)	28,749,782
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Performance/restricted shares plan 2006	Number of Shares				
	Shares granted	Balance at 1 st January	Vested	Forfeited	Balance at 31 st December
Performance shares in 2006	1,344,625	-	-	-	1,344,625
Performance shares in 2007	-	1,344,625	(875)	(15,375)	1,328,375
Restricted shares in 2006	391,300	-	-	-	391,300
Restricted shares in 2007	-	391,300	-	(4,550)	386,750
Total shares	1,735,925	1,735,925	(875)	(19,925)	1,715,125

Ninth Tranche	Number of Units				
	Units granted	Balance at 1 st January	Vested	Forfeited	Balance at 31 st December
Performance units in 2007	1,693,940	-	-	-	1,693,940
Restricted units in 2007	506,060	-	-	-	506,060
Total units	2,200,000	-	-	-	2,200,000

b) Employee Stock Ownership Plan (ESOP)

In 2007, the Board of Directors approved an additional ESOP following six ESOPs established in 2005, 2004, 2003, 2002, 2001 and in 2000. For the 2007 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 €17.16. 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 14th May 2007, resulting in a subscription price of €19.62.

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 2,037,835 ordinary shares with a nominal value of €1.00 under both tranches. Compensation expense of €9 million was recognised in connection with the ESOP 2007. In 2006, no ESOP was issued by the Company. Consequently, no compensation expense was recognised in 2006 in connection with the ESOP programme.

32. Related Party Transactions

Related parties — The Group has entered into various transactions with related companies in 2007 and 2006 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 MTAD and Defence & Security divisions for programmes like the A400M and Eurofighter.

The transactions with the joint ventures mainly concern the Eurofighter and A400M programmes.

The following table discloses the related party transactions on a full EADS' share as of 31st December 2007:

(in €m)	Sales of goods and services and other income in 2007	Purchases of goods and services and other expense in 2007	Receivables due as of 31 st December 2007	Payables due as of 31 st December 2007	Other liabilities/Loans received as of 31 st December 2007
French State	1,587	17	882	0	2,087
Spanish State (SEPI)	316	0	122	0	352
Daimler AG	4	12	2	4	0
Lagardère group	2	0	0	2	14
Total transactions with shareholder	1,909	29	1,006	6	2,453
Total transactions with joint ventures	1,638	28	371	42	616
Total transactions with associates	687	20	317	3	0

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.

The following table discloses the related party transactions on a full EADS' share as of 31st December 2006:

(in €m)	Sales of goods and services and other income in 2006	Purchases of goods and services and other expense in 2006	Receivables due as of 31 st December 2006	Payables due as of 31 st December 2006	Other liabilities/Loans received as of 31 st December 2006
French State	2,292	28	857	19	1,968
Spanish State (SEPI)	394	0	120	0	408
Daimler AG	5	5	5	3	0
Lagardère group	0	0	0	0	0
Total transactions with shareholder	2,691	33	982	22	2,376
Total transactions with joint ventures	1,088	30	194	19	359
Total transactions with associates	639	9	247	4	0

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:

2007 (in €m)	Compensation expense	Pension	
		Defined benefit obligation ⁽¹⁾	Pension expense ⁽²⁾
Non Executive Board Members ⁽³⁾	0.8	-	-
Executive Board Member ⁽⁴⁾	2.1	0.8	0.6
Other Executive Committee Members ⁽⁵⁾	11.7	15.5	1.7

(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 2007.

(3) Non Executive Board Members in office as at 31st December 2007.

(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31st December 2007.

(5) Including former Executive Board Members who ceased their membership with the Board in 2007 but who were still Executive Committee Members as at 31st December 2007; excluding former Executive Committee Members who were no longer in office as at 31st December 2007.

2006 (in €m)	Compensation expense	Pension	
		Defined benefit obligation ⁽¹⁾	Pension expense ⁽²⁾
Non Executive Board Members ⁽³⁾	0.8	-	-
Executive Board Members ⁽⁴⁾	5.3	11.5	1.2
Other Executive Committee Members ⁽⁵⁾	5.8	6.4	0.7

(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 2006.

(3) Non Executive Board Members in office as at 31st December 2006.

(4) Executive Board Members in office as at 31st December 2006.

(5) Excluding former Executive Committee Members who were no longer in office as at 31st December 2006.

Additionally, performance units granted in 2007 to the Chief Executive Officer and to the other Executive Committee Members represented 259,900 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.

Executive Committee members are also entitled to a Company car.

33. Investment Property

The Group owns investment property, that is leased to third parties. For the purposes of IAS 40 "Investment property" the fair values have been determined by using market based

multipliers for estimated rental income or using available market prices.

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 st December 2006	Book value 31 st December 2006	Disposals Historical cost	Depreciation Amortisation	Disposals Accumulated depreciation	Accumulated depreciation 31 st December 2007	Net at 31 st December 2007
Book value of Investment Property	271	(134)	137	(58)	(10)	27	(117)	96

As of 31st December 2007, the fair value of the Group's investment property amounts to €100 million (in 2006: €154 million). Related rental income in 2007 is €13 million

(in 2006: €15 million) with direct operating expenses amounting to €5 million (in 2006: €7 million).

34. 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)	2007 ⁽¹⁾	2006 ⁽¹⁾
Non current assets	693	830
Current assets	3,004	3,503
Non current liabilities	466	612
Current liabilities	2,670	3,245
Revenues	1,729	2,006
Profit for the period	121	170

(1) The percentage of the proportional consolidation of MBDA has changed from 50% to 37.5% as of 1st January 2007.

35. Earnings per Share

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

	2007	2006	2005
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))	€(446) M	€99 M	€1,676 M
Weighted average number of ordinary shares	803,128,221	800,185,164	794,734,220
Basic earnings (losses) per share	€(0.56)	€0.12	€2.11

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

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 only category of dilutive potential ordinary shares is stock options. In 2007, the average share price of EADS exceeded the exercise price of the stock options

under the 1st, 2nd, 4th and 5th stock option plan (in 2006 and 2005: 1st, 2nd, 3rd, 4th, 5th, and 6th stock option plans). Hence, 2,420,180 shares (2006: 4,130,499 shares; 2005: 5,482,133 shares) were considered in the calculation of diluted earnings per share.

	2007	2006	2005
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))	€(446) M	€99 M	€1,676 M
Weighted average number of ordinary shares (diluted)	805,548,401	804,315,663	800,216,353
Diluted earnings (losses) per share	€(0.55)	€0.12	€2.09

36. Number of Employees

The number of employees at 31st December 2007 is 116,493 as compared to 116,805 at 31st December 2006.

37. Events after the Balance Sheet Date

On 29th February 2008, the U.S. Air Force awarded Northrop Grumman Corp., U.S.A. a contract for the development and procurement of up to 179 tanker aircraft for approximately \$40 billion. This dollar amount includes both priced options for 80 aircraft and unpriced options for another 99 as well as estimated support costs (currently unpriced). The initial contract for the newly named KC-45A, is for the system design and development of four test aircraft for \$1.5 billion. The Air Force will be funding this initial tranche over the next three years. EADS North America Inc., U.S.A. is the partner to Northrop Grumman Corp., U.S.A. on the new tanker contract, with responsibility for assembling airframes and providing completed flight-qualified aircraft and refueling sub-systems. The Military Transport Aircraft Division (MTAD) is responsible within the EADS Group for all military derivative programmes based on Airbus platforms, including tankers. Starting in 2011, production of KC-45A airframes will be performed at Airbus' new Mobile, Alabama aerospace centre which will house the Airbus KC-45A final assembly facility.

In addition, EADS Group and Airbus intend to transfer the final assembly of Airbus A330 civilian freighters there. Unsuccessful competitor Boeing announced its imminent intention to file a protest with the General Accounting Office, whose decision would have to be issued within 100 days of the filing as required by law.

With regard to the plan to sell the Airbus sites in Méaulte, St. Nazaire Ville, Nordenham, Varel, Laupheim and Filton and the EADS site in Augsburg negotiations with selected preferred bidders (Latécoère in France, GKN in the U.K. and MT Aerospace in Germany) are ongoing. So far, binding agreements have not been reached. Furthermore, the potential divestment of the sites is still subject to EADS' Board of Directors decision.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 10th March 2008.

Appendix “Information on Principal Investments” – Consolidation Scope

	2007	%	2006	%	Company	Head office
Airbus						
	F	100.00	F	100.00	AD Grundstückgesellschaft GmbH	Pöcking (Germany)
	F	100.00	F	100.00	AFS Cayman 11 Limited	Cayman Isle
			F	100.00	AFS Cayman Aerospace Limited	Ireland
			F	100.00	AI Leasing Inc.	USA
			F	100.00	AI Participations S.A.R.L.	Blagnac (France)
	F	100.00	F	100.00	AIFS (Cayman) Ltd.	Cayman Isle
	F	100.00	F	100.00	AIFS Cayman Liquidity Ltd.	Cayman Isle
	F	100.00	F	100.00	AIFS Leasing Company Limited	Ireland
	F	100.00	F	100.00	Airbus A320 Financing Limited	Ireland
	F	100.00	F	100.00	Airbus China Limited	Hong Kong
	F	100.00	F	100.00	Airbus Deutschland GmbH	Hamburg (Germany)
	F	100.00	F	100.00	Airbus España SL	Madrid (Spain)
	F	100.00	F	100.00	Airbus Finance Company Ltd	Dublin (Ireland)
			F	100.00	Airbus Financial Service Holdings B.V.	Netherlands
	F	100.00	F	100.00	Airbus Financial Service Unlimited	Ireland
	F	100.00	F	100.00	Airbus France S.A.S.	Toulouse (France)
	F	100.00	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. (ASCO)	USA
	F	100.00	F	100.00	Airbus North America Engineering	USA
	F	100.00	F	100.00	Airbus North America Sales Inc.	USA
	F	100.00	F	100.00	Airbus Americas Inc. (In 2006: Airbus North American Holdings Inc. (AINA))	USA
	F	100.00	F	100.00	Airbus S.A.S.	Toulouse (France)
	F	100.00	F	100.00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
	F	100.00	F	100.00	Airbus U.K. Limited	U.K.
	F	100.00	F	100.00	Avaio Limited	Isle Of Man
	F	100.00	F	100.00	Aviateur Aerospace Limited	Ireland
	E	20.00	E	26.40	Aviateur Capital Limited (In 2006: Avion Capital Limited)	Ireland
	F	100.00	F	100.00	Aviateur Eastern Limited	Ireland
	F	100.00	F	100.00	Aviateur Finance Limited	Ireland
	F	100.00	F	100.00	Aviateur International Limited	Ireland
	F	100.00	F	100.00	Aviateur Leasing Limited	Ireland
			F	100.00	AVSA Canada Inc.	Canada
	F	100.00	F	100.00	Norbus	USA
	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 36 SPEs.

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

	2007	%	2006	%	Company	Head office
Military Transport						
	F	90.00	F	90.00	Airbus Military S.L.	Madrid (Spain)
	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	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	76.52	F	76.52	Helibras – Helicopteros do Brasil S.A.	Itajuba (Brazil)
	E	25.00	E	25.00	HFTS Helicopter Flight Training Services GmbH	Hallbergmoos (Germany)
Defence & Security						
	F	100.00	F	100.00	Aircraft Services Lemwerder GmbH	Lemwerder (Germany)
			P	37.50	ALKAN	Valenton (France)
	F	100.00	F	100.00	Apsys	Suresnes (France)
	E	16.20	E	13.20	Arbeitsgemeinschaft Marinelogistik	Bremen (Germany)
	E	14.70	E	12.00	Atlas Defence Technology SDN.BHD	Kuala Lumpur (Malaysia)
	P	49.00	P	40.00	Atlas Elektronik PTY Limited	St. Leonards (Australia)
	P	49.00			Atlas Elektronik U.K. (Holdings) Limited	Newport, Wales (U.K.)
	P	49.00			Atlas Elektronik U.K. Limited	Newport, Wales (U.K.)
	P	49.00	P	40.00	Atlas Elektronik GmbH	Bremen (Germany)
	P	49.00	P	40.00	Atlas Hydrographic Holdings PTY Limited	St. Leonards (Australia)
	P	49.00	P	40.00	Atlas Hydrographics GmbH	Bremen (Germany)
	P	49.00	P	40.00	Atlas Maridan ApS	Horsholm (Denmark)
	P	49.00	P	40.00	Atlas Naval Systems Malaysia SDN.BHD.	Kuala Lumpur (Malaysia)
	F	55.00	F	55.00	Aviation Defense Service S.A.	Saint-Gilles (France)
	P	18.75	P	50.00	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
	E	19.60	E	16.00	CybiCOM Atlas Defence (Proprietary) Limited	Umhlanga Rocks, South Africa
	F	100.00	F	100.00	Defense Security Systems Solutions Inc.	San Antonio, Texas (USA)
	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 Air Services (in 2006: EADS Services)	Boulogne (France)
	F	100.00	F	100.00	EADS CASA S.A. (Unit: Military Aircraft)	Madrid (Spain)
			F	100.00	EADS CASA S.A. (Unit: Operations Service)	Madrid (Spain)

F: Fully consolidated. P: Proportionate. E: Equity method.

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

	2007	%	2006	%	Company	Head office
	F	100.00	F	100.00	EADS Cognac Aviation Training Services (In 2006: ECATS)	Paris (France)
	F	100.00	F	100.00	EADS Defence & Security Solutions España S.A.U. (In 2006: EADS Telecom España)	Madrid (Spain)
	F	100.00	F	100.00	EADS Defence & Security Systems Limited	Newport, Wales (U.K.)
	F	100.00	F	100.00	EADS Defence & Security Systems Limited – Holding	Newport, Wales (U.K.)
	F	100.00	F	100.00	EADS Defence & Security Systems S.A.	Elancourt (France)
	F	100.00	F	100.00	EADS Deutschland GmbH – Defence Headquarter	Unterschleißheim (Germany)
			F	100.00	EADS Deutschland GmbH – Dornier Verteidigung und Zivile Systeme	Friedrichshafen (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	EADS Deutschland GmbH (Unit: Operations Services)	Unterschleißheim (Germany)
	F	100.00	F	100.00	EADS North America Defense Company	Arlington, Delaware (USA)
	F	100.00	F	100.00	EADS Operations & Services U.K.	Newport, Wales (U.K.)
	F	100.00	F	100.00	EADS Secure Networks Deutschland GmbH (In 2006: EADS Telecom 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 Deutschland GmbH	Unterschleißheim (Germany)
	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 mbH	Munich (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	Germantown Holding Company	Frederick, Maryland (USA)
	F	100.00	F	100.00	Gesellschaft für Flugzielardarstellung mbH	Hohn, Germany
	F	100.00	F	100.00	Get Electronique S.A.	Castres (France)
	P	49.00	F	100.00	Hagenuk Marinekommunikation GmbH	Flintbek (Germany)
	F	100.00	F	100.00	IFR France S.A.	Blagnac (France)
			F	100.00	Integrated Defense Systems NA	Wilmington, Delaware (USA)
	P	37.50	P	37.50	LFK – Lenkflugkörpersysteme GmbH	Unterschleißheim (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	Manhattan Beach Holdings Co.	Frederick, Maryland (USA)
	P	37.50	P	37.50	Marconi Oversight Ltd.	Chelmsford (U.K.)
			F	100.00	Matra Aerospace Inc.	Frederick, Maryland (USA)
	F	100.00	F	100.00	Matra Défense	Velizy (France)
	P	37.50	P	37.50	Matra Electronique	La Croix Saint-Ouen (France)
	F	100.00	F	100.00	Matra Holding GmbH	Frankfurt (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	P	37.50	MBDA Italy SpA	Roma (Italy)
	P	37.50	P	37.50	MBDA M S.A.	Chatillon sur Bagneux (France)

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

	2007	%	2006	%	Company	Head office
	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 (U.K.)
	P	37.50	P	37.50	MBDA U.K. Ltd.	Stevenage, Herts (U.K.)
	E	26.80	E	26.80	Patria Oyj (In 2006: Patria Industries Oyj)	Helsinki (Finland)
	F	80.00	F	80.00	Pentastar Holding	Paris (France)
	F	100.00	F	100.00	Proj2	Paris (France)
	P	18.75	P	50.00	Propulsion Tactique S.A.	La Ferte Saint Aubin (France)
	F	100.00	F	100.00	Racal Instruments U.S.	San Antonio, Texas (USA)
	F	100.00	F	100.00	Racal Instruments Group Ltd. U.K. (In 2006: Racal Instruments U.K.)	Wimborne, Dorset (U.K.)
			E	33.00	Reutech Radar Systems (Pty) Ltd.	Stellenbosch (South Africa)
	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	40.00	Sonartech Atlas Pty Ltd.	St. Leonards (Australia)
	F	100.00	F	100.00	Sycomore S.A.	Boulogne-Billancourt (France)
	F	100.00	F	100.00	Talon Instruments	San Dimas, CA (USA)
	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	F	99.99	Test & Services North America	Irvine, California (USA)
	F	100.00	F	100.00	TYX Corp.	Reston, VA (USA)
	E	50.00	E	50.00	United Monolithic Semiconductors France S.A.S.	Orsay (France)
	E	50.00	E	50.00	United Monolithic Semiconductors Holding	Orsay (France)
	E	50.00	E	50.00	United Monolithics Semiconductor GmbH	Ulm (Germany)
	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 (U.K.)
	F	100.00	F	100.00	Astrium S.A.S. – Satellites	Toulouse (France)
	F	100.00	F	100.00	Astrium S.A.S. – Space Transportation	Les Mureaux (France)
	F	100.00	F	100.00	Astrium S.A.S. Toulouse	Paris (France)
	F	100.00	F	100.00	Astrium Services GmbH	Ottobrunn (Germany)
	F	100.00			Astrium Services S.A.S.	Paris (France)
	F	100.00	F	100.00	Computadoras, Redes e Ingenieria SA (CRISA)	Madrid (Spain)
	F	100.00	F	100.00	Dutch Space B.V.	Leiden (Netherlands)
	F	100.00	F	100.00	Astrium Jersey Ltd.	Jersey (U.K.)
	F	100.00	F	100.00	Astrium N.V.	The Hague (Netherlands)
	F	100.00	F	100.00	Astrium SL	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			GPT Special Project Management Limited	Riyadh (Saudi Arabia)

F: Fully consolidated. P: Proportionate. E: Equity method.

