Year 2008 Report

Unaudited Condensed Consolidated Financial Information of EADS N.V. For the year 2008

Unaudited Condensed IFRS Consolidated Income Statements

	January 1 - December 31, 2008		January 1 - December 31, 2007		Deviation	
	M €	%	M €	%	M €	%
Revenues	43,265	100	39,123	100	4,142	11
Cost of sales	-35,907	-83	-34,802	-89	-1,105	3
Gross margin	**7,358**	**17**	**4,321**	**11**	**3,037**	**70**
Selling, administrative & other expenses	-2,317	-5	-2,275	-6	-42	2
Research and development expenses	-2,669	-6	-2,608	-7	-61	2
Other income	189	0	233	1	-44	-19
Share of profit from associates under the equity method and other income from investments	211	0	296	1	-85	-29
Profit (loss) before finance costs and income taxes	**2,772**	**6**	**-33**	**0**	**2,805**	**-8,500**
Interest income	617	1	502	1	115	23
Interest expenses	-581	-1	-701	-2	120	-17
Other financial result	-508	-1	-538	-1	30	-6
Finance costs	**-472**	**-1**	**-737**	**-2**	**265**	**-36**
Income taxes	-703	-1	333	1	-1,036	-311
Profit (loss) for the period	**1,597**	**4**	**-437**	**-1**	**2,034**	**-465**
Attributable to:						
Equity holders of the parent / **Net income (loss)**	**1,572**	**4**	**-446**	**-1**	**2,018**	**-452**
Minority interests	25	0	9	0	16	178

Earnings per share	€	€	€
Basic	1.95	-0.56	2.51
Diluted	1.95	-0.55	2.50

Unaudited Condensed IFRS Consolidated Balance Sheets

	December 31, 2008		December 31, 2007		Deviation	
	M €	%	M €	%	M €	%
Non-current assets						
Intangible assets	11,171	15	10,832	14	339	3
Property, Plant and Equipment	12,243	16	13,489	18	-1,246	-9
Investments in associates under the equity method	2,356	3	2,238	3	118	5
Other investments and long-term financial assets	1,712	2	1,553	2	159	10
Other non-current assets	2,646	3	3,543	5	-897	-25
Deferred tax assets	2,756	4	2,705	4	51	2
Non-current securities	3,040	4	2,691	3	349	13
	35,924	47	37,051	49	-1,127	-3
Current assets						
Inventories	19,452	26	18,906	25	546	3
Trade receivables	5,267	7	4,639	6	628	14
Other current assets	4,590	6	5,713	8	-1,123	-20
Current securities	3,912	5	1,598	2	2,314	145
Cash and cash equivalents	6,745	9	7,549	10	-804	-11
Assets / disposal groups classified as held for sale	263	0	0	0	263	
	40,229	53	38,405	51	1,824	5
Total assets	**76,153**	**100**	**75,456**	**100**	**697**	**1**
Total equity						
Equity attributable to equity holders of the parent						
Capital Stock	815	1	814	1	1	0
Reserves	8,558	11	7,406	9	1,152	16
Accumulated other comprehensive income	1,758	3	5,076	7	-3,318	-65
Treasury shares	-109	0	-206	0	97	-47
	11,022	15	13,090	17	-2,068	-16
Minority interests	104	0	85	0	19	22
	11,126	15	13,175	17	-2,049	-16
Non-current liabilities						
Non-current provisions	7,479	10	8,055	11	-576	-7
Long-term financing liabilities	3,046	4	3,090	4	-44	-1
Deferred tax liabilities	953	1	2,188	3	-1,235	-56
Other non-current liabilities	16,824	22	14,880	20	1,944	13
	28,302	37	28,213	38	89	0
Current liabilities						
Current provisions	4,583	6	4,378	6	205	5
Short-term financing liabilities	1,458	2	1,724	2	-266	-15
Trade liabilities	7,824	10	7,398	10	426	6
Current tax liabilities	201	0	179	0	22	12
Other current liabilities	22,504	30	20,389	27	2,115	10
Liabilities directly associated with assets classified as held for sale	155	0	0	0	155	
	36,725	48	34,068	45	2,657	8
Total liabilities	65,027	85	62,281	83	2,746	4
Total equity and liabilities	**76,153**	**100**	**75,456**	**100**	**697**	**1**