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

	2007	%	2006	%	Company	Head office
	F	100.00	F	100.00	Infoterra GmbH	Friedrichshafen (Germany)
	F	100.00	F	100.00	Infoterra Ltd	Southwood (U.K.)
	F	100.00	F	100.00	Infoterra S.A.S.	Toulouse (France)
	F	100.00	F	100.00	Matra Marconi Space U.K. Ltd.	Stevenage (U.K.)
	F	75.00	F	75.00	MilSat Services GmbH	Bremen (Germany)
	F	100.00	F	100.00	MMS Systems Ltd	Stevenage (U.K.)
	E	47.40	E	47.40	Nahuelsat S.A.	Buenos Aires (Argentina)
	F	100.00	F	100.00	Paradigm Secure Communications (Holding) Ltd.	Stevenage (U.K.)
	F	100.00	F	100.00	Paradigm Secure Communications Ltd	Stevenage (U.K.)
	F	100.00	F	100.00	Paradigm Services Ltd	Stevenage (U.K.)
	F	89.98	F	89.98	Sodern S.A.	Limeil Brevannes (France)
	F	100.00			Space Management & Servcies S.A.S.	Paris (France)
	E	40.03	E	40.03	Spot Image	Toulouse (France)
	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)
Other Businesses						
			F	80.00	Aerobail GIE	Paris (France)
	P	50.00	P	50.00	ATR Eastern Support	Singapour (Singapour)
	P	50.00	P	50.00	ATR GIE	Toulouse (France)
	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)
	E	49.99	E	49.99	EADS Revima APU S.A.	Caudebec en Caux (France)
	F	100.00	F	100.00	EADS Revima S.A.	Tremblay en France (France)
	F	100.00	F	100.00	EADS Seca S.A.	Le Bourget (France)
	F	100.00	F	100.00	EADS Socata S.A.	Louey (France)
	F	100.00	F	100.00	EADS Sogerma S.A.	Mérignac (France)
			F	50.10	EADS Sogerma Tunisie	Monastir (Tunisia)
	F	100.00	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)
	F	100.00	F	100.00	Socata Aircraft Inc.	Miami, Florida (USA)
			F	100.00	Sogerma America Barfield B.C.	Miami, Florida (USA)
			F	60.00	Sogerma Services S.A.	Mérignac (France)

Additionally consolidated are 21 SPEs

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

	2007	%	2006	%	Company	Head office
Headquarters						
	E	23.15	E	23.15	Aero Precision	Deerfield Beach (USA)
	F	75.00	F	75.00	DADC Luft- und Raumfahrt Beteiligungs AG	Munich (Germany)
	E	46.30	E	46.30	Dassault Aircraft Services	(USA)
	E	46.30	E	46.30	Dassault Aviation	Paris (France)
	E	46.30	E	46.30	Dassault Falcon Jet	Teterboro N.J. (USA)
	E	46.30	E	46.30	Dassault Falcon Jet	Wilmington (USA)
	E	46.30	E	46.30	Dassault Falcon Service	Bonneuil en France
			E	46.30	Dassault International (USA) Inc.	Paramus N.J. (USA)
	E	46.30	E	46.30	Dassault Procurement Services Inc.	Paramus N.J. (USA)
	F	97.16	F	97.11	Dornier GmbH – Zentrale	Friedrichshafen (Germany)
			F	88.00	EADS Aeroframe Services LLC	Lake Charles, Louisiana (USA)
	F	100.00	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	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	F	100.00	EADS Deutschland GmbH, FO – Forschung	Munich (Germany)
	F	100.00	F	100.00	EADS Deutschland GmbH, LO – Liegenschaften OTN	Munich (Germany)
			F	100.00	EADS Dornier Raumfahrt Holding GmbH	Ottobrunn (Germany)
	F	100.00	F	100.00	EADS Finance B.V.	Amsterdam (Netherlands)
	F	100.00	F	100.00	EADS France S.A.S. – Headquarters (In 2006: EADS France)	Paris (France)
	F	100.00			EADS France S.A.S. – Innovation Work	Suresnes (France)
	F	100.00	F	100.00	EADS North America Inc.	Arlington (USA)
	F	97.16	F	97.11	EADS Real Estate Dornier Grundstücke GmbH & Co. KG	Taufkirchen (Germany)
	F	100.00	F	100.00	EADS Real Estate Objekt Nabern GmbH & Co. KG	Taufkirchen (Germany)
	E	23.15	E	23.15	Falcon Training Center	France
	F	100.00			Manhattan Beach Holding Company	Frederick, Maryland (USA)
	F	100.00	F	100.00	Matra Aerospace Inc. (In 2006: EADS Sogerma Participant)	Arlington (USA)
	E	46.30	E	46.30	Midway	USA
	E	46.30	E	46.30	Sogitec Industries	Suresnes (France)

F: Fully consolidated. P: Proportionate. E: Equity method.

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

Auditor's Report on the Consolidated Financial Statement (IFRS)

To: The EADS N.V. shareholders.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying 2007 consolidated financial statements which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, authorised for issue on 10th March 2008, which comprise the consolidated balance sheets as at 31st December 2007, the consolidated income statements, the consolidated statements of recognised income and expenses and the consolidated statements of cash-flows 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.

Auditors' 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 auditors' 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 auditors consider 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 31st December 2007, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Board of Directors is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 10th March 2008

Amsterdam, 10th March 2008

KPMG Accountants N.V.
L.A. Blok

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

1.2.2 COMPANY FINANCIAL STATEMENTS

Balance Sheet of the Company Financial Statements

(in €m)			At 31 st December 2007	At 31 st December 2006
Assets	Note			
Fixed assets				
Goodwill	2		4,354	4,354
Financial fixed assets	2		11,303	12,298
			15,657	16,652
Non-fixed assets				
Receivables and other assets	3		5,526	4,387
Securities	4		4,280	1,660
Cash and cash equivalents	4		6,444	6,862
			16,250	12,909
Total assets			31,907	29,561
Liabilities and stockholders' equity				
Stockholders' equity⁽¹⁾	5			
Issued and paid up capital			814	816
Share premium			7,968	8,160
Revaluation reserves			3,973	3,657
Other legal reserves			1,884	1,472
Treasury shares			(206)	(349)
Retained earnings			(1,343)	(741)
			13,090	13,015
Non current liabilities				
Financing liabilities	6		316	320
Non current other liabilities	6		1,532	1,518
			1,848	1,838
Current liabilities				
Current other liabilities	7		16,969	14,708
			16,969	14,708
Total liabilities and stockholders' equity			31,907	29,561

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

Income Statement of the Company Financial Statements

(in €m)		2007	2006
Income from investments		(380)	95
Other results		(66)	4
Net result	8	(446)	99

Notes to the Company Financial Statements

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 2007 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 equity method.

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

The goodwill acquisition costs end of 2007 amount to €5,676 million (2006: €5,676 million) and the cumulative amortisation and impairments to €1,322 million (2006: €1,322 million).

The movements in financial fixed assets are detailed as follows:

(in €m)	Subsidiaries	Participations	Loans	Total
Balance at 31st December 2006	10,057	76	2,165	12,298
Acquisitions/additions			255	255
Reductions/redemptions	(83)		(1,244)	(1,327)
SOP/ESOP	47			47
Net income from investments	(387)	7		(380)
Actuarial gains/losses IAS 19	403			403
Dividends received	(129)	(4)		(133)
Translation differences/other changes	125	15		140
Balance at 31st December 2007	10,033	94	1,176	11,303

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 and investments 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.

Loans provided to affiliated companies amount to €1,167 million (2006: €2,165 million). In average, the interest rate of the loans is 5,3%. An amount of €505 million has a maturity between five and ten years and an amount of €325 million matures after ten years. The item redemptions mainly reflects the redemption of a loan provided to Paradigm Secure Communications.

3. Receivables and Other Assets

(in €m)	2007	2006
Receivables from affiliated companies	5,317	4,253
Receivables from related companies	-	22
Other assets	209	112
Total receivables and other assets	5,526	4,387

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

An amount of €47 million (2006: €18 million) is due after 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 €2,685 million. For further information please see Note 18 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	Other legal reserves	Treasury shares	Retained earnings	Total equity
Balance at 31st December 2005	818	8,715	2,359	1,993	(445)	(386)	13,054
Capital increase	5	89					94
Net income						99	99
ESOP/SOP IFRS 2						40	40
Cash distribution		(520)					(520)
Transfer to other legal reserves				494		(494)	
Purchase of treasury shares					(35)		(35)
Cancellation of shares	(7)	(124)			131		
Others			1,298	(1,015)			283
Balance at 31st December 2006	816	8,160	3,657	1,472	(349)	(741)	13,015
Capital increase	3	43					46
Net income						(446)	(446)
ESOP/SOP IFRS 2						48	48
Cash distribution		(97)					(97)
Transfer to other legal reserves				204		(204)	
Cancellation of shares	(5)	(138)			143		
Others			316	208			524
Balance at 31st December 2007	814	7,968	3,973	1,884	(206)	(1,343)	13,090

For further information to the Stockholders' equity, please see Note 20 of the Consolidated Financial Statements.

As of 31st December 2007, the item "Revaluation reserves" relates to €3,550 million (2006: €3,188 million) resulting from changes in the fair values of cash flow hedges, recognised directly in equity and €423 million (2006: €469 million) resulting from the fair value of Securities classified as available for sale.

The other legal reserves are related to EADS' share in the undistributed results from investments for €841 million

(2006: €664 million) internally generated capitalised development costs of €900 million (2006: €873 million), €1,103 million (2006: €1,298 million) resulting from currency translation effects of affiliated companies, compensated by the recognition of actuarial losses arising from defined benefit plans in equity of €960 million (2006: €1,363 million).

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.

6. Non Current Liabilities

The financing liabilities include a long term loan, granted by the European Investment Bank to EADS in the amount of U.S.\$421 million and a shareholder loan granted by Sogea in the amount of €29 million. For further details, please see Note 23 of the consolidated financial statements.

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

7. Current Other Liabilities

(in €m)	2007	2006
Liabilities to affiliated companies	15,881	13,726
Liabilities to related companies	986	874
Other liabilities	102	108
Total	16,969	14,708

The liabilities to affiliated companies include with an amount of €15,871 million (2006: €13,725 million) liabilities to subsidiaries and comprise mainly liabilities in connection with the cash pooling in EADS N.V.

8. Net Result

The net result in 2007 amounts to a loss of €446 million (2006: profit of €99 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 30 of the consolidated financial statements.

10. Commitments and Contingent Liabilities

EADS N.V. issues guarantees on behalf of consolidated companies with an amount of €88 million. The commitments of these companies to third parties mainly relate to their operating business as described in Note 29 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 the fiscal unity as a whole.

11. Remuneration

The total **cash gross remuneration** and related compensation costs of the members of the Board of Directors and former directors in 2007 and 2006 can be specified as follows:

	2007	2006
	(in €)	(in €)
Fixum	4,194,733	4,564,086
Bonus (related to reporting period)	3,294,312	2,361,451
Fees	390,000	395,000
	7,879,045	7,320,537

The cash remuneration of the members of the Board of Directors was as follows:

2007	Fixum	Bonus related to 2007	Fees	Total
Directors	(in €)	(in €)	(in €)	(in €)
Rüdiger Grube	30,000	109,813	85,000	224,813
Louis Gallois	1,147,701	957,885	-	2,105,586
Rolf Bartke	-	11,766	15,000	26,766
Dominique D'Hinnin	-	11,766	15,000	26,766
Juan Manuel Eguiagaray Ucelay	30,000	62,750	50,000	142,750
Arnaud Lagardère	60,000	113,734	60,000	233,734
Hermann-Josef Lamberti	-	11,766	10,000	21,766
Lakshmi N. Mittal*	-	-	-	-
Sir John Parker	-	11,766	20,000	31,766
Michel Pébereau	-	41,833	25,000	66,833
Bodo Uebber	-	41,833	10,000	51,833
Former directors				
Manfred Bischoff	60,000	31,375	50,000	141,375
Thomas Enders**	1,218,157	800,275	-	2,018,432
Jean-Paul Gut	818,937	388,500	-	1,207,437
Hans-Peter Ring**	769,938	597,282	-	1,367,220
François David	30,000	50,984	30,000	110,984
Michael Rogowski	30,000	50,984	20,000	100,984
Total	4,194,733	3,294,312	390,000	7,879,045

(*) Remuneration waived at the Director's request.

(**) Prorata in accordance with their periods of membership with the Board of Directors.

2006	Fixum	Bonus related to 2006	Fees	Total
Directors	(in €)	(in €)	(in €)	(in €)
Manfred Bischoff	60,000	43,750	100,000	203,750
Arnaud Lagardère	60,000	43,750	100,000	203,750
Thomas Enders	1,195,225	542,468	-	1,737,693
Louis Gallois (until end of June)*	-	-	-	-
Louis Gallois (since July 06)	450,000	257,612	-	707,612
Jean-Paul Gut	943,693	456,527	-	1,400,220
Hans-Peter Ring	951,193	456,527	-	1,407,720
François David	30,000	21,875	40,000	91,875
Rüdiger Grube	30,000	21,875	75,000**	126,875
Michael Rogowski	30,000	21,875	30,000	81,875
Juan Manuel Eguiagaray Ucelay	18,750	21,875	50,000	90,625
Former director***				
Noël Forgeard	795,225	473,317	-	1,268,542
Total	4,564,086	2,361,451	395,000	7,320,537

(*) Remuneration waived at the Director's request.

(**) Including regularisation of €30,000 relating to the 2005 attendance fees paid in 2006.

(***) Prorata in accordance with his period of membership with the Board of Directors.

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 st Jan. 2007	Granted in 2007	Exercised during 2007	As at 31 st Dec. 2007	Exercise price (in €)	Expiry date
Louis Gallois							
2006	67,500	67,500	-	-	67,500	25.65	16 th Dec. 2016

PERFORMANCE SHARES PLAN

Number of performance shares*							
Year of plan	Initially granted	As at 1 st Jan. 2007	Granted in 2007	Vested during 2007	As at 31 st Dec. 2007	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.

(**) Vesting of all performance units granted to the Chief Executive Officer is subject to performance conditions.

Stock option plans

To the former Executive Board Directors who ceased their membership with the Board of Directors in 2007, the number of outstanding stock options amounted to 865,000 as at 31st December 2007.

To the other current members of the Executive Committee and to the Group's senior management, the number of outstanding stock options amounted to 27,817,282 at the same date.

During the year 2007, none of the Executive Committee Members, including former Executive Board Directors (who ceased their membership with the Board of Directors in 2007), have exercised options granted under the various EADS stock option plans. Exercises of EADS Executive Committee Members are disclosed on the EADS internet website in accordance with the applicable regulations.

Performance and Restricted shares plan

To the former Executive Board Directors who ceased their membership with the Board of Directors in 2007, the number of the outstanding performance shares, subject to achievement of performance results, amounted to 41,875 as at 31st December 2007.

To the other current members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted shares amounted to 1,656,375 at the same date.

Performance and Restricted units plan

To the former Executive Board Directors who ceased their membership with the Board of Directors in 2007, the number of the outstanding performance units, subject to achievement of performance results, amounted to 58,700 as at 31st December 2007.

To the other current members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted units amounted to 2,107,600 at the same date.

The expense in 2007 for stock options, performance shares and performance units granted to the Chief Executive Officer was €0.4 million.

For further information, please see Note 31 of the Consolidated IFRS Financial Statements.

Former Director and Executive Committee member :

Under the terms of his employment contract, Jean-Paul Gut was entitled to:

- six-month notice period, reduced to four-month notice period at Jean-Paul Gut's request, which represented a payment of €466,667 gross (fixum and bonus) (included in the cash remuneration figures disclosed above);
- a termination package of €2,800,000 (two years of total target income);
- an indemnity aiming at compensating his accumulated additional pension rights at the date of his departure.

In addition, EADS has concluded with Mr Jean-Paul Gut a long-term Service Provider's Agreement, in order to retain Mr Gut's specific expertise in the field of marketing and M&A activities.

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.

For the Chief Executive Officer, the amount of the pension defined benefit obligation amounted to €0.8 million as of 31st December 2007, while the amount of current service and interest cost related to his pension promise accounted for during fiscal year 2007 represented an expense of €0.6 million. This obligation has been accrued for in the Financial Statements.

Other benefits

All amounts reported above for the Executive Board Directors (current and former) are free of benefits in kind 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 €23,977.

EADS has not provided any loans to/advances to/guarantees on behalf of Directors.

For further information on the remuneration, please see Note 32 of the Consolidated Financial Statements.

12. Employees

The number of persons employed by the company at year-end 2007 was 3 (2006: 3).

13. Related Party Transactions

In 2007, Lagardère and the French State granted through the holding company Sogead to EADS their received dividend for the year 2006 in the amount of €29 million as an interest free loan.

Supplementary Information

AUDITORS' REPORT

To: The EADS N.V. shareholders.

REPORT ON THE COMPANY FINANCIAL STATEMENTS

We have audited the accompanying 2007 company financial statements which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, as authorised for issue on 10th March 2008, which comprise the balance sheet as at 31st December 2007, the income statement 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 report of the Board of Directors, 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.

Auditors' 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 auditors' 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 auditors consider 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 31st December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Board of Directors is consistent with the company financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 10th March 2008

Amsterdam, 10th March 2008

KPMG Accountants N.V.
L.A. Blok

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

Other Supplementary Information

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 €446 million as shown in the income statements for the financial year 2007 is to be deducted from retained earnings and that a payment of a gross amount of €0.12 per share shall be made to the shareholders from distributable reserves.

SUBSEQUENT EVENTS

For further information please see Note 37 of the Consolidated Financial Statements.

1.3 Statutory Auditors' Fees

Services provided to the Group by statutory auditors and members of their network for the financial years 2007, 2006 and 2005:

	KPMG Accountants N.V.						Ernst & Young Accountants					
	2007		2006		2005		2007		2006		2005	
	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%
Audit												
Audit process, certification, examination of individual and consolidated accounts	5,291	73.2	6,181	75.2	5,533	68.3	4,571	86.7	4,843	82.5	4,923	77.3
Additional tasks	491	6.8	630	7.7	1,416	17.5	284	5.4	646	11.0	1,163	18.3
Sub-total	5,782	80.0	6,811	82.9	6,949	85.8	4,855	92.1	5,489	93.5	6,086	95.6
Other services as relevant												
Legal, tax, employment	897	12.4	1,051	12.8	958	11.8	333	6.3	271	4.6	281	4.4
Information Technology	117	1.6	50	0.6	-	-	-	-	30	0.5	-	-
Other (to be specified if >10% of the fees for the audit)	428	6.0	301	3.7	194	2.4	82	1.6	83	1.4	-	-
Sub-total	1,442	20.0	1,402	17.1	1,152	14.2	415	7.9	384	6.5	281	4.4
Total	7,224	100.0	8,213	100.0	8,101	100.0	5,270	100.0	5,873	100.0	6,367	100.0

1.4 Information Regarding the Statutory Auditors

	Date of First Appointment	Expiration of Current Term of Office*
KPMG Accountants N.V. Fascinatio Boulevard 200, 3065 WB Rotterdam — The Netherlands Represented by L.A. Blok	10 th May 2000	26 th May 2008
Ernst & Young Accountants Antonio Vivaldistraat 150, 1083 HP Amsterdam — The Netherlands Represented by F.A.L. van der Bruggen	24 th July 2002	26 th May 2008

(*) A resolution will be submitted to the General Meeting of Shareholders called for 26th May 2008, in order to appoint Ernst & Young Accountants and KPMG Accountants N.V. as the Company's auditors for the 2008 financial year.

KPMG Accountants N.V., Ernst & Young Accountants and their respective representatives are registered with the Royal NIVRA (*Nederlands Instituut van Register Accountants*).

Corporate Governance

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EADS is a company registered in the Netherlands and listed in France, Germany and Spain. Given the numerous Corporate Governance regimes applicable to it, EADS applies a set of common Corporate Governance principles and recommendations in order to be in line with the Corporate Governance best practices applicable in these jurisdictions.

In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code (the “**Dutch Code**”), which includes a number of non-mandatory recommendations, the Company applies the provisions of the Dutch Code or, if applicable, explains in its annual Board of Directors Report the reasons for non-application of such provisions.

While EADS, in its continuous efforts to adhere to the highest standards, applies most of the recommendations, it must, in accordance with the Dutch Code’s “apply or explain” principle, provide the following explanations:

1. EADS is a controlled company and, therefore, a number of the Members of the Board, Audit Committee, Remuneration and Nomination Committee and Strategic Committee are designated and can be removed by its controlling shareholders

Nevertheless, it should be noted that a self-assessment of the Board confirmed that the Members of the Board designated by the controlling shareholders hold opinions and defend positions that are in all relevant aspects aligned with the economic interests of individual shareholders. Given the absence of material conflicting business interests between EADS and its controlling shareholders, and the independence of the controlling shareholders from one another, the Members of the Board designated by the controlling shareholders are deemed to fairly represent the interest of all shareholders in acting critically and independently of one another and of any particular interests. Furthermore, the Board’s composition, as reshaped in October 2007 to increase in particular the number of independent Board Members, with a wide range of different experiences represented in the Board and the running of meetings is conducive to the expression of autonomous and complementary views.

This explains why:

- (a) Four Members of the Board out of eleven are independent (whereas provision III.2.1 of the Dutch Code recommends that there be no more than one non-independent Board member);
- (b) Members of the Board retire simultaneously on a five-yearly basis (whereas provision III.3.6 of the Dutch Code

recommends that there be a retirement schedule to avoid, as far as possible, a situation in which many Non-Executive Members of the Board retire at the same time);

- (c) the Board is headed by the Chairman of the Board. In case of dismissal or resignation of the Chairman, the Board shall immediately designate a new Chairman. There is therefore no need for a vice-Chairman to deal with the situation when vacancies occur (whereas provision III.4.1(f) of the Dutch Code recommends that there be a vice-Chairman);
- (d) EADS’ Audit Committee includes two Members of the Board designated by the controlling shareholders (whereas provision III.5.1 of the Dutch code recommends that there be no more than one non-independent Audit Committee member);
- (e) EADS’ Remuneration and Nomination Committee includes two Members of the Board designated by the controlling shareholders (whereas provision III.5.1 of the Dutch code recommends that there be no more than one non-independent Committee Member);
- (f) EADS’ Remuneration and Nomination Committee is not the relevant body responsible for the selection procedure and nomination proposals for Members of the Board (whereas provision III.5.13 (a) of the Dutch Code recommends that such Committee focus on drawing up selection criteria and the appointment procedures for Members of the Board; and provision III.5.13 (d) recommends that such Committee focus on making proposals for appointments and reappointments).

2. As for remuneration of Members of the Board of Directors

EADS applies different rules for the remuneration of Executive (the Chief Executive Officer) and Non-Executive Members of the Board, as explained in “2.2.1.2 Compensation of the members of the Board of Directors”.

In case of dismissal from the Company of the Chief Executive Officer, a termination package equal to one and a half time the annual total target salary would be paid. However this termination package would be reduced pro rata or would even not be applicable depending on the age and date of retirement. EADS’ Board has decided to change the former policy for termination package and therefore to reduce the maximum termination indemnity from two times to one and a half time of annual total target salary (whereas provision II.2.7 of the Dutch Corporate Governance Code recommends that the maximum remuneration in the event of dismissal be one year’s salary (the ‘fixed’ remuneration component), and that if the maximum of one year’s salary would be manifestly unreasonable for an Executive Board Member who is dismissed during his first term of office, such board member be eligible for severance pay not exceeding twice the annual salary).

3. EADS is listed on the Frankfurt, Paris and Spanish stock exchanges and endeavours to strictly comply with the relevant regulations and follow the general practices on these markets protecting all its stakeholders

- (a) Moreover EADS has adopted Insider Trading Rules providing for specific internal rules, inter alia, governing Members' of the Board holding and trading of shares in EADS and other companies. Therefore, in line with these rules and these regulations and common practices in the jurisdictions in which the Company is listed:
- (b) EADS does not require Members of the Board to give periodic notice of any changes in their holding of securities in Dutch listed companies to the EADS Compliance officer (whereas provisions II.2.6 and III.7.3 of the Dutch Code recommend such a notice unless a Board Member only invests in listed investments funds);
- (c) EADS does not require Members of the Board to treat their securities in the Company as a long-term investment (whereas provision III.7.2 of the Dutch Code recommends such a treatment);
- (d) The term of the office of members of the Board is five years without limitation on renewal (whereas provisions II.1.1 and III.3.5 of the Dutch Code recommend that there be no more than three four-year-terms for Non-Executive Members of the Board and that there be four-year-terms (without limitation on renewal) for Executive Members of the Board);
- (e) EADS does not follow various recommendations for dealings with analysts, including allowing shareholders to follow meetings with analysts in real time and publishing presentations to analysts on the website as set out in provision IV.3.1 of the Dutch Code;
- (f) In accordance with EADS' Articles of Association, if the Board does not set a "registration date", the shareholders must be shareholders at the date of the meeting to exercise their voting rights and other rights at the meeting (whereas provision IV.1.7 of the Dutch Code recommends that the Company set a "registration date" prior to the shareholder's meeting and that the shareholders must be shareholders on the date of such "registration date" to exercise their voting rights at the shareholders' meetings even if those persons are not any longer shareholders on the date of such meeting).

4. EADS maintains an integrated Group-wide Internal Control and Risk Management System with the purpose of providing reasonable assurance that risks are effectively managed

One of management's fundamental missions is to ensure an effective Internal Control ("IC") and Risk Management ("RM") environment at EADS, in accordance with corporate governance requirements and best practices in the Netherlands, France,

Germany and Spain. Faced with continuing changes in the multi-jurisdictional legal and regulatory provisions applicable to it, EADS began to implement a coherent group-wide IC and RM system in 2004. This system is based on the Internal Control and Enterprise Risk Management Frameworks of the Committee of Sponsoring Organisations of the Treadway Commission ("COSO").

Developments in 2007 and Outlook

During 2007, EADS sought primarily to increase awareness of IC and RM principles at the divisional, BU and Headquarters ("HQ") level. This included the rollout across several Divisions and BUs of standardised IC and RM training covering basic and refresher concepts. In addition, process coordinators benefited from individual coaching sessions and workshops relating to the performance of yearly IC procedures. Working groups were also established throughout 2007 in order to enhance cross-departmental and cross-organisational knowledge exchange.

During the second half of 2007, most Divisions, BUs and HQ departments conducted a self-assessment of their IC systems to evaluate the design and operational effectiveness of internal controls. The results are currently being analysed. Moreover, independent reviews of the IC & RM systems were performed to substantiate the self-assessment during 2007.

EADS is in the process of reviewing the IC and RM system in place at Airbus in order to further align it with that of the Group as a whole. Pending the completion of this review, Airbus has continued to operate the IC and RM system that was in place prior to BAE Systems' divestment of its stake in 2006.

Building on the comprehensive IC and RM review and evaluation procedures carried out in 2007, EADS will assess the results over the course of 2008. As a result of the ongoing monitoring activities of the IC and RM systems' effectiveness, further modifications to the IC and RM systems and integration efforts are expected throughout 2008.

Responsibility for the IC and RM System — Interaction with EADS Management

Overall responsibility for the IC and RM system and the related reporting to stakeholders lies with the EADS Board of Directors ("BoD"). EADS' CEO and CFO are responsible for ensuring that the IC and RM system and related procedures are implemented throughout the Group. In addition, the Audit Committee oversees the Group-wide functioning of the IC and RM system.

A general management principle at EADS is the delegation of entrepreneurial responsibility and powers to the operational units. This principle of subsidiarity entails a clear allocation of responsibilities between EADS Headquarters and the Divisions or BUs. EADS Corporate sets the overall strategic and operational targets for EADS and assumes the ultimate responsibility for the process. The Divisions and BUs retain responsibility for all

operational matters and activities within their scope, subject to audit. Consequently, the responsibility for operating and monitoring the IC and RM system and for risk and IC reporting lies with the respective management of the Divisions, BUs and HQ departments. They must seek to ensure transparency and effectiveness of their local sub-IC and RM systems and the adherence to the objectives defined by the EADS BoD. The management of Divisions, BUs and HQ departments is responsible for the implementation of appropriate mitigation activities to reduce the probability and impact of risk exposures and for the communication of risks that affect others within EADS.

In principle, risk and IC management as well as ensuring overall effectiveness of the IC and RM system is the responsibility of all members of the staff. The Group seeks to integrate risk and IC management into all activities when conducting business transactions.

Monitoring of Internal Controls — Management Discussions

In addition to regular monitoring activities at the Divisional, BU and HQ levels, assessments about the adequacy and effectiveness of the IC and RM systems are discussed between the EADS CEO and CFO and the respective Division/BU CEOs and CFOs or the HQ-department heads. These discussions serve to prioritise potential issues at the EADS level, define and implement appropriate actions, if needed, and derive conclusions for the overall EADS IC and RM report.

Management Sign-Off Process — Sub-Representation

Once every year, identified significant deficiencies and material weaknesses are reported in sub-representation letters. Since the 2007 reporting cycle, an enhanced sign-off process requires EADS' CEO and CFO confirm to the BoD, to the best of their knowledge, whether:

- the IC system is adequate to provide reasonable assurance regarding the reliability of financial reporting as well as compliance with applicable laws and regulations;
- the control objectives are being achieved by controls that are documented, adequately designed for their business and are operating effectively, in all material respects;
- the owner of each control activity is clearly identified; and
- the RM system is designed and operated to identify, assess, respond to, design controls and monitor/report on risks on a timely basis.

The EADS CEO and CFO's IC and RM statement is mainly based on the self-assessments, audit reviews and management discussions described above, and is substantiated by sub-representation letters provided to the EADS CEO and CFO by all Divisional and BU management.

The IC and RM system provides the management with a framework for attempting to manage the uncertainty and associated risks inherent in EADS' business. It serves as the basis for all sub-IC and sub-RM procedures present throughout EADS at the divisional and Business Unit ("BU") levels.

By employing a uniform approach to IC and RM, EADS seeks to gain reasonable assurance about:

- the reliability of its financial reporting;
- efficiency and effectiveness of operations; and
- compliance with applicable laws and regulations.

The implementation and other aspects of the IC and RM System have been discussed with the Audit Committee on a regular basis, as part of the Audit Committee's general task to oversee the Group-wide functioning of the IC and RM System.

No matter how well designed, all IC and RM systems have inherent limitations, such as vulnerability to circumvention or management overrides of the controls in place. Consequently, no assurance can be given that EADS' IC and RM system and procedures are or will be, despite all care and effort, entirely effective.

As this framework (and relevant aspects referred to in the Dutch Code) is still being implemented throughout the Group, the Board will make a declaration on the adequacy and effectiveness of the Groups' internal control and risk management systems as soon as the implementation is complete (whereas provision II.1.4 of the Dutch Code recommends that such a declaration be included in the Board Report).

5. Ethics Alert System

EADS is in the process of putting in place a procedure for receiving, in full confidentiality, concerns regarding e.g. financial reporting, internal risk management and control systems, as well as regarding general operational matters. The EADS Ethics Alert System architecture will be part of a global new EADS compliance organisational structure that is currently being formalised.

Some consultations with the works councils have started regarding the implementation of such procedure. After decision of the Board and the Audit Committee on the organisational structure for compliance and the completion of the various proceedings with respective works councils regarding the introduction of an Ethics Alert System, will be implemented, thus allowing the Company to comply with provision II.1.6 of the Dutch Code which recommends that a company ensures that its employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the Company or concerning the functioning of the Executive Member of the Board to the Chairman of the Board or to an official designated by them and that such arrangements for whistleblowers be posted on the Company's website.

2.1 Management and Control

Since its creation in 2000 and until 22nd October 2007, EADS was led by a dual-headed management structure, with two Chairmen and two co-Chief Executive Officers, which has provided the necessary balance and stability required for a company with such a unique industrial and multi-national heritage.

On 16th July 2007, Daimler⁽¹⁾, the French Government and Lagardère decided, together with the EADS management team, to implement a new management and leadership structure. The German Government was also consulted. Guiding principles of this modification were efficiency, cohesiveness and simplification of EADS' management and leadership structure, towards corporate governance best practices while maintaining a balance between the French and the German core shareholders. Under the simplified management structure, EADS is now led by a single Chairman and a single Chief Executive Officer.

The core shareholders also concluded that it was in the best interest of the Group to recommend an increase in the number

of independent members on the Board of Directors to appropriately reflect the global profile of EADS by conforming to international corporate governance best practices.

In this respect, both Daimler and Sogea relinquinshed two seats on the Board of Directors and four independent directors were elected during the Extraordinary General Meeting of Shareholders held on 22nd October 2007. Apart from the Chief Executive Officer, the Board no longer comprises executive directors.

The core shareholders have also decided to amend the responsibilities assumed by the Board of Directors, the Chairman, the Chief Executive Officer and the Executive Committee, as described below.

These modifications were fully implemented and became effective from the Extraordinary General Meeting of Shareholders and Board of Directors' meeting both held on 22nd October 2007.

2.1.1 BOARD OF DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the Articles of Association of the Company as amended by the Extraordinary General Meeting of Shareholders held on 22nd October 2007, the Board of Directors is responsible for the management of the Company.

The Board of Directors consists of a maximum of eleven members appointed and removed by the shareholders' meeting. The Board of Directors adopted rules governing its internal affairs (the "**Rules**") at a Board of Directors' meeting held on 7th July 2000. The Rules were amended at a Board of Directors' meeting held on 5th December 2003 to take into account recommendations for changes to corporate governance. These rules were further amended at a Board of Directors' meeting held on 22nd October 2007, to take into account the corporate governance modifications approved during the Extraordinary General Meeting of Shareholders held the same day.

The Rules specify the composition, the role and the key responsibilities of the Board of Directors, and also determine the manner of appointment and the responsibilities of the Chairman and the Chief Executive Officer. The Rules also specify the creation of three committees (the Audit Committee, the Remuneration and Nomination Committee and the

Strategic Committee) and specify their composition, role and operating rules.

The Board of Directors has also adopted specific Insider Trading Rules, which restrict its members from trading in EADS shares in certain circumstances (for more information, please see "Part 2/3.1.3 Governing Laws").

The parties to the Participation Agreement (as amended on 22nd October 2007 and as defined in the opening paragraph of "Part 2, section 3.3.2 Relationships with Principal Shareholders") have agreed that the voting rights attached to the Indirect EADS Shares shall be exercised by EADS Participations B.V. to ensure that the Board of Directors of EADS comprises the Directors of EADS Participations B.V. and four additional independent Directors.

According to the Rules, an independent Director is defined as "*a Director who is not an officer, director, employee, agent or otherwise has any significant commercial or professional connection with either the Dasa Group, the Lagardère Group, the Sogepa (Note: Société de Gestion de Participations Aéronautiques) Group, the Sepi Group, the French State, the German State, the Spanish State or the EADS Group*".

(1) Formerly "DaimlerChrysler".

Pursuant to the Participation Agreement, the Board of Directors comprises eleven members as follows (the “**Board of Directors**”, the members of the Board of Directors being referred to as the “**Directors**”):

- One non-executive Chairman, appointed on joint proposal by the Daimler-Directors and the Société de Gestion de l’Aéronautique, de la Défense et de l’Espace (“**Sogeade**”) – Directors;
- The Chief Executive Officer of EADS, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- Two nominated by Daimler;
- Two nominated by Sogeade;
- One nominated by the *Sociedad Estatal de Participaciones Industriales* (“**SEPI**”), so long as the Indirect EADS Shares⁽²⁾ held by SEPI represent 5% or more of the total number of EADS Shares but in any case until the general meeting of shareholders to be held in 2012; and
- Four independent Directors, jointly proposed by the Chairman and the Chief Executive Officer of EADS and individually approved by the Board.