Unaudited Condensed IFRS Consolidated Cash Flow Statements

	January 1 - December 31, 2008	January 1 - December 31, 2007
	M €	M €
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))	**1,572**	**-446**
Profit for the period attributable to minority interests	25	9
Adjustments to reconcile profit (loss) for the period to cash provided by operating activities		
Depreciation and amortization	1,667	1,772
Valuation adjustments	1,215	1,000
Deferred tax expense (income)	349	-397
Change in income tax assets, income tax liabilities and provisions for actual income tax	-39	-9
Results on disposal of non-current assets	-31	-125
Results of companies accounted for by the equity method	-188	-210
Change in current and non-current provisions	1	2,268
Change in other operating assets and liabilities	-172	1,236
Cash provided by operating activities	**4,399**	**5,098**
- Purchase of intangible assets, PPE	-1,837	-2,028
- Proceeds from disposals of intangible assets, PPE	35	162
- Acquisitions of subsidiaries and joint ventures (net of cash)	-265	0
- Proceeds from disposals of subsidiaries (net of cash)	2	29
- Payments for investments in associates and other investments and long-term financial assets	-122	-132
- Proceeds from disposals of associates and other investments and long-term financial assets	180	186
- Dividends paid by companies valued at equity	50	39
Disposals of non-current assets / disposal groups classified as held for sale and liabilities directly associated with non-current assets classified as held for sale	117	0
Change in securities	-2,676	-2,641
Contribution to plan assets	-436	-303
Change in cash from changes in consolidation	0	-249
Cash used for investing activities	**-4,952**	**-4,937**
Change in long-term and short-term financing liabilities	-157	-586
Cash distribution to EADS N.V. shareholders	-97	-97
Dividends paid to minority interests	-10	-1
Capital increase	24	46
Change in treasury shares	39	0
Cash used for financing activities	**-201**	**-638**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	-50	-117
Net decrease in cash and cash equivalents	**-804**	**-594**
Cash and cash equivalents at beginning of period	**7,549**	**8,143**
Cash and cash equivalents at end of period	**6,745**	**7,549**

Note: For retrospective adjustments concerning 2007 please refer to Note 9 “Significant cash flow items”.

As of December 31, 2008, EADS’ cash position (stated as cash and cash equivalents in the unaudited condensed consolidated cash flow statements) includes 666 M € (602 M € as of December 31, 2007), which represent EADS' share in MBDA's cash and cash equivalents deposited at other shareholders. These funds are available for EADS upon demand.

Unaudited Condensed IFRS Consolidated Statements of Recognized Income and Expense

in M €	January 1 - December 31, 2008	January 1 - December 31, 2007
Foreign currency translation differences for foreign operations	417	-196
Changes in fair value of cash flow hedges	-5.427	240
Net change in fair value of available-for-sale financial assets	0	-50
Changes in actuarial gains and losses	-346	608
Tax on income and expense recognized directly in equity	1.722	-46
Income and expense recognized directly in equity	-3.634	556
Profit (loss) for the period	1.597	-437
Total recognized income and expense of the period	**-2.037**	**119**
Attributable to:		
Equity holders of the parent	-2.056	78
Minority interests	19	41
Total recognized income and expense of the period	**-2.037**	**119**

Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at December 31, 2008

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

in M €	Equity attributable to equity holders of the parent	Minority interests	total
Balance at January 1, 2007	**13.015**	**137**	**13.152**
Total recognized income and expense	78	41	119
Cash distribution to shareholders	-97	-1	-98
Capital increase	46	2	48
Change in minority interests	0	-94	-94
Others	48	0	48
Balance at December 31, 2007	**13.090**	**85**	**13.175**
Total recognized income and expense	-2.056	19	-2.037
Cash distribution to shareholders	-97	-10	-107
Capital Increase	24	1	25
Change in minority interests	0	9	9
Change in treasury shares	39	0	39
Others	22	0	22
Balance at December 31, 2008	**11.022**	**104**	**11.126**

1. The Company

The accompanying Unaudited Condensed Consolidated Financial Statements present the operations of European Aeronautic Defence and Space Company EADS N.V. and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands; previously: Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands), and are prepared and reported in Euros ("€"). EADS' core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed Consolidated Financial Statements for the year ended December 31, 2008 were authorized for issue by EADS' Board of Directors on March 9, 2009.

2. Accounting policies

These Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the EU as at December 31, 2008.

New Interpretations

The IFRS rules applied by EADS for preparing 2008 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) Amended Standards

The application of the following amended standards is mandatory for EADS as of December 31, 2008.

The amendments "Reclassification of Financial Assets: Amendments to **IAS 39** "Financial Instruments: Recognition and Measurement" and **IFRS 7** "Financial Instruments: Disclosures" (both Standards amended and endorsed in October 2008) allow an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the trading category in certain circumstances. These amendments also permit an entity to reclassify from the available-for-sale category to the loans and receivables category a financial asset that otherwise would have met the definition of loans and receivables, if the entity has the intention and ability to hold that financial asset for the foreseeable future or until maturity. Such reclassifications trigger additional disclosure requirements to permit users of the financial statements to determine what would have been the accounting result had the reclassification not been made.

Furthermore, in order to prevent diversity in practice developing as a result of the amendments made to IAS 39 "Financial Instruments" in October 2008 regarding the reclassification of particular financial assets, the IASB published the amendments "Embedded Derivatives: Amendments to **IFRIC 9** "Reassessment of Embedded Derivatives" and **IAS 39** "Financial Instruments: Recognition and Measurement" (both amended in December 2008 and not endorsed yet). According to these amendments, an entity is required to assess whether an embedded derivative has to be separated from a host contract when the entity reclassifies a hybrid financial asset. This assessment has to be made on the basis of the circumstances that existed when the entity first became a party to the contract. However, if the fair value of such an embedded derivative that would have to be separated cannot be reliably measured, the entire hybrid financial instrument must remain in the fair value through profit or loss category.