Pursuant to the Articles of Association, each member of the Board of Directors holds office for a term expiring at the Annual General Meeting of EADS to be held in 2012. Members of the Board of Directors will be elected at each fifth Annual General Meeting thereafter.

The shareholders’ meeting may at all times suspend or dismiss any member of the Board of Directors. There is no limitation on the number of terms that a Director may serve.

The Board of Directors appoints a Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The Chairman ensures the smooth functioning of the Board of Directors in particular with respect to its relations with the Chief Executive Officer with whom he teams up for top level strategic discussions with outside partners, which are conducted under his supervision.

The Chairman shall have either French or German nationality, provided that the Chief Executive Officer is of the other nationality.

The Chairman can submit his resignation as Chairman to the Board of Directors or can be dismissed as Chairman by the Board of Directors, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The appointment further terminates if the Chairman is dismissed or resigns as Director. Immediately following the dismissal or resignation of the

Chairman, and if the Daimler-Directors and the Sogeade-Directors do not immediately jointly designate a new Chairman, the Board of Directors appoints by simple majority a Director (with the same citizenship as the former Chairman) as interim Chairman for a period which expires at the earlier of either (i) twenty clear days after the Daimler-Directors and the Sogeade-Directors jointly designate a new Chairman (during which period, a Board of Directors meeting is called in order to appoint the new Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors), or (ii) two months from that interim Chairman’s appointment.

Upon request by any member of the Board of Directors made three years after the beginning of the Chairman’s term and alleging that significant adverse deviation(s) from objectives and/or failure(s) to implement the strategy defined by the Board of Directors occurred, the Board of Directors shall meet, to decide whether deviations and/or failures actually occurred during this period and if so, to decide whether to renew its confidence to the Chairman (the “**Vote of Confidence**”). The Board of Directors resolves upon such Vote of Confidence by simple majority. The Chairman is removed if he does not obtain such Vote of Confidence, a new Chairman being then appointed in accordance with the above.

The Board of Directors also appointed a Chief Executive Officer to be responsible for the day-to-day management of the Company, upon the joint proposal by the Daimler-Directors and the Sogeade-Directors.

The way the Chief Executive Officer can resign or be dismissed and the way the Chief Executive Officer would, if any, be replaced are identical to those applying to the Chairman. The Vote of Confidence procedure stated above is also applicable to the Chief Executive Officer under the same conditions as for the Chairman.

The Company is represented by the Board of Directors or by the Chief Executive Officer. The Chief Executive Officer shall not enter into transactions that form part of the key responsibilities of the Board of Directors unless these transactions have been approved by the Board of Directors.

The key responsibilities of the Board of Directors include amongst others:

- Approving any change in the nature and scope of the business of the Group;
- Approving any proposal to be submitted to the General Meeting of shareholders in order to amend the articles of association of EADS (Qualified Majority);

(2) See 3.3.1 “Shareholding Structure” of Registration Document Part 2 for a definition of Indirect EADS Shares.

- Approving the overall strategy and the strategic plan of the Group;
- Approving substantial to the business plan and the yearly budget of the Group;
- Setting the major performance targets of the Group;
- Designating or removing the Chairman and the Chief Executive Officer and deciding upon the designation or removal of the Chief Executive Officer of Airbus (Qualified Majority);
- Appointing the members of the Executive Committee (see below), as a whole team, not on an individual basis;
- Establishing and approving amendments to the Rules and to the rules for the Executive Committee (Qualified Majority);
- Deciding upon the appointments of the Airbus Shareholders' Committee, the EADS Corporate Secretary and the chairmen of the Supervisory Board (or similar organ) of other important Group companies and business units;
- Approving material changes to the organisational structure of the Group;
- Approving investments, projects or product decisions or divestments of the Group with a value exceeding €350,000,000 (it being understood that this item shall require the Qualified Majority only for investments, projects or product decisions or divestments of the EADS Group with a value exceeding €500,000,000);
- Approving strategic alliances and co-operation agreements of the Group (Qualified Majority);
- Approving matters of shareholder policy, major actions or major announcements to the capital markets;
- Approving any material decision regarding the ballistic missiles business of the Group (Qualified Majority);
- Approving other measures and business of fundamental significance for the Group or which involve an abnormal level of risk;
- Approving any proposal by the Chairman and the Chief Executive Officer as to the appointment of the independent Directors, for submission to the General Meeting of shareholders.

The Board of Directors met twelve times during 2007 and was regularly informed of developments through business reports from the Chief Executive Officer(s), including rolling forecasts as well as strategic and operational plans. The average attendance rate at such meetings was 80%.

On 5th April 2007, Manfred Bischoff presented his resignation as Chairman and member of the Board of Directors and the Board of Directors decided to designate Rüdiger Grube as his successor in the position of Chairman of the Board. On 9th May 2007, the Board of Directors nominated Marwan Lahoud as

Chief Strategy and Marketing Officer (from 11th June 2007 on), and Carlos Suárez as Head of the Military Transport Aircraft (from 1st July 2007 on) and as members of the Executive Committee. On 16th July 2007, the EADS core shareholders have decided, together with the EADS management team, to implement a new management and leadership structure. In consequence, a simplification of the dual-headed management structure has been proposed to an Extraordinary General Meeting of Shareholders held on the 22nd October 2007, which approved the changes and newly constituted the Board of Directors. Henceforth, EADS is led by a single Chairman (Rüdiger Grube) and a single Chief Executive Officer (Louis Gallois). The number of independent members on the Board of Directors has been increased to four and the Chief Executive Officer remains the only executive director. Furthermore, the Board's voting rules have been amended. In the context of this governance change, former co-Chief Executive Officer Thomas Enders is now assuming the position of Head of Airbus since 27th August 2007.

Other topics intensively discussed, and operations authorised at the Board of Directors meetings included: EADS' strategy (including M&A matters and the competitive environment), major business issues such as the A380 recovery efforts and the implementation of the Power8 programme, the A350 programme progresses and Airbus future product strategy, the regular updates on the A400M and the NH90 programmes, the approval of operational plans, reorganisation topics, budgets, the Group's financial results and forecasts, as well as the discussions regarding the implementation of a compliance organization. The Board of Directors also dealt with topics regarding personnel and human resources, such as management qualification, remuneration (including a long-term incentive plan and an employee share ownership plan) as well as attracting, retaining and developing individuals with high potential in order to ensure the future quality of EADS' management and the multinational leadership structure.

Each Director shall have one vote, provided that, if there are more Sogade-nominated Directors than Daimler-nominated Directors present or represented at the meeting, the Daimler-nominated Director who is present at the meeting can exercise the same number of votes as the Sogade-nominated Directors who are present or represented at the meeting, and vice versa. All decisions of the Board of Directors shall be taken by a simple majority of votes (six Directors, present or represented, voting in favour of the decision), except for the votes relating to certain matters which can only be validly resolved upon a majority of votes including the unanimous vote of the two Sogade nominated Directors and the two Daimler nominated Directors (the **Qualified Majority**). The quorum for the transaction of business at meetings of the Board of Directors requires the presence of at least one of the Sogade-nominated Directors and one of the Daimler-nominated Directors. A Director can authorise another Director to represent him or her

at a Board meeting and to vote on his or her behalf. Such authorisation shall be in writing.

In the event of a deadlock in the Board of Directors, other than a deadlock giving Daimler the right to exercise the put option granted to it by Sogead (see “Part 2/3.3.2 Relationships with Principal Shareholders — Put Option”), the matter shall be referred to Arnaud Lagardère (or such person as shall be nominated by Lagardère) as representative of Sogead and to the chief executive officer of Daimler. In the event that the matter in question, including a deadlock giving Daimler the right to exercise the put option (but in this case with the agreement of Sogepa and Daimler) is a matter within the competence of the General Meeting of EADS, a resolution on the issue shall be put to the General Meeting, with the voting rights of Sogead, Daimler and SEPI being negated.

Pursuant to the Rules, the Board of Directors is empowered to form committees from its members. In addition to the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee, the Board of Directors may form other committees to which it may transfer certain minor or ancillary decision-making functions although such assignment does not negate the joint responsibility of all Directors. The quorum for the transaction of business at any meeting of

a committee shall be at least one Director appointed by Sogead and at least one Director appointed by Daimler. All decisions of a committee require the simple majority of the members.

In addition to the Rules, the work of the Board of Directors is governed by internal directors’ guidelines (the “**Directors’ Guidelines**”) adopted, in a meeting of 10th December 2004, in light of Corporate Governance best practices. The Directors Guidelines are composed of a Directors’ charter (the “**Directors’ Charter**”) detailing the rights and duties of the members of the Board of Directors, an Audit Committee charter (the “**Audit Committee Charter**”) and a Remuneration and Nomination Committee charter (the “**Remuneration and Nomination Charter**”) each such charter setting forth the respective committees’ enhanced roles. The above-mentioned Charters were amended to take into account the changes made to the Corporate Governance of EADS in 2007. A charter was also established for the Strategic Committee created in 2007.

The Directors’ Charter sets out core principles that bind each and every Director, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of their duties and avoiding any and all conflicts of interest.

COMPOSITION OF THE BOARD OF DIRECTORS

Name	Age	Term started (as member of the Board of Directors)	Term expires	Principal function	Status
Rüdiger Grube	56	2004, re-elected in 2005 and 2007	2012	Chairman of EADS	Non-Executive
Louis Gallois	64	2000, re-elected in 2005 and 2007	2012	Chief Executive Officer of EADS	Executive
Rolf Bartke	61	2007	2012	Chairman of Kuka AG	Nominated by Daimler
Dominique D’Hinnin	48	2007	2012	Chief Financial Officer of Lagardère	Nominated by Sogead
Juan Manuel Eguiagaray Ucelay	62	2005, re-elected in 2007	2012	Director of Studies at Fundación Alternativas	Nominated by SEPI
Arnaud Lagardère	47	2003, re-elected in 2005 and 2007	2012	General Partner and CEO of Lagardère	Nominated by Sogead
Hermann-Josef Lamberti	52	2007	2012	Member of the Management Board of Deutsche Bank AG	Independent
Lakshmi N. Mittal	57	2007	2012	President and Chief Executive Officer of ArcelorMittal	Independent
Sir John Parker	65	2007	2012	Chairman of National Grid	Independent
Michel Pébereau	66	2007	2012	Chairman of BNP Paribas	Independent
Bodo Uebber	48	2007	2012	Member of the Board of Management of Daimler AG	Nominated by Daimler

Nota: The professional address of all members of the Board of Directors for any matter relating to EADS is Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands.

The Company has not appointed observers to the Board of Directors. Pursuant to applicable Dutch law, the employees are not entitled to elect a Director. There is no minimum number of shares that must be held by a Director.

Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors

Rüdiger Grube

Dr. Rüdiger Grube is Chairman of EADS and has been a member of the Board of Management of Daimler since 2001, where he is responsible for corporate development, which includes corporate strategy, mergers & acquisitions, industrial participations and IT. Since 2004, he has also been responsible for all North East Asian activities, including those in China. Dr. Grube joined Messerschmitt-Bölkow-Blohm GmbH, later renamed Daimler-Benz Aerospace (DASA), in 1989. He holds a degree in aircraft construction and engineering from the University of Hamburg and a doctorate in industrial science.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Management of Daimler;
- Chairman of the Board of Directors of EADS Participations B.V.;
- Member of the Board of Directors of Chrysler Holding LLC;
- Chairman of the Supervisory Board of Daimler Luft-und Raumfahrt Holding AG;
- Vice Chairman of the Board of Directors of Beijing Benz Daimler Automotive (BBDC-A);
- Member of the Supervisory Board of Daimler Financial Services AG; and
- Member of the Supervisory Board of "Hamburg Port Authority" ("HPA GmbH").

Former mandates for the last five years:

- Member of the Advisory Board of Daimler Fleetboard (resigned 31st December 2003);
- Member of the Board of Directors of the Hyundai Motor Company (resigned 13th May 2004);
- Member of the Board of Directors of the Mitsubishi Motors Company (resigned 24th November 2005);
- Member of the Supervisory Board of MTU Friedrichshafen GmbH and DaimlerChrysler Off-highway GmbH (resigned 14th March 2006);

- Member of the Board of Directors of McLaren Group Ltd (resigned February 2007);
- Member of the Advisory Board of Daimler Aviation (resigned 28th March 2007); and
- Chairman of the Board of Directors of Daimler China Limited, Beijing (resigned 1st July 2007).

Louis Gallois

Mr. Louis Gallois has been Chief Executive Officer (CEO) of EADS since August 2007, after having been Co-CEO of EADS, and President and CEO of Airbus since 2006. Previously, he served successively as Chairman and CEO of SNECMA, Chairman and CEO of Aerospatiale and Chairman of SNCF. Earlier in his career, he held positions in the French Ministry of Economy and Finance, the Ministry of Research and Industry, and the Ministry of Defence. Mr. Gallois graduated from the Ecole des Hautes Etudes Commerciales in economic sciences and is an alumnus of the Ecole Nationale d'Administration.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chief Executive Officer of EADS Participations B.V.;
- Member of the Board of Directors of Stichting Administratiekantoor EADS (the "Foundation");
- Member of the Board of Directors of *École Centrale des Arts et Manufactures*; and
- President of the Fondation Vilette-Entreprises.

Former mandates for the last five years:

- Member of the Board of Directors of Thales (resigned 30th June 2005); and
- President of SNCF (resigned 2nd July 2006).

Rolf Bartke

Mr. Rolf Bartke is Chairman of Kuka AG. He was Head of the vans business unit at DaimlerChrysler AG from 1995 to 2006. Previously, he was Mercedes Benz's Managing Director in the fields of commercial vehicle planning and projects, commercial vehicle development, marketing and sales planning for Unimog and MB-trac. He started his career in 1976 as Managing Director of commercial agents of Unimat GmbH in Düsseldorf. Mr. Bartke holds a PhD in economics from the University of Karlsruhe.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman of the Board of Directors of SAF-Holland SA;

- Deputy Chairman of the Supervisory Board of SFC Smart Fuel Cell AG;
- Chairman of the Advisory Board of Keiper-Recaro-Group (Putsch GmbH & Co. KG);
- Member of the Board of Directors of J&R Carter Partnership Foundation; and
- Member of the Board of Directors of SORTIMO North America Inc.

Former mandates for the last five years:

- Chairman of the Supervisory Board of Daimler Ludwigsfelde GmbH (resigned 31st March 2006);
- Member of the Supervisory Board of Daimler Manufacturing International LLC (resigned 31st March 2006);
- Member of the Supervisory Board of Daimler España S.A. (resigned 31st March 2006); and
- Member of the Board of Directors of EADS Participations B.V.

Dominique D'Hinnin

Mr. Dominique D'Hinnin has been Chief Financial Officer (CFO) of Lagardère SCA since 1998. He joined Lagardère in 1990 as advisor to the Chairman of the Finance Committee of the Group. After that, he held different positions within the Group, first being appointed as Internal Audit Manager, and then CFO Hachette Livre in 1993, before being appointed Executive Vice President of Grolier Inc in the United States. Mr. D'Hinnin is an alumnus of the Ecole Normale Supérieure and is an Inspecteur des Finances.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman and Managing Director of Ecrinvest 4 SA;
- Administrator of Hachette SA;
- Member of the Supervisory Board of Lagardère Active SAS
- Permanent representative of Hachette SA at the Supervisory Board of Lagardère Active Broadcast;
- Administrator of Lagardère Services SA;
- Administrator of Hachette Livre SA;
- Administrator of Lagardère Ressources SAS;
- Administrator of Sogeadé Gérance SAS;
- Chairman of Eole SAS;
- Member of the Supervisory Board of Financière de Pichat SAS;
- Member of the Supervisory Board of Financière de Pichat & CIE SCA;

- Member of the Supervisory Board of Matra Manufacturing & Services SAS;
- Chairman of the Supervisory Board of Newsweb SA;
- Chairman of the Supervisory Board of the “Club des Normaliens dans l’Entreprise”;
- Member of the Supervisory Board and Treasurer of the Foundation “Ecole Normale Supérieure”;
- Chairman of the “Institut d’expertise et de prospective de l’Ecole Nationale Supérieure”;
- Vice-Chairman of Infogrames Entertainment SA and Chairman of the Audit Committee of Infogrames Entertainment SA;
- Member of the Supervisory Board and Chairman of the Audit Committee of Le Monde SA;
- Administrator of Le Monde Interactif SA;
- Member of the Supervisory Board and of the Audit Committee of CANAL + France SA;
- Director of Lagardère North America, Inc; and
- Member of the Board of Directors of EADS Participations B.V.

Former mandates for the last five years:

- Permanent representative of Lagardère Active Broadcast in the Supervisory Board of Multithématiques (resigned February 2005);
- Permanent representative of Lagardère SCA in the Supervisory Board of Hachette Filipacchi Medias (transformed in SAS on 25th October 2006);
- Chairman and Managing Director of Lagardère Télévision Holdings SA (resigned January 2007);
- Administrator of Legion Group SA (resigned May 2007);
- Director of Lagardère Management, Inc (resigned October 2007); and
- Member of the Supervisory Board of Hachette Holdings SAS (resigned December 2007).

Juan Manuel Eguiagaray Ucelay

Mr. Juan Manuel Eguiagaray Ucelay is Director of Studies at the Madrid-based think tank Fundación Alternativas. Formerly Spain’s Minister for Public Administration (1991-1993) and Minister for Industry and Energy (1993-1996), he resigned from Parliament in 2001. Between 1970 and 1982 he taught economics at Deusto University in Bilbao. Mr. Eguiagaray Ucelay holds degrees in economics and law, as well as a Ph.D, from Deusto University.

Current mandates in addition to the one listed in the chart above are set forth below:

- President of Solidaridad Internacional (NGO);
- Member of the Council Adviser of the Foundation Group EP;
- Member of the Council Adviser of Cap Gemini Spain; and
- Member of the Board of Directors of EADS Participations B.V.

Former mandates for the last five years:

- Member of the Advisory Board of Futurspace S.A. (resigned 5th July 2004);
- Associate Professor of Macroeconomics at the University of Carlos III in Madrid (resigned 30th September 2006).
- Member of the Council Adviser of Creation, Advising and Development (Creade), S.L. (resigned 1st July 2007); and
- Economic Adviser of Arco Valoraciones S.A. (resigned 1st November 2007).

Arnaud Lagardère

Mr. Arnaud Lagardère has been General Partner and Chief Executive Officer (CEO) of Lagardère since 2003. He has been Managing Partner of Lagardère since 1998, being appointed CEO of both Lagardère Media and Lagardère Active in 1999. Previously he was CEO of Grolier Inc. in the United States, Head of emerging activities and electronic media for Matra and Vice President of the Supervisory Board of Arjil bank. He began his career in 1986 as General Manager of MMB, the holding company of Hachette and Europe 1. Mr Lagardère graduated in economics from the University of Paris Dauphine.

Current mandates in addition to the one listed in the chart above are set forth below:

- Chairman and Chief Executive Officer of Lagardère Media (corporate name: Hachette S.A.);
- Chairman of the Supervisory Board of Lagardère Active (S.A.S.);
- President (Chief Executive Officer) of Lagardère Active Broadband (S.A.S.);
- Chairman and Chief Executive Officer of Lagardère (S.A.S.);
- Chairman and Chief Executive Officer of Lagardère Capital & Management (S.A.S.);
- Chairman and Chief Executive Officer of Arjil Commanditée — ARCO (S.A.);
- Chairman of Fondation Jean-Luc Lagardère;
- President of the sports association Lagardère Paris Racing Ressources;
- President of the sports association Lagardère Paris Racing.
- Director of Hachette Livre (S.A.);

- Director of Lagardère Services (SA) (ex Hachette Distribution Services);
- Chairman of the Supervisory Board of Lagardère Sports (S.A.S.);
- Permanent Representative of Lagardère Active Publicité to the Board of Directors of Lagardère Active Radio International (S.A.);
- Director of Lagardère Ressources (S.A.S.);
- Chairman and Chief Executive Officer of Sogeadé Gérance (SAS)
- Member of the Board of Directors of EADS Participations B.V.;
- Member of the Supervisory Board of Daimler (AG);
- Director of LVHM Moët Hennessy Louis Vuitton (S.A.); and
- President of the “Association des Amis de Paris Jean-Bouin C.A.S.G.”.

Former mandates for the last five years:

- Co-Manager of I.S.-9 (resigned May 2003);
- Manager of Lagardère Active Publicité (SNC) (resigned May 2003);
- Member of the Board of Directors of the Society d’Agences et de Diffusion S.A. (resigned June 2003);
- Manager of the Nouvelles Messagerie de la Presse Parisienne — N.M.P.P. SARL (resigned July 2003);
- Member of the Board of Directors of Canalsatellite S.A. (resigned December 2003);
- Member of the Board of Directors of Lagardère-Sociétés S.A.S (resigned December 2003);
- Member of the Board of Directors of the Editions P. Amaury S.A. (resigned December 2003);
- Chairman and Chief Executive Officer of Lagardère Images S.A.S (resigned October 2004);
- Chairman and Chief Executive Officer of Lagardère Thematiques S.A. (resigned November 2004);
- Manager of Lagardère Elevage (resigned March 2005);
- Deputy-Chairman of the Supervisory Board of Banque Arjil & Cie (resigned April 2005);
- President of the “Club des entreprises Paris 2012” (resigned January 2006);
- Member of the Board of Directors of Fimalac (resigned January 2006);
- President (Chief Executive Officer) of Lagardère Active S.A.S. (resigned October 2006);
- Director of Hachette Filipacchi MedIAS S.A. (resigned October 2006);

- Permanent Representative of Hachette S.A. to the Management Committee of SEDI TV-TEVA (S.N.C.) (resigned December 2006);
 - Chairman and Chief Executive Officer of Lagardère Active Broadcast (S.A.) (resigned March 2007).
 - Member of the Supervisory Board of Lagardère Sports (SAS) (resigned April 2007);
 - Director of Lagardère Management, Inc (resigned October 2007);
 - Chairman of the Board of Directors of Lagardère Active North America, Inc. (resigned October 2007);
 - Chairman of the Supervisory Board of Hachette Holding (SAS) (ex Hachette Filipacchi Medias) (resigned December 2007);
 - Director of France Télécom (S.A.) (resigned January 2007);
 - Chairman of the Board of Directors of EADS (resigned 22nd October 2007);
 - Chairman of the Board of Directors of EADS Participations B.V. (resigned 22nd October 2007);
 - Member of the Supervisory Board of Virgin Stores (S.A.) (resigned February 2008); and
 - Member of the Supervisory Board of Le Monde (S.A.) (resigned February 2008).
- Hermann-Josef Lamberti**
- Mr. Hermann-Josef Lamberti is a Member of the Management Board of Deutsche Bank AG since 1999 and is the bank's Chief Operating Officer. From 1985, he held various management positions within IBM, working in Europe and the United States, in the fields of controlling, internal application development, sales, personal software, marketing and brand management. In 1997, he was appointed Chairman of the Management of IBM Germany. He started his career in 1982 with Touche Ross in Toronto, before joining the Chemical Bank in Frankfurt. Mr. Lamberti studied business administration at the Universities of Cologne and Dublin, and graduated with a Master's degree.
- Current mandates in addition to the one listed in the chart above are set forth below:*
- Member of the Supervisory Board of BBV Versicherungsverein des Bankgewerbes A.G. und BVV Versorgungskasse des Bankgewerbes e.V.;
 - Member of the Supervisory Board of Carl Zeiss AG;
 - Member of the Supervisory Board of Deutsche Börse AG;
 - Chairman of the Supervisory Board of Deutsche Bank Privat-und Geschäftskunden AG;
 - Member of the Board of Management of Arbeitgeberverband des privaten Bankgewerbes e.V.;
 - Member of the Board of Trustees of Baden-Badener Unternehmersgespräche – Gesellschaft zur Förderung des Unternehmensnachwuchses e.V.;
 - Member of the Advisory Board of Versicherungen Wuppertal;
 - Deputy member of the Deposit Insurance Committee of Bundesverband deutscher Banken e.V.;
 - Delegate of the Delegatesassembly of Bundesverband deutscher Banken e.V.;
 - Member of the Financial Community Germany Committee of Bundesverband deutscher Banken e.V.;
 - Member of the Board of Management of Deutsches Aktieninstitut e.V.;
 - Member of the Board of Trustees of e-Finance Lab Frankfurt am Main;
 - Chairman of the Stock Exchange Council of Eurex Deutschland;
 - Deputy Chairman of the Stock Exchange Council of Frankfurter Wertpapierbörse AG;
 - Member of the Advisory Board of Freunde der Bachwoche Ansbach e.V.;
 - Member of the Board of Trustees of Institute for Law and Finance Frankfurt;
 - Member of the Advisory Board of Institut für Unternehmensplanung – IUP;
 - Member of the Board of Trustees of Junge Deutsche Philharmonie;
 - Deputy Chairman of the Board of Trustees of the Society of Promotion of Kölner Kammerorchester e.V.;
 - Member of the Programme Advisory Board of LOEWE Landes-Offensive zur Entwicklung Wissenschaftlich-ökonomischer Exzellenz des Hessischen Ministeriums für Wissenschaft und Kunst;
 - Member of the Advisory Circle of Münchner Kreis;
 - Member of the Foundation Board of Otto A. Wipprecht-Stiftung;
 - Deputy Member of the Advisory Board and the Examination Board of Prüfungsverband deutscher Banken e.V.;
 - Executive Customer of the Advisory Council of Symantec Corporation;
 - Member of the Board of Trustees of The Frankfurt International School e.V.;

- Member of the Advisory Board of Universität Augsburg;
- Member of the managing Committee of the Institut für Wirtschaftsinformatik der HSG of the Universität St. Gallen;
- Member of the Administrative Council of Universitätsgesellschaft Bonn-Freunde, Förderer, Alumni;
- Member of the Founder Council of Wallraf-Richartz-Museum;
- Member of the Board of Trustees of Wallraf-Richartz-Museum und Museum Ludwig e.V.;
- Member of the Advisory Board in the centre for market-orientated corporate management of WHU; and
- Member of the Steering Committee and of the Federal Committee of Wirtschaftsrat der CDU e.V.

Former mandates for the last five years:

- Member of the Supervisory Board of SupplyOn AG (resigned 1st January 2003);
- Chairman of the Board of Directors of Deutsche Bank S.A./N.V. (resigned 21st April 2004);
- Chairman of the Supervisory Board of European transaction bank AG (resigned 9th June 2004);
- Chairman of the Board of Directors Deutsche Bank S.A.E. (resigned 16th June 2004);
- Chairman of the Supervisory Board of Deutsche Bank Payments Projektgesellschaft AG (resigned 1st July 2004);
- Chairman of the Advisory Council of Deutsche Clubholding GmbH (resigned 1st May 2005);
- Chairman of the Supervisory Board of E-Millennium 1 GmbH & Co. KG (resigned 1st May 2005);
- Member of the Privat and Business Clients Committee of Bundesverband Deutscher Banken e.V. (resigned 1st July 2005);
- Non-Executive Director of the Board of Directors of Euroclear S.A./N.V. (resigned 19th September 2005);
- Non-Executive Director of the Board of Directors of Euroclear plc (resigned 19th September 2005);
- Member of the Supervisory Board of Schering AG (resigned 20th March 2006);
- Member of the Board of Directors of Fiat S.p.A. (resigned 24th July 2007); and
- Member of the Verband der Sparda-Banken e.V. (resigned 30th September 2007).

Lakshmi N. Mittal

Lakshmi N. Mittal is President and Chief Executive Officer (CEO) of ArcelorMittal. He founded Mittal Steel Company in 1976 and guided its strategic development culminating in the merger with Arcelor, agreed in 2006, to found the world's largest steel maker. He is widely recognized for the leading role he has played in restructuring the steel industry towards a more consolidated and globalised model. Mr. Mittal has over 30 years' experience working in steel and related industries. Mr. Mittal was awarded Fortune magazine's "European Businessman of the Year 2004" and the Financial Time's "Person of the Year 2006", and received the 2007 Dwight D. Eisenhower Global Leadership Award and the Padma Vibhushan by the President of India.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Directors of ArcelorMittal SA;
- Member of the Board of Directors of ICICI Bank Limited;
- Member of the Foreign Investment Council in Kazakhstan;
- Member of the International Investment Council in South Africa;
- Member of the Presidential International Advisory Board of Mozambique;
- Member of the World Economic Forum's International Business Council;
- Member of the International Iron and Steel Institute's Executive Committee;
- Member of the Advisory Board of the Kellogg School of Management;
- Member of the International Advisory Board of Citigroup; and
- Member of the Investors' Council at Cabinet of Ministers of Ukraine.

Former mandates for the last five years:

None.

Sir John Parker

Sir John Parker is Chairman of National Grid and the Non-Executive Directors Committee of the Bank of England. He is joint Chairman of Mondi, Deputy Chairman of DP World (Dubai), Non-Executive Director of the Carnival Cruise Line Group, a Member of the International Advisory Board of Citigroup and Chancellor of the University of Southampton. His career has spanned the engineering, shipbuilding and defence industries, including some 25 years' experience as a Chief Executive Officer with Harland & Wolff and the Babcock International Group. He studied Naval Architecture

and Mechanical Engineering at the College of Technology, Queens University, Belfast.

Current mandates in addition to the one listed in the chart above are set forth below:

- Senior non-executive director of Bank of England;
- Director of Carnival plc;
- Director of Carnival Corporation;
- Member of the International Advisory Board of Citigroup;
- Deputy Chairman of Port and Free World Zone (Dubai);
- Governor of Royal National Lifeboat Institution;
- Chancellor of the University of Southampton;
- Director of White Ensign Association Limited;
- Non-Executive Co-Chairman of Mondi Group; and
- Member of the Business Council for Britain.

Former mandates for the last five years:

None.

Michel Pébereau

Mr. Michel Pébereau has been BNP Paribas' Chairman of the Board since 2003. He presided over the merger that created BNP Paribas in 2000, becoming Chairman and Chief Executive Officer (CEO). In 1993 he was appointed Chairman and CEO of the Banque Nationale de Paris. Previously, he was Chairman and CEO of the Crédit Commercial de France. He started his career in 1967 at the Inspection Générale des Finances. In 1970 he joined the French Treasury where he held various high ranking posts. Mr. Pébereau is an alumnus of the Ecole Nationale d'Administration and of the Ecole Polytechnique.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Board of Directors of Lafarge;
- Member of the Board of Directors of Saint-Gobain;
- Member of the Board of Directors of Total;
- Member of the Board of Directors of Pargesa Holding SA, Switzerland;
- Member of the Board of Directors of BNP Paribas (Suisse) SA;
- Member of the Supervisory Board of Axa;
- Member of the Supervisory Board of Banque Marocaine pour le Commerce et l'Industrie, Morocco;
- Chairman of the European Banking Federation;

- Chairman of the Investment Banking and Financial Markets Committee of Fédération Bancaire Française;
- Chairman of the Management Board of Institut d'Etudes Politiques de Paris;
- Chairman of the Supervisory Board of Institut Aspen France;
- Chairman of the Institut de l'Entreprise;
- Member of the Executive Committee of Mouvement des Entreprises en France;
- Member of the Haut Conseil de l'Education;
- Member of the Institut International d'Etudes Bancaires;
- Member of the International Advisory Panel of Monetary Authority of Singapore;
- Member of the International Capital Markets Advisory Committee of Federal Bank of New York; and
- Member of the International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC).

Former mandates for the last five years:

- Member of the Supervisory Board of Dresdner Bank AG (resigned 2002); and
- Member of the Board of Directors of EADS Participations B.V. (resigned 22nd october 2007).

Bodo Uebber

Mr. Bodo Uebber has been a Member of Daimler AG's Board of Management since 2004. He is currently responsible for finance, controlling, corporate procurement and Daimler Financial Services. In 2001, he was appointed Member of the Board of Management and Chief Financial Officer of Daimler Financial Services AG and subsequently in 2003 Chairman of the Board of Management of Daimler Financial Services AG, as well as Deputy Member of the Board of Management of Daimler AG. He previously held various financial positions within DASA AG, Dornier Luftfahrt and MTU Aero Engines GmbH. Mr. Uebber graduated in engineering and economics at the Technical University of Karlsruhe.

Current mandates in addition to the one listed in the chart above are set forth below:

- Member of the Supervisory Board of Mercedes-Benz Bank AG;
- Member of the Supervisory Board of Daimler España Holding S.A.;
- Chairman of the Supervisory Board of Daimler Financial Services AG;

- Chairman of the Supervisory Board of Daimler France Holding SAS;
- Member of the Board of Directors of Freightliner LLC;
- Member of the Advisory Board of Daimler Unterstützungskasse GmbH;
- Member of the Supervisory Board of McLaren;
- Member of the Supervisory Board of Talanx; and
- Member of the Board of Directors of EADS Participations B.V.

Former mandates for the last five years:

- Chairman of the Board of Directors of debis Air Finance B.V. (resigned April 2005);
- Chairman of the Board of Directors of DaimlerChrysler Japan Holding, Ltd. (resigned 1st December 2005);
- Member of the Supervisory Board of Hannover Rückversicherungs AG (12th May 2006);
- Member of the Board of Directors of DaimlerChrysler México Holding S.A. de C.V. (resigned 31st July 2007);
- Chairman of the Board of Directors of DaimlerChrysler North America Holding Corporation (DCNAH) (resigned 3rd August 2007);
- Chairman of the Board of Directors of DaimlerChrysler Corporation (DCC) (resigned 3rd August 2007); and
- Chairman of the Board of Directors of DC U.K. Holding plc (resigned 1st November 2007).

Independent Directors

The four independent directors appointed pursuant to the criteria of independence set out above are Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker and Michel Pébereau.

Prior Offences and Family Ties

To the Company's knowledge, none of the Directors (in either their individual capacity or as director or senior manager of any of the entities listed above) has been convicted in relation to fraudulent offences, been the subject of any bankruptcy, receivership or liquidation, nor been the subject of any official public incrimination and/or sanction by a statutory or regulatory authority, nor been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or conduct of affairs of any company, during at least the last five years. As of the date of this document, there are no family ties among any of the Directors.

Assessment of the Performance of the Board of Directors

At the meeting dated 5th December 2003, the Board of Directors decided to carry out a self-assessment of its performance on an annual basis and a more thorough assessment every three years, possibly with the assistance of external consultants.

Pursuant to this decision, in late 2006 the Board of Directors commissioned an independent and internationally reputable consulting firm (SpencerStuart) to assist the Directors in evaluating the functioning of the Board of Directors within the specific framework of the shareholders agreement. In the course of the evaluation, the outside consultant held individual meetings with all EADS Directors (Executive and non-Executive). The results of the self-assessment have been reported in the Registration Document 2006.

Due to the corporate governance modifications having taken place in 2007 and the reconstitution of the Board of Directors during the last quarter of the year 2007 (October), an end-year self-assessment of the Board's performance has not taken place, as its findings would not have been very relevant due to the short period of operation of the newly constituted Board of Directors. The next self-assessment will be carried out for the year 2008.

2.1.2 AUDIT COMMITTEE

Pursuant to the Rules, the Audit Committee makes recommendations to the Board of Directors on the appointment of auditors and the determination of their remuneration, the approval of the annual financial statements and the interim accounts, discusses with the auditors their audit programme and the results of their audit of the accounts and monitors the adequacy of the Group's internal controls, accounting policies and financial reporting. The Audit Committee has responsibility for ensuring that the internal and external audit activities are correctly directed and that the audit matters are given due importance at meetings of the Board of Directors. The rules and responsibilities of the Audit Committee have been set out in more detail in the Audit Committee Charter.

The Audit Committee reviews the quarterly, half and full year accounts on the basis of the documents distributed in advance and discussions with the auditors. The Head of accounting and the Chief Financial Officer are invited to meetings of the Audit Committee to answer any question.

In 2007, the Audit Committee was:

- Chaired by Manfred Bischoff and Arnaud Lagardère and also included Rüdiger Grube until 4th May 2007;
- Chaired by Rüdiger Grube and Arnaud Lagardère and also included Bodo Uebber until 22nd October 2007; and
- Chaired by Hermann-Josef Lamberti and also includes Dominique D'Hinnin, Sir John Parker and Bodo Uebber since 22nd October 2007.

The Audit Committee meets four times a year, or more frequently according to requirements. It met five times during 2007, with a 62% attendance rate, to review the 2006 results as well as the first half-year results for 2007 of the Company, together with the quarterly financial reviews. As decided by the Board of Directors on 5th December 2003, the role of the Audit Committee was increased with new tasks such as, in particular, the review of the quarterly financial reports.

2.1.3 REMUNERATION AND NOMINATION COMMITTEE

Pursuant to the Rules, the Remuneration and Nomination Committee makes recommendations to the Board of Directors regarding appointments of the EADS Corporate Secretary, the members of the Airbus Shareholder Committee, and the chairmen of the Supervisory Board (or similar organ), of other important Group member companies and business units, remuneration strategies and long-term remuneration plans and decides the service contracts and other contractual matters in relation to the Board of Directors and Executive Committee members. Once approved by the Chairman, it also reviews the proposals by the Chief Executive Officer for the appointment of members of the Executive Committee and of the Airbus Chief Executive Officer. The rules and responsibilities of the Remuneration and Nomination Committee have been set out in more detail in the Remuneration and Nomination Charter.

The guiding principles governing management appointments in the Group should be that the best candidate is appointed to the position ("best man for the job"), while maintaining at the same time a broad balance in terms of nationalities which should not be detrimental to the quality and cohesiveness of the management team. The implementation of these principles should not create restrictions on the diversity of nationalities within the EADS executive management team.

In 2007, the Remuneration and Nomination Committee was:

- Chaired by Manfred Bischoff and Arnaud Lagardère and also included Thomas Enders, Louis Gallois and Rüdiger Grube until 4th May 2007;
- Chaired by Rüdiger Grube and Arnaud Lagardère and also included Thomas Enders, Louis Gallois and Bodo Uebber until 22nd October 2007; and
- Chaired by Sir John Parker and also includes Rolf Bartke, Dominique D'Hinnin and Hermann-Josef Lamberti since 22nd October 2007.

The Remuneration and Nomination Committee meets twice a year, or more frequently according to requirements. It met seven times during 2007, with a 81% average attendance rate. On top of making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviewed the compensation policy (including pension schemes), the new Executive Committee members salaries, the bonus payments for 2006, the long-term incentive plan and the employee share ownership plan for 2007/2008, as well as the salary review of the Executive Committee members for 2007.

2.1.4 STRATEGIC COMMITTEE

The Strategic Committee was created in October 2007. It is not a decision making body but a resource available to the EADS Board of Directors with regards to the preparation of decisions on strategic matters. Pursuant to the Rules, the Strategic Committee makes recommendations to the Board of Directors regarding strategic developments, corporate strategies, major merger and acquisition projects, major investments, projects or product decisions or divestments, as well as major research and development projects.

The Strategic Committee is chaired by Rüdiger Grube and also includes Louis Gallois, Arnaud Lagardère, Michel Pébereau and Bodo Uebber.

The Strategic Committee meets twice a year, or more frequently, according to need. It met for the first time in February 2008 to review amongst other matters the EADS Vision 2020.

2.1.5 EXECUTIVE COMMITTEE

Within the framework of the amendments to EADS Corporate Governance approved by the Extraordinary General Meeting of Shareholders and the Board of Directors both held on 22nd October 2007, the method of appointment of the members of the Executive Committee was changed.

The Chief Executive Officer, supported by an Executive Committee (the “**Executive Committee**”), is responsible for managing the day-to-day operations of the Company. The Executive Committee, chaired by the Chief Executive Officer, also comprises the Heads of the major Functions and Divisions of the Group. The Executive Committee met eleven times during 2007.

The following matters are discussed, amongst others, at the Executive Committee meetings:

- Appointment approvals of their management teams by the heads of the Group divisions (with the exception of the Airbus Chief Operating Officer);
- Investment approvals up to €350,000,000;
- Setting up and control of the implementation of the strategy for EADS businesses;
- Management, organisational and legal structure of the Group;
- Performance level of the Group’s businesses and support functions; and
- All business issues, including the operational plan of the Group and its Divisions and Business Units.

The internal organisation of the Executive Committee is defined by the business allocation among the members under the supervision of the Chief Executive Officer. Notwithstanding the joint responsibilities as defined above, each member of the Executive Committee is individually responsible for the management of his portfolio and must abide by decisions taken by the Chief Executive Officer and the Executive Committee, as the case may be.

The Chief Executive Officer endeavours to reach consensus among the members of the Executive Committee on the matters discussed at the Executive Committee meetings. In the event of consensus not being reached, the Chief Executive Officer is entitled to decide the matter. If there is a fundamental or significant disagreement with respect to any undecided matter, the dissenting Executive Committee member may request that the Chief Executive Officer submit such matter to the Chairman for his opinion.

The term of office for the Executive Committee members is five years.

The Executive Committee members are appointed by the Board of Directors on the proposal of the Chief Executive Officer first approved by the Chairman after review by the Remuneration and Nomination Committee. The appointment of the Executive Committee should be approved as a whole team, not on an individual basis, with the exception of the Chief Executive Officer of Airbus, who shall be appointed by the Board of Directors individually.

COMPOSITION OF THE EXECUTIVE COMMITTEE

Name	Age	Term started	Term expires	Principal Occupation
Louis Gallois	64	2007	2012	Chief Executive Officer EADS
François Auque	51	2005	2010	Head of Astrium
Lutz Bertling	45	2006	2011	Head of Eurocopter
Jean J. Botti	51	2006	2011	Chief Technical Officer
Fabrice Brégier	46	2005	2010	EADS Operational Performance
Ralph D Crosby Jr.	60	2007	2012	Head of EADS North America
Thomas Enders	49	2007	2012	Head of Airbus
Jussi Itävuori	52	2008	2013	Head of Human Resources
Marwan Lahoud	42	2007	2012	Chief Marketing and Strategy Officer
Hans Peter Ring	57	2007	2012	Chief Financial Officer EADS
Carlos Suárez	44	2007	2012	Head of Military Transport Aircraft
Stefan Zoller	50	2005	2010	Head of Defence & Security

Note: The professional address of all members of the Executive Committee for any matter relating to EADS is Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands.

Louis Gallois, Chief Executive Officer EADS

See “2.1.1 Board of Directors, Chairman and Chief Executive Officer — Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors”.

François Auque, Head of Astrium

Mr. Auque was appointed in 2000. He was previously Chief Financial Officer (CFO) of Aerospatiale and Managing Director for satellites. He spent his earlier career with the Suez Group and the French Cour des Comptes. Mr Auque graduated from École des Hautes Études Commerciales, Institute d'Études Politiques and is an alumnus of École Nationale d'Administration.

Lutz Bertling, Head of Eurocopter

Mr. Bertling was appointed in 2006, following a year as CEO of Eurocopter Deutschland. He joined Eurocopter in 2003 as Head of Governmental Programmes, coming from the Defence & Security Division. Previously, he held various positions at DaimlerChrysler Rail Systems and Braunschweig University. He earned a PhD in Engineering at the Braunschweig University.

Jean J. Botti, Chief Technical Officer

Mr. Botti was appointed in 2006. He joined from General Motors, where he was Chief Technologist and then Business Line Executive of the Delphi Powertrain business. He started his career in 1978 as product engineer for Renault. Mr. Botti holds a degree from INSA Toulouse, an MBA from Central Michigan University and a PhD from the Conservatoire des Arts et Métiers and is an SAE fellow.

Fabrice Brégier, EADS Operational Performance

Mr. Brégier was appointed Airbus COO in 2006, with additional responsibility for EADS operational performance. He became President and Chief Executive Officer (CEO) of Eurocopter in 2003. Previously, he was CEO of MBDA. He joined Matra Défense in 1993 as Chairman of the Apache MAW and Eurodrone GIEs. He is alumnus of École Polytechnique and École des Mines.

Ralph D. Crosby Jr., Head of EADS North America

Mr. Crosby has been Chairman and Head of EADS North America since 2002. Previously, he was President of the Integrated Systems Sector at Northrop Grumman Corporation. Mr. Crosby holds degrees from the U.S. Military Academy, the Graduate Institute of International Studies in Geneva and Harvard University.

Thomas Enders, Head of Airbus

Mr. Enders was appointed in August 2007. Previously, since 2005, he was CEO of EADS. He began his career with EADS in 2000 as CEO of the Defence & Security Systems Division. Prior he had been Director Corporate Development and Technology at Dasa. Mr Enders holds a Doctorate degree from the University of Bonn.

Jussi Itävuori, Head of Human Resources

Mr. Itävuori was appointed in 2001 and member of the Executive Committee in 2003. Previously, he had worked for KONE Corporation from 1982, being appointed Head of Human Resources and member of the Executive Committee for KONE Corporation from 1995. Mr. Itävuori graduated from the Vaasa School of Economics, Finland, and served as an air force pilot.

Marwan Lahoud, Chief Marketing and Strategy Officer

Mr. Lahoud was appointed in June 2007. Previously, he was CEO of MBDA. He worked for Aerospatiale on its merger with Matra and on the foundation of EADS. Within EADS, he served as Senior Vice President Mergers & Acquisitions. Mr Lahoud is an alumnus of École Polytechnique and graduated from the École Nationale Supérieure de l'Aéronautique et de l'Espace.

Hans Peter Ring, Chief Operating Officer Finance EADS

Mr. Ring was appointed EADS CFO in 2002, Chief Operating Officer in 2005 and Airbus CFO in dual role in 2007. In 1996, he was made Senior Vice President of Controlling at Dasa and, subsequently, EADS. From 1992, he was CFO and Board member of Dornier Luftfahrt. He holds a degree in Business Administration from the University of Erlangen-Nuremberg.

Carlos Suárez, Head of Military Transport Aircraft

Mr. Suárez was appointed in July 2007. Formerly, he was Head of Military Derivatives Programmes of Airbus platforms. He has also worked for Accenture and Aernnova. Mr Suárez holds a degree in Aeronautical Engineering from the Universidad Politécnica de Madrid and an MBA from the IESE business school.

Stefan Zoller, Head of Defence & Security

Mr. Zoller was appointed in 2005, having held top management positions within the Division since 2000. Previously, he held various management positions within Dasa, DaimlerChrysler, Dornier and Senstar/Canada. Mr. Zoller graduated from the University Tübingen and holds a PhD.

2.1.6 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**2.1.6.1 Overview**

One of Management's fundamental goals is to ensure an effective Internal Control ("IC") and Risk Management ("RM") environment at EADS, in accordance with corporate governance requirements and best practices in the Netherlands, France, Germany and Spain. Faced with continuing changes in the multi-jurisdictional legal and regulatory provisions applicable to it, EADS began to implement a coherent, group-wide IC and RM system in 2004. This system is based on the Internal Control and Enterprise Risk Management Frameworks of the Committee of Sponsoring Organisations of the Treadway Commission ("COSO").

The IC and RM system provides Management with a framework for attempting to manage the uncertainty and associated risks inherent in EADS' business. It serves as the basis for all sub-IC and sub-RM procedures present throughout EADS at the divisional and Business Unit ("BU") levels.

Limitations

No matter how well designed, all IC and RM systems have inherent limitations, such as vulnerability to circumvention or management overrides of the controls in place. Consequently, no assurance can be given that EADS' IC and RM system and procedures are or will be, despite all care and effort, entirely effective.

Developments in 2007 and Outlook

During 2007, EADS sought primarily to increase awareness of IC and RM principles at the divisional, BU and Headquarters ("HQ") level. This included the rollout across several Divisions and BUs of standardised IC and RM training covering basic and refresher concepts. In addition, process coordinators benefited from individual coaching sessions and workshops relating to the performance of yearly IC procedures. Working groups were also established throughout 2007 in order to enhance cross-departmental and cross-organisational knowledge exchange.

During the second half of 2007, most Divisions, BUs and HQ departments conducted a self-assessment of their IC systems to evaluate the design and operational effectiveness of internal controls. The results are currently being analysed. Moreover, independent reviews of the IC & RM systems were performed to substantiate the self-assessment during 2007.

EADS is in the process of reviewing the IC and RM system in place at Airbus in order to further align it with that of the Group as a whole. Pending the completion of this review, Airbus has continued to operate the IC and RM system that was in place prior to BAE Systems' divestment of its stake in 2006.

Building on the comprehensive IC and RM review and evaluation procedures carried out in 2007, EADS will assess the results over the course of 2008. As a result of the ongoing monitoring activities of the IC and RM systems' effectiveness, further modifications to the IC and RM systems and integration efforts are expected throughout 2008.

Responsibility for the IC and RM System — Interaction with EADS Management

Overall responsibility for the IC and RM system and the related reporting to stakeholders lies with the Board of Directors. EADS' Chief Executive Officer and Chief Financial Officer are responsible for ensuring that the IC and RM system and related procedures are implemented throughout the Group. In addition, the Audit Committee oversees the Group-wide functioning of the IC and RM system.

A general management principle at EADS is the delegation of entrepreneurial responsibility and powers to the operational units. This principle of subsidiarity entails a clear separation of responsibilities between EADS Headquarters and the Divisions or BUs. EADS Corporate sets the overall strategic and operational targets for EADS and assumes the ultimate responsibility for the process. The Divisions and BUs retain responsibility for all operational matters and activities within their scope, subject to audit. Consequently, the responsibility for operating and monitoring the IC and RM system and for risk and IC reporting lies with the respective management of the Divisions, BUs and HQ departments. They must seek to ensure transparency and effectiveness of their local sub-IC and RM systems and the adherence to the objectives defined by the Board of Directors. The management of Divisions, BUs and HQ departments is responsible for the implementation of appropriate mitigation activities to reduce the probability and impact of risk exposures and for the communication of risks that affect others within EADS.

In principle, risk and IC management as well as ensuring overall effectiveness of the IC and RM system is the responsibility of all members of the staff. The Group seeks to integrate risk and IC management into all activities when conducting business transactions.

Sources and Standards for IC and RM System and Procedures

The core policies, procedures and thresholds that define EADS' IC and RM environment are communicated throughout the Group through:

- Codes of conduct (e.g., EADS Code of Ethics, Corporate Social Responsibility policies (see "Part 2/Chapter 2 Corporate Social Responsibility"));
- Handbooks (e.g., "EADS Corporate Management Principles and Responsibilities", the "Financial Control Handbook");
- Manuals (e.g., Treasury Procedures, "Accounting Manual", "Reporting Manual"); and
- Guidelines (e.g., Enterprise Risk Management Guidelines, "Funding Policy").

External standards influencing the EADS IC and RM system include the IC and Enterprise Risk Management (ERM) Frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organisation (ISO).

2.1.6.2 RM System

RM at EADS covers all types of risk such as operational, financial, strategic and compliance risks, quantifiable and unquantifiable risks, short-, middle- and long-term risks, and risks with financial, health and safety, and reputational implications. The RM system requires that all risks be identified and that their likelihood of occurrence and the possible extent of damage be assessed, usually in terms of their effect on operating profit. Early identification and professional management of these risks is fundamental to business success.

See "Risk Factors" for information on certain risks to which the Group is exposed.

The management of the Divisions, BUs and HQ departments is responsible for developing and initiating appropriate measures to avoid, reduce, or hedge the probability and/or impact of the identified risks. Information on risks is gathered and updated regularly to provide Division, BU and HQ management with an analysis of the significant risks within the Group, as well as with information on the activities initiated to mitigate or avoid such risks. This information is used for decision-making throughout the relevant EADS management processes. In addition, the evolution of major risks and the development of the countermeasures taken in response are monitored on a regular basis by Division and BU management, who in turn report to the Chief Executive Officer and Chief Financial Officer. Each year, corporate audit provides an independent review of the status of the RM systems in selected Divisions, BUs and HQ departments.

The RM system attempts to cover all risks to which EADS is exposed, including risks inherent in the day-to-day business processes of the Group. EADS' IC system as described below seeks to provide reasonable assurance that process-inherent risks arising from the Group's activities are managed effectively. The relevant risks are subject to a management discussion process at the Group level.

2.1.6.3 IC System

The IC system is based on a variety of IC policies and procedures within EADS. It is designed to provide reasonable assurance to the Board of Directors, the Chief Executive Officer and the Chief Financial Officer regarding the achievement of the following objectives:

- The quality of financial reporting, including design and implementation of processes to generate a flow of timely, relevant and reliable financial information;

- Compliance with laws and regulations applicable to the Group, as well as with internal Group policies; and
- Identification and response to significant operational, financial and compliance risks throughout EADS.

The management of the Divisions, BUs and HQ departments is responsible for the operating and monitoring of the IC system within their area of duty. They seek to ensure that the appropriate controls to achieve the control objectives defined by EADS HQ and listed in IC templates are in place and operate effectively on an ongoing basis.

EADS has established formal internal control self-assessment mechanisms, to be applied by each identified process/control owner on a regular basis, who must assess the operating and design effectiveness of the internal controls in place for his process. Identified control deficiencies are evaluated and prioritised into “deficiencies”, “significant deficiencies” and “material weaknesses”. For each deficiency, a remediation action is defined and implemented. The progress is monitored by the respective Division, BU and HQ department management and reported to EADS HQ. To verify the successful implementation of the remediation actions, the remedied controls are periodically re-assessed. Each year, corporate audit provides an independent review of the status of the IC systems and the performance of self-assessments in selected Divisions, BUs and HQ departments. Generally, relevant personnel (e.g., IC coordinators, process owners) receive training in order to be informed of new/changed laws and regulations regarding IC and to be updated on relevant process steps and activities regarding the IC system.

Based on the self-assessments, management of each Division, BU and HQ department prepares formal statements as to the adequacy and effectiveness of the IC systems within their scope of responsibility. Joint ventures, such as MBDA, operate separate IC systems. Alignment with the EADS IC system is facilitated, inter alia, through EADS’ presence on such affiliates’ supervisory and management bodies (e.g., MBDA Board of Directors, audit committees).

Monitoring of Internal Controls — Management Discussions

In addition to regular monitoring activities at the Divisional, BU and HQ levels, assessments about the adequacy and effectiveness of the IC and RM systems are discussed between the Chief Executive Officer and Chief Financial Officer and the respective Division/BU Chief Executive Officers and Chief Financial Officers or the HQ-department heads. These discussions serve to prioritise potential issues at the EADS level, define and implement appropriate actions, if needed, and derive conclusions for the overall EADS IC and RM report.

Management Sign-Off Process — Sub-Representation

Once every year, identified significant deficiencies and material weaknesses are reported in sub-representation letters. Since the 2007 reporting cycle, an enhanced sign-off process requires Chief Executive Officer and Chief Financial Officer confirm to the Board of Directors, to the best of their knowledge, whether:

- The IC system is adequate to provide reasonable assurance regarding the reliability of financial reporting as well as compliance with applicable laws and regulations;
- The control objectives are being achieved by controls that are documented, adequately designed for their business and are operating effectively, in all material respects;
- The owner of each control activity is clearly identified; and
- The RM system is designed and operated to identify, assess, respond to, design controls and monitor/report on risks on a timely basis.

The Chief Executive Officer and Chief Financial Officer’s IC and RM statement is mainly based on the self-assessments, reviews and management discussions described above, and is substantiated by sub-representation letters provided to the Chief Executive Officer and Chief Financial Officer by all Divisional and BU management.

2.1.6.4 Business Processes Covered by the IC System

Based on EADS’ activities, seventeen high-level business processes have been identified within EADS. They are categorized into core processes (research and development, production, sales, after sales and programme management), support processes (procurement, human resources, accounting, fixed assets, treasury, information technology, mergers & acquisitions, legal and insurance) and management processes (internal audit, controlling and management controls). Set out below is a description of certain of these business processes in place during 2007, and the correlating IC procedures, covering risks that have a significant potential of affecting the Group’s financial condition and results of operations.

Accounting/Planning

At the core of EADS’ IC system are accounting processes and controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other financial information used by management and disclosed to EADS’ investors and other stakeholders. These processes and controls are part of an overall financial control model integrating strategic planning, operative planning, measurement and reporting, decisions/actions and financial market communication. This integrated approach to planning and reporting aims to improve internal communication and

transparency across departments and organisational units within EADS, which are essential to the preparation of accurate and reliable financial statements.

Consolidation Procedures — External Financial Reporting

The EADS financial control model defines the planning and reporting procedures that apply to all operational units of the Group, as well as the responsibilities of the Chief Financial Officer, who is charged with developing, implementing and monitoring these procedures. Among the Chief Financial Officer's primary tasks is oversight of the preparation of Consolidated Financial Statements for EADS, which are prepared under the direct supervision of the Chief Accounting Officer ("CAO"). The CAO is responsible for the operation of the Group's consolidation systems and rules and for the definition of Group-wide accounting policies, reporting rules and financial guidelines that ensure the consistency and quality of financial information reported by the BUs and Divisions. EADS' accounting policies are set out in a written accounting manual, which is agreed with the Company's external auditors. Changes to the EADS accounting manual require approval by the CAO, and, where significant changes are involved, the Chief Financial Officer or the Board of Directors (based upon the advice of the Audit Committee).

Control of the financial reporting process is achieved not only through the elaboration of Group-wide accounting systems and policies, but also through an organized process for extracting quality information from the reporting units on a timely basis. The EADS reporting process is briefly summarized below:

BU accounting departments record information using the EADS accounting consolidation software, following centrally defined EADS accounting policies which comply with IFRS, the Group-wide applied accounting principle. Accountants at EADS headquarters, who are responsible for each Division, monitor and verify the work of the relevant BU accounting departments and perform the respective consolidation steps. The HQ Division accountants also provide direct support to the BUs to ensure the correct application of the EADS accounting policies.

The consolidation of Group planning and forecast figures follows the same procedure as described for the actuals reporting above.

Supported by the CFOs from Divisions, the consolidated plan and actuals report provides management with a global overview of the Group.

The EADS financial reporting policies and procedures, described above, are also designed to provide Management with updated (at least monthly) decision-oriented management information to control the operational performance of the Group. This information includes regular cash and treasury

reports, as well as other financial information used for future strategic and operative planning and control and supervision of economic risks arising from the Group's operations.

During the course of each reporting cycle, the BU Chief Financial Officers are in regular contact with the Division Chief Financial Officers and the BU and Division Chief Financial Officers frequently meet with the EADS CAO and his responsible staff to discuss the financial information generated by the BUs/Divisions. Prior to being disclosed to the public and subsequently submitted for approval to the shareholders, the consolidated year-end financial statements are audited by the Company's external auditors, reviewed by the Audit Committee and submitted for approval by the Board of Directors. A similar procedure is used for the quarterly closing. Group auditors are involved before EADS financial statements are submitted to the Board of Directors.

Controlling

The controlling function has further developed a value-driven economic and financial corporate measurement system and methodology. The overall goal is to ensure an efficient collaboration and alignment between Group and Divisions finance teams towards improvements in value creation. While EADS Headquarters defines the global performance management framework, the Division Chief Financial Officers are fully responsible for operational performance management. Since 2007 they report to both the Division Chief Executive Officer and the EADS CFO in these matters.

Treasury

Treasury management procedures, defined by EADS' central treasury department at Group headquarters, enhance management's ability to identify and assess risks relating to liquidity, foreign exchange rates and interest rates. Controlled subsidiaries fall within the scope of the centralized treasury management procedures, with similar monitoring procedures existing for jointly controlled affiliates, such as MBDA.

Cash Management

Management of liquidity to support operations is one of the primary missions of the EADS central treasury department. Monthly cash planning and reporting by the central treasury department, in conjunction with the controlling department, provides management with the information required to oversee the Group's cash profile and to initiate necessary corrective action in order to ensure overall liquidity. To maintain targeted liquidity levels, and to safeguard cash, EADS has implemented a cash pooling system with daily cash sweeps from the controlled subsidiaries to centrally managed accounts. Payment fraud prevention procedures have been standardized throughout the Group.

Hedge Management

Commercial operations generate material foreign exchange and interest rate exposures. A Group hedging policy is defined and updated regularly by the Board of Directors. In order to ensure that all hedging activity is undertaken in line with the Group hedging policy, the central treasury department executes all hedging transactions. The central treasury department conducts ongoing risk analysis and proposes appropriate measures to the Divisions and BUs with respect to foreign exchange and interest rate risk. Subsidiaries are required to calculate, update and monitor their foreign exchange and interest rate exposure with the EADS central treasury department on a monthly basis, in accordance with defined treasury procedures. See “1.1.8 Hedging Activities”.

Sales Financing

In connection with certain commercial contracts, EADS may agree to enter into sales financing arrangements. In respect of sales financing at Airbus, an annual sales financing budget is defined as part of the EADS operative planning process. Sales financing transactions are approved on a case-by-case basis, in line with certain risk assessment guidelines.

Procedures for Monitoring Off-Balance Sheet Liabilities

Within EADS, off-balance sheet liabilities mainly arise in connection with lease arrangements, extensions of guarantees and pending or threatened litigation. Divisions and BUs are required to record, or to provide information on, all financial guarantees in a tracking system. Guarantees for amounts in excess of a certain threshold must be approved by the Chief Executive Officer, the Chief Financial Officer or the Board of Directors, as the case may be.

Management has instituted procedures to monitor the level of certain off-balance sheet liabilities throughout the Group. In particular, a specialized guarantee tracking system has been rolled out to monitor exposure arising from guarantees throughout the Group. For jointly controlled affiliates, such as MBDA, summary information on guarantee-related off-balance sheet exposure is captured by EADS headquarters based on regular reports of this exposure and discussed in the MBDA treasury committee.

Sales

Commercial contracts entered into by EADS' operating subsidiaries have the potential to expose the Group to significant financial, operational and legal risks. To control these risks, Management has implemented contract proposal review procedures to ensure that EADS does not enter into material commercial contracts that expose it to unacceptable risk or are not in line with the Group's overall objectives. These procedures include (i) Board of Directors-approved thresholds and criteria for determining the risk and profitability profile of

proposed contracts and (ii) a mandated pre-approval process for contracts defined as “high-risk”. Contracts falling within the defined threshold categories require approval by the Chief Financial Officer. Contracts that are deemed “high-risk” must be submitted to a standing Commercial Committee (with the EADS Chief Financial Officer and the EADS CSMO serving as Chairmen and a possible escalation to EADS CEO when needed). This committee is responsible for reviewing the proposal and allowing the concerned BU to remit its offer. Its specific role and responsibilities are defined in a set of internal rules adopted by the EADS Executive Committee in 2002. Some modifications of these rules are presently under study (for further submission to the Executive Committee) in order to adapt them to the new configuration of the Company. In the case of Airbus, contracts are approved in accordance with Airbus' own Corporate Governance policy, based on EADS guidelines. In general, where EADS shares control of a subsidiary with a third party, the Commercial Committee is responsible for developing the EADS position on proposed commercial contracts.

Mergers and Acquisitions

With respect to merger, acquisition and divestiture activities of the Group, Management has implemented transaction review and approval procedures centralized at EADS headquarters. The IC procedures require all M&A transactions to be reviewed by an M&A Committee. The M&A Committee is chaired by the head of Strategic Coordination, and includes the Chief Financial Officer and the directors of Group headquarters level M&A and controlling departments. Legal Affairs is permanently represented on the M&A Committee, and representatives of other departments are also invited to attend meetings. Projects that are considered non-strategic and fall under a defined value threshold are reviewed and approved by the M&A Committee. Strategic and high-value projects require additional approval by the Chief Executive Officer or the Board of Directors. This review and approval procedure is carried out at four critical stages of the M&A process, beginning with an analysis of the strategic fit and definition of the legal framework and concluding with a final review of the overall transaction.

Legal

EADS is subject to myriad legal requirements in each jurisdiction in which it conducts business. The EADS Corporate Legal Department, in coordination with the Division and BU legal departments, is responsible for implementing and overseeing the procedures designed to ensure that EADS' activities comply with all applicable laws, regulations and requirements. It is also responsible for overseeing all litigation affecting the Group, as well as for the legal safeguarding of the Group's assets, including intellectual property.

The Corporate Legal Department, together with the Corporate Secretary, also plays an essential role in the design and administration of (i) the EADS Corporate Governance procedures and (ii) the legal documentation underlying the delegation of powers and responsibilities and defining the EADS management and IC environment.

Internal Audit

The EADS Internal Audit department, under the direction of the Corporate Secretary, provides Management with a risk-based evaluation of the effectiveness of the Group's IC and RM procedures. Based upon an approved annual audit plan and a global risk assessment of the Group's activities, the Internal Audit department (i) reviews operational processes for risk management and operating efficiency improvement opportunities and (ii) monitors compliance with legal requirements and internal policies, process guidelines and procedures. Internal Audit also involves ad hoc reviews, performed at the request of management, focusing on current (e.g., suspected fraudulent activities) and future (e.g., contract management) risks.

Procurement

The performance of EADS is to a large extent determined through its supply chain. Therefore, sourcing is a key lever for EADS in its marketplace.

EADS' size and complexity requires a common approach to maximize market levers and to avoid inefficiencies in the procurement process. To help ensure that sourcing is carried out in the most effective, efficient and ethical manner, a set of common procurement processes, which support a common sourcing strategy and ultimately the Group strategy and vision, is defined by the head of Corporate Sourcing and the Chief Procurement Officers Council.

The common approach and processes are then implemented across all Divisions through the sourcing networks. These sourcing networks comprise representatives from all EADS divisions. They are tasked by the EADS Chief Procurement Officers Council to define and roll out across EADS strategic sourcing topics such as Supplier Relationship Management, Common Processes and Tools, Global Sourcing, Joint Procurement, Corporate Social Responsibility, and Procurement Performance Management. The procurement processes are regularly reviewed by means of audits and self-assessments and thus consistently challenged and optimised.

2.2 Interests of Directors and Principal Executive Officers

2.2.1 COMPENSATION GRANTED TO DIRECTORS AND PRINCIPAL EXECUTIVE OFFICERS

2.2.1.1 General Principles

Shareholders expect a strong commitment from members of the Board of Directors; the compensation policy is therefore designed to focus efforts on what the Group wants to value and reward. To meet these objectives, a significant portion of the compensation is variable and linked to key performance measures and individual objectives. The remuneration is benchmarked regularly against the practice of other global

companies based in Europe and the U.S.A. to ensure fairness and competitiveness.

Following the Governance changes decided at the Extraordinary General Meeting of Shareholders held on 22nd October 2007, the Board is now made up of ten Non-Executive Members of the Board and one Executive Member of the Board: the Chief Executive Officer (who is also member of the Executive Committee).

The compensation of the Executive Member of the Board (the Chief Executive Officer) and of the members of the Executive Committee combines short-term and long-term reward and is summarized as follows:

	Compensation element	Main drivers	Performance measures	Variation of payment as% of Total target income/% of vesting
Short-term	Base salary	Position/job value	Individual performance/ Market practice	-
	Variable pay	Achievement of Group business and financial yearly objectives and reward of individual performance	Collective part (50% of Target variable pay): EBIT* (75%) and cash (25%) achievement	EADS Chief Executive Officer and Airbus CEO: 55% of Total target income (range from 0% to 175%)
Individual bonus (50% of Target variable pay): achievement of annual individual objectives			Other members of the Executive Committee: 50% of Total target income (range from 0% to 175%)	
Mid- and Long-term	Performance unit plan	Achievement of long-term operational profit, measured through cumulative EBIT* achievement	The number of Performance units which will vest is based on 2 nd and 3 rd year cumulative EBIT* achievement	Vested Performance units will range from 0% to 100% of initial grant

2.2.1.2 Compensation of the Members of the Board of Directors

- The Board has decided to review the compensation structure of **the Non-Executive Members of the Board** in order to reflect European best practice and compensate for time commitment and responsibilities in the new governance structure. Therefore, the Board has resolved to remove the variable pay element and to provide separate fees for chairmanship and membership of Board Committees.

Effective 1st January 2008, each Non-Executive Member of the Board will receive an annual fixed fee of €80,000 and a fee for participation in Board meetings of €5,000 per meeting attended.

The Chairman of the Board will receive an annual fixed fee of €180,000 for carrying out this role and a fee for participation in Board meetings of €10,000 per meeting attended.

The Chairmen of each of the Board Committees will receive an additional annual fixed fee of €30,000. The Members of each of the Board Committees will receive an additional annual fixed fee of €20,000 for each Committee membership.

They are summarized below:

- Total remuneration and related compensation costs:

The total remuneration and related compensation costs of the members of the Board of Directors and former directors in 2007 can be specified as follows:

	2007	2006
	in €	in €
Fixum	4,194,733	4,564,086
Bonus (related to reporting period)	3,294,312	2,361,451
Fees	390,000	395,000
Total	7,879,045	7,320,537

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

Committee Chairmanship and Committee Membership annual fees are cumulative if the concerned Non-Executive Members of the Board belong to two different Committees.

- **The Chief Executive Officer** receives neither fees for participation in Board of Directors' meetings nor any dedicated compensation as member of the Board of Directors in addition to his compensation as member of the Executive Committee (see below "2.2.1.3 Compensation of the Members of the Executive Committee"). The Chief Executive Officer is eligible for benefits under Long Term Incentive Plans including performance unit plan (see "2.3.3 Long Term Incentives Plans") and under employee share ownership plans in his capacity as qualifying employees (see also "2.3.2 Employee Share Ownership Plans"). Additionally, the Chief Executive Officer is entitled to pension benefits.

The amounts of the various components constituting the compensation granted to the Chief Executive Officer and to Non-Executive Directors during 2007, together with additional information such as the number of performance units (see "2.3.3 Long Term Incentives Plans") and details of the pension benefits entitlements of the Chief Executive Officer are set out in "Notes to the Company Financial Statements — Note 11: Remuneration".

The cash remuneration of the members of the Board of Directors was as follows:

2007	Fixum in €	Bonus in € related to 2007	Fees in €	Total in €
Directors				
Rüdiger Grube	30,000	109,813	85,000	224,813
Louis Gallois	1,147,701	957,885	-	2,105,586
Rolf Bartke	-	11,766	15,000	26,766
Dominique D'Hinnin	-	11,766	15,000	26,766
Juan Manuel Eguiagaray Ucelay	30,000	62,750	50,000	142,750
Arnaud Lagardère	60,000	113,734	60,000	233,734
Hermann-Josef Lamberti	-	11,766	10,000	21,766
Lakshmi N. Mittal*	-	-	-	-
Sir John Parker	-	11,766	20,000	31,766
Michel Pébereau	-	41,833	25,000	66,833
Bodo Uebber	-	41,833	10,000	51,833
Former directors				
Manfred Bischoff	60,000	31,375	50,000	141,375
Thomas Enders**	1,218,157	800,275	-	2,018,432
Jean-Paul Gut	818,937	388,500	-	1,207,437
Hans-Peter Ring**	769,938	597,282	-	1,367,220
Francois David	30,000	50,984	30,000	110,984
Michael Rogowski	30,000	50,984	20,000	100,984
Total	4,194,733	3,294,312	390,000	7,879,045

(*) Remuneration waived at the Director's request.

(**) Pro rata in accordance with their periods of membership with the Board of Directors.

● Long term incentives

The table below gives an overview of the Long term Incentive Plans (performance units) granted by EADS in 2007 to the Chief Executive Officer:

	Unit plan: number of performance units*	
	granted in 2007	vesting dates
Louis Gallois	33,700	Vesting schedule is made up of 4 payments over 2 years: (a) 25% expected in May 2011; (b) 25% expected in November 2011; (c) 25% expected in May 2012; (d) 25% expected in November 2012.

(*) Vesting of all Performance units granted to the Chief Executive Officer is subject to performance conditions.

● Pension benefits

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.

For the Chief Executive Officer, the amount of the pension defined benefit obligation amounted to €0.8 million as of 31st December 2007, while the amount of current service and interest cost related to his pension promise accounted for during fiscal year 2007 represented an expense of €0.6 million.

This obligation has been accrued for in the Consolidated Financial Statements.

- Termination package

Under the terms of his employment contract, the Chief Executive Officer has an indefinite term contract (whereas, in accordance with the Articles of Association of the Company, the length of the mandate is limited). The employment contract can be terminated at any time with six months notice.

As part of his employment contract, the Chief Executive Officer is entitled to a termination package when the parting results from a decision by the Company. The Board has decided to reduce the maximum termination indemnity from 24 months (cf. report of the Board of Directors 2006) to 18 months of annual total target salary.

This new rule is applicable to the Chief Executive Officer from the renewal of his employment contract in October 2007. The indemnity could be reduced pro rata or would even not be applicable depending on age and date of retirement.

Apart from the Chief Executive Officer, no other Director who is in office is entitled to a termination package.

- Non-competition clause

A non competition clause is included in the contract of the Chief Executive Officer. This clause is applicable for a one-year period, starting at the end of the employment contract, and is renewable for one year at the Company's initiative.

The Chief Executive Officer will receive a compensation based on his monthly salary (including variable pay) in return of the application of the non competition clause.

- Other benefits

The Chief Executive Officer is entitled to a company car. The value of his company car as at 31st December 2007 is €23,977.

2.2.1.3 Compensation of the Members of the Executive Committee

The members of the Executive Committee, including the Chief Executive Officer, are entitled to receive for the year 2007 an accumulated total target compensation on a full year basis of €12,379,099. This target compensation is calculated *pro rata* for the members of the Executive Committee present in the Company on 31 December 2007. This compensation is divided for the EADS Chief Executive Officer and Airbus Chief Executive Officer into a 45% fixed part and a 55% variable part on target and for the other members of the Executive Committee into a 50% fixed part and a 50% variable part on target.

* Earnings before interest and taxes, pre-goodwill impairment and exceptionals.

The variable part is calculated on the basis of two equal components:

- Collective part (50% of the variable part) to reward business performance at Group level or division level (if applicable). Cash and EBIT* are the financial indicators chosen to measure collective performance (EBIT* represents 75% of the collective part and cash represents 25% of the collective part in 2008);
- Individual bonus (50% of the variable part) to reward individual performance measured against the achievement of individual objectives.

The Group is committed to setting individual and financial targets, the achievement of which would reflect the real performance of EADS. The choice of EBIT* and cash as financial indicators ensures the alignment of Directors and top Executive with EADS priorities.

Based on the level of performance, the collective as well as the individual payout can vary from 0% to 175% of the target payment.

On target payment at 100% for both individual and financial targets would indicate strong personal and company performance.

The Remuneration and Nomination Committee reviews and makes recommendations to the Board of Directors on bonus payments to the Chief Executive Officer and to the members of the Executive Committee; the Board of Directors makes the final decision.

The total compensation paid by EADS and all its Group companies to Mr. Louis Gallois, Chief Executive Officer, during the year 2007, was €1,405,313 (this sum includes the payments of his January to December 2007 fixum and the pro rata 2006 variable pay for the period from July 2006 until December 2006, paid in May 2007).

Former Executive Directors:

- The total compensation paid by EADS and all its Group companies to Mr. Thomas Enders in 2007, for the period in accordance with his membership with the Board of Directors, was €1,760,625 (this sum includes the payments of his fixum from 1st January 2007 until end of October 2007 and the 2006 variable pay paid in May 2007).
- The total compensation paid by EADS and all its Group companies to Mr. Hans Peter Ring, in 2007, for the period in accordance with his membership with the Board of Directors, was €1,226,465 (this sum includes the payments of his fixum from 1st January 2007 until end of October 2007 and the 2006 variable pay paid in May 2007).
- The total compensation paid by EADS and all its Group companies to Mr. Jean-Paul Gut, in 2007, for the period in accordance with his membership with the Board of Directors, was €1,663,964 (this sum includes the payments

of his fixum from 1st January 2007 until 16th September 2007, the 2006 variable pay paid in May 2007 and the 2007 variable pay paid in 2007, which is calculated pro rata for the period as Director of EADS).

Under the terms of his employment contract, Jean-Paul Gut was entitled to:

- Six-month notice period, reduced to four-month notice period at Jean-Paul Gut's request, which represents a payment of €466,667 gross (salary and bonus);

- A termination package of €2,800,000 (two years of total target income);
- An indemnity aiming at compensating his accumulated pension rights at the date of his departure.

In addition, EADS has concluded with Jean-Paul Gut a long-term Service Provider's Agreement, in order to retain Mr. Gut's specific expertise in the field of marketing and M&A activities.

2.2.2 LONG TERM INCENTIVES GRANTED TO THE CHIEF EXECUTIVE OFFICER

See "2.3.3 Long Term Incentive Plans".

2.2.3 RELATED PARTY TRANSACTIONS

Article 2:146 of the Dutch Civil Code provides as follows:

"Unless the articles of association provide otherwise, a company (*naamloze vennootschap*) shall be represented by its board of supervisory directors in all matters in which it has a conflict of interest with one or more of the members of its Board of Directors. The shareholders' meeting shall at all times have powers to designate one or more persons for this purpose". In the case of EADS, the Articles of Association do provide otherwise since they enable the Board of Directors to have power to represent the Company in matters where the Company has a conflict of interest with one or more members of the Board of Directors.

During the year 2007, no agreement was entered into by the Company with one of its directors or principal officers or a shareholder holding more than 5% of the voting rights of the

Company outside the ordinary course of business and in conditions other than arm's length conditions. See Note 32 to the Consolidated Financial Statements for the years ended 31st December 2007 and 31st December 2006 in "1.2.1 EADS N.V. Consolidated Financial Statements" and Note 32 to the Consolidated Financial Statements for the year ended 31st December 2005 as incorporated in this Registration Document (see 1.2 Financial Statements).

For a description of the relationships between the Company and its principal shareholders, see "Part 2/3.3.2 Relationships with Principal Shareholders". Other than the relationships between the Company and its principal shareholders described in Part 2/3.3.2, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

2.2.4 LOANS AND GUARANTEES GRANTED TO DIRECTORS

EADS has not granted any loans to its Directors or members of the Executive Committee.

2.3 Employee Profit Sharing and Incentive Plans

2.3.1 EMPLOYEE PROFIT SHARING AND INCENTIVE AGREEMENTS

EADS' remuneration policy is strongly linked to the achievement of individual and Company objectives, both for each Division and for the overall Group. In 2007, a performance and restricted unit plan has been established for the senior management of the Group (see "2.3.3 Long Term Incentives Plans") and employees were offered shares at

favourable conditions at the time of the public offering and listing of EADS (see "2.3.2 Employee Share Ownership Plans").

Since 2005, the success sharing schemes which are implemented in EADS in France, Germany, Spain, and the U.K. follow one set of common rules of the Group, ensuring a consistent application in these four countries.

2.3.2 EMPLOYEE SHARE OWNERSHIP PLANS

2.3.2.1 ESOP 2000

As part of its initial public offering, EADS offered to qualifying employees approximately 1.5% of its total share capital after the global offering. This employee offering of up to 12,222,385 shares included an option allowing qualifying employees to leverage their investment in the shares they purchased. Under this option, the investment consisted of the amount paid plus an amount resulting from a swap agreement of the investment management company for this option, that equalled nine times such amount paid. Qualifying employees were offered shares at a price of €15.30, being the price for the retail offering, less a discount of 15%.

The employee offering was open only to employees who:

- Had at least three months' seniority;
- Had French, German or Spanish employment contracts; and
- Were employed by companies incorporated under French, German or Spanish law in which EADS held (i) the majority of the share capital or (ii) at least 10% of the share capital, provided such minority-owned companies were designated as eligible by EADS.

Depending on whether the employee purchased shares through a French, German or Spanish plan, directly or via a mutual fund, the employee is restricted from selling the shares for one of the following lock-up periods: 18 months, three years, five years or six years.

A total number of 11,769,259 shares were subscribed for in the employee offering. Shares were delivered on 21st September 2000.

2.3.2.2 ESOP 2001

In October 2001, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,017,894 shares of a nominal value of €1 each.

The employee offering (*note d'opération préliminaire* approved by the COB (former name of the *Autorité des marchés financiers* (the "AMF")) on 8th October 2001 under number 01-1200 and *note d'opération définitive* approved by the COB on 13th October 2001 under number 01-1209) was open only to employees who:

- Had at least three months' seniority;
- Were employed by (i) EADS or (ii) one of its subsidiaries or (iii) a company in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered office is located in South Africa, Germany, Brazil, Canada, Spain, the United States, the United Kingdom, France, Italy, Morocco, Mexico and Singapore.

The employee offering was divided into two tranches:

- Shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €10.70 per share;
- Shares subscribed for by qualifying employees directly were offered for a price of €10.70 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 2,017,894 shares were subscribed for in the employee offering. Shares were delivered on 5th December 2001.

2.3.2.3 ESOP 2002

In October 2002, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,022,939 shares of a nominal value of €1 each.

The employee offering (*note d'opération préliminaire* approved by the COB on 30th September 2002 under number 02-1062 and *note d'opération définitive* approved by the COB on 11th October 2002 under number 02-1081) was open only to employees who:

- Had at least three months' seniority;
- Were employed by (i) EADS or (ii) one of its subsidiaries or (iii) a company in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered office is located in Germany, Brazil, Canada, Spain, the United States, the United Kingdom, France, Italy, Mexico and Singapore.

The employee offering was divided into two tranches:

- Shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €8.86 per share;
- Shares subscribed for by qualifying employees directly were offered for a price of €7.93 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 2,022,939 shares were subscribed for in the employee offering. Shares were delivered on 4th December 2002.

2.3.2.4 ESOP 2003

In October 2003, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,027,996 shares of a nominal value of €1 each.

The employee offering (*note d'opération* approved by the COB on 25th September 2003 under number 03-836) was given only to employees who:

- Had at least three months' seniority;
- Were employed by (i) EADS or (ii) one of its subsidiaries or (iii) a company in which EADS holds at least 10% of the

share capital and over whose management it has a determining influence and whose registered office is located in Germany, Belgium, Canada, Spain, the United States, the United Kingdom, France, Ireland, Mexico, the Netherlands and Singapore.

The employee offering was divided into two tranches:

- Shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €12.48 per share;
- Shares subscribed for by qualifying employees directly were offered for a price of €12.48 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 1,686,682 shares were subscribed for in the employee offering. Shares were delivered on 5th December 2003.

2.3.2.5 ESOP 2004

In October 2004, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,018,000 shares of a nominal value of €1 each.

The employee offering (*note d'opération* approved by the AMF on 10th September 2004 under number 04-755) was given only to employees who:

- Had at least three months' seniority;
- Were employed by (i) EADS or (ii) one of its subsidiaries or (iii) a company in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered office is located in Germany, Belgium, Canada, Spain, the United States, the United Kingdom, France, Ireland, Mexico, the Netherlands, Singapore, Australia and Finland.

The employee offering was divided into two tranches:

- Shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €18 per share;
- Shares subscribed for by qualifying employees directly were offered for a price of €18 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 2,017,822 shares were subscribed for in the employee offering. Shares were delivered on 3rd December 2004.

2.3.2.6 ESOP 2005

In June 2005, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,025,000 shares of a nominal value of €1 each.

The employee offering (*note d'opération* approved by the AMF on 4th May 2005 under number 05-353) was given only to employees who:

- Had at least three months' seniority;
- Were employed by (i) EADS or (ii) one of its subsidiaries or (iii) companies in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered offices are located in Germany, Australia, Belgium, Canada, Spain, the United States, Finland, France, the United Kingdom, Ireland, Mexico, the Netherlands, Poland and Singapore.

The employee offering was divided into two tranches:

- Shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €18.86 per share;
- Shares subscribed for by qualifying employees directly were offered for a price of €18.86 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 1,938,309 shares were subscribed for in the employee offering. Shares were delivered on 29th July 2005.

2.3.3 LONG TERM INCENTIVE PLANS

At its 26th May 2000, 20th October 2000, 12th July 2001, 9th August 2002, 10th October 2003, 8th October 2004, 9th December 2005 and 18th December 2006 meetings, the Board of Directors of the Company, using the authorisation given to it by the shareholders' meetings of 24th May 2000, 10th May 2001, 6th May 2003, 11th May 2005, and 4th May 2006 approved the granting of stock options for subscription of shares in the Company.

2.3.2.7 ESOP 2007

In 2006 no employee offering took place. The employee offering originally scheduled for June 2006 was postponed to March 2007.

In March 2007, EADS offered to qualifying employees a maximum of 0.25% of its total issued share capital before the offering. This employee offering was for up to 2,040,000 shares of a nominal value of €1 each.

The employee offering was given only to employees who:

- Had at least three months' seniority;
- Were employed by (i) EADS or (ii) one of its subsidiaries or (iii) companies in which EADS holds at least 10% of the share capital and over whose management it has a determining influence and whose registered offices are located in Germany, Australia, Belgium, Canada, Spain, the United States, Finland, France, the United Kingdom, Ireland, Mexico, the Netherlands, Poland and Singapore.

The employee offering was divided into two tranches:

- Shares subscribed for by qualifying employees in Group employee savings plan were offered for a price of €19.62 per share;
- Shares subscribed for by qualifying employees directly were offered for a price of €17.16 per share.

The employees are generally restricted from selling the shares offered in this employee offering for one year and sometimes more in certain countries.

A total number of 2,037,835 shares were subscribed for in the employee offering. Shares were delivered on 9th May 2007.

At its 18th December 2006 meeting, the Board of Directors of the Company, using the authorisation given to it by the shareholders' meeting of 4th May 2006 approved the granting of performance shares and restricted shares in the Company.

At its 7th December 2007 meeting, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company.

The principal characteristics of these options, performance and restricted shares and performance and restricted units as at 31st December 2007 are set out in the “Notes to the Consolidated Financial Statements (IFRS) — Note 31: Share-based Payment”. They are also set out in the table below:

	First tranche	Second tranche
Date of shareholders' Meeting	24 th May 2000	24 th May 2000
Date of Board of Directors Meeting (grant date)	26 th May 2000	20 th October 2000
Number of options granted	5,324,884	240,000
Number of options outstanding	1,671,380	32,000
Options granted to directors and officers	720,000	60,000
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 Laws").	
Expiry date	8 th July 2010	8 th 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 th May 2001	10 th May 2001
Date of Board of Directors Meeting (grant date)	12 th July 2001	9 th August 2002
Number of options granted	8,524,250	7,276,700
Number of options outstanding	3,773,169	2,706,434
Options granted to:		
• Mr. Philippe Camus	135,000	135,000
• Mr. Rainer Hertrich	135,000	135,000
• the 10 employees having being granted the highest number of options during the year 2001 (third tranche) and 2002 (fourth tranche)	738,000	808,000
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 Laws").	
Expiry date	12 th July 2011	8 th 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 th May 2003	6 th May 2003
Date of Board of Directors Meeting (grant date)	10 th October 2003	8 th October 2004
Number of options granted	7,563,980	7,777,280
Number of options outstanding	4,818,873	6,240,986 ⁽¹⁾
Options granted to:		
• Mr. Philippe Camus	135,000	135,000
• Mr. Rainer Hertrich	135,000	135,000
• the 10 employees having being granted the highest number of options during the year 2003 (fifth tranche) and 2004 (sixth tranche)	808,000	808,000
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 Laws").	
Expiry date	9 th October 2013	7 th 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	2,503,423	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 th May 2005
Date of Board of Directors Meeting	9 th December 2005
Number of options granted	7,981,760
Number of options outstanding	7,764,940
Options granted to:	
• Mr. Thomas Enders	135,000
• Mr. Noël Forgeard	135,000
• the 10 employees having being granted the highest number of options during the year 2005 (seventh tranche)	940,000
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 th December 2015
Conversion right	One option for one share
Vested	50%
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

		Eighth tranche
Date of shareholders' Meeting		4 th May 2006
Date of Board of Directors Meeting		18 th December 2006
		Stock option plan
Number of options granted		1,747,500
Number of options outstanding		1,742,000
Options granted to:		
• Mr. Thomas Enders		67,500
• Mr. Louis Gallois		67,500
• the 10 employees having being granted the highest number of options during the year 2006 (eighth tranche)		425,000
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 Laws")	
Date of expiration		16 th December 2016
Conversion right		One option for one share
Vested		0%
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	1,328,375	386,750
Shares granted to:		
• Mr. Thomas Enders	16,875	-
• Mr. Louis Gallois	16,875	-
• the 10 employees having being granted the highest number of shares during the year 2006 (eighth tranche)	137,500	28,200
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	875	0

		Ninth tranche	
Date of Board of Directors Meeting		7 th December 2007	
		Performance and restricted unit plan	
		Performance units	Restricted units
Number of units granted		1,693,940	506,060
Units granted to:			
• Mr. Louis Gallois*		33,700	-
• the 10 employees having being granted the highest number of units during the year 2007 (ninth tranche)		239,900	43,500
Total number of eligible beneficiaries			1,617
Vesting dates		<p>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.</p> <p>Vesting schedule is made up of 4 payments over 2 years:</p> <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. 	

(*) For more information in respect of units granted to the Chief Executive Officer, see "Notes to the Company Financial Statements — Note 11: Remuneration".

The information in respect of stock options and performance and restricted shares cancelled and exercised during the year are set out in "Notes to the Consolidated Financial Statements (IFRS) — Note 31: Share-based Payment".

For information on the transactions carried out by the members of the Board of Directors and the Executive Committee see EADS' website and/or the relevant stock exchange authorities' website.

Shareholding in the Company of the members of the Board of Directors

Member of the Board of Directors	Shareholding
• Mr. Louis Gallois	- 5 ordinary shares - 67,500 stock options* - 16,875 performance shares*
• Mr. Dominique d'Hinnin	- 61 ordinary shares
• Mr. Arnaud Lagardère	- 2 ordinary shares

(*) See eighth tranche as set forth in the above table.

The other members of the Board of Directors do not hold shares or other securities in the Company.

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2007 Annual Results Release: 11th March 2008

Annual General Meeting: 26th May 2008

First Quarter 2008 Results Release: 14th May 2008

First Half 2008 Results Release: 30th July 2008

Third Quarter 2008 Results Release: 14th November 2008



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European Aeronautic Defence
and Space Company EADS N.V.
Le Carré, Beechavenue 130-132
1119 PR Schiphol-Rijk
The Netherlands

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European Aeronautic
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In Spain
Avenida de Aragón 404
28022 Madrid - Spain