As EADS did not reclassify such financial instruments, these amendments did not have any impact on the classification or valuation of EADS' financial instruments.

Further, IAS 16 "Property, Plant and Equipment" and consequential IAS 7 "Statement of Cash Flows" were amended by the Annual Improvement Project 2008 regarding the presentation of the sales proceeds from assets previously used for renting activities.

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitorial provisions for each standard. EADS has early adopted the amendment to IAS 16 "Property, Plant and Equipment" and the consequential amendments to IAS 7 "Statement of Cash Flows" regarding the presentation of the sales proceeds from assets previously used for renting activities. Following the amendments, proceeds received from the subsequent sale of such assets are presented as revenues. Cash flows arising from the purchase, rental or sale of those assets are classified as cash flows from operating activities. EADS anticipated the adoption of this amendment in its 2008 group financial statements.

b) New Interpretations

The following Interpretation became effective as of January 1, 2008:

IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" (issued 2006) requires arrangements whereby an employee is granted rights to an entity´s equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party or the shareholders provide the equity instruments needed. As EADS has not issued instruments covered by this interpretation, the application of this Interpretation did not have an impact on the Consolidated Financial Statements.

3. Accounting for the A400M program

a) The A400M program

The Airbus A400M airlifter is a cost-effective, high-speed turboprop aircraft specifically designed to meet the harmonised needs of European NATO nations and to fulfill the requirements of international air forces. Sales commitments for the A400M total 192 as of December 31st, 2008. These orders were mainly initiated from the European launch customers (Belgium, France, Germany, Luxembourg, Spain, Turkey and the United Kingdom), and more recently also from Malaysia and South Africa.

As the prime contractor for the A400M program and the customer interface, Airbus Military SL ("AMSL"), a subsidiary of EADS, is responsible for the commercial, financial and administrative activities as well as procurement activities including the engines, power plant, the coordination for systems; and the overall development program management.

On September, 25th 2008, EADS announced an undefined delay of the first flight of the A400M, mainly due to the unavailability of the propulsion system, which is to be developed by subcontractors - an engine manufacturers' consortium - of AMSL. This undefined delay was primarily due to an official notice by these subcontractors, as to their inability to specify a new delivery date for the A400M engines and beyond that – but not first flight critical – due to the fact that other major suppliers of mission critical systems and of system integration were severely struggling with the challenging technical requirements of this aircraft. Consequently, from that date onwards and up to the date of these financial statements, a revised technical timetable of the A400M program and the related financial implications of this delay could no longer be reliably assessed.

Further, on January, 9th 2009, AMSL and EADS announced that they have proposed a new program approach for the A400M to the Launch Nations, through OCCAR, with the aim to find an appropriate way forward for this program. AMSL and EADS wanted to initiate discussions around the program schedule along with changes to other areas of the contract including in particular certain technical characteristics of this military aircraft. In line with complex military development programs, AMSL suggested to resume series production only once adequate maturity is reached based on flight test results. With such new approach, the first delivery of the A400M would then occur three years after its first flight. Further, AMSL and EADS will only be able to update all of the financial consequences of a revised industrial plan, once the availability of the engines and mission critical systems is firmly determined and once OCCAR´s position on the proposal is known.

EADS and AMSL continue to address all technical challenges associated with the assembly of the first A400M aircrafts and also continue to work with the customers and suppliers to ensure an appropriate consideration of the current challenges regarding their impacts on the delivery schedule of this aircraft. As a number of these customers have contractual remedies that may be implicated by any revision of the delivery plan, EADS continues to address these customer claims and requests for other contractual relief as they arise. However, as long as certain subcontractors cannot commit to delivery dates, EADS is currently not able to update its own delivery schedule.

Under the Launch Contract between AMSL and OCCAR, AMSL was required to manage the A400M first flight within a timeframe until January 31, 2008 and the grace period will expire on March 31, 2009. This first flight date was not met. Given that the first flight will not occur before March 31, 2009, OCCAR has the contractual right with unanimous mandate of all Launch Nations to claim termination of the whole A400M Launch Contract as of April 1, 2009. In case of valid termination AMSL would be obliged to repay to OCCAR all initial payments, pre-delivery payments and any other payments received from OCCAR. Separately, each of the Launch Nations may claim cancellation of those individual aircraft ordered which would be substantially delayed. This would trigger reimbursement of the initial payments and pre-delivery payments received from OCCAR in respect of such aircraft.

b) Risk and uncertainties arising from the A400M program and accounting consequences

As a result of the undefined delays and the uncertain technical environment which eventually led to the proposed new program approach as described above, EADS applied the early stage method of accounting from September 25th, 2008 onwards. Under this method, all A400M related work-in-progress, which would have been expensed upon the completion of technical milestones according to the estimate at completion method of accounting have since then been expensed as incurred, with related revenues recognized up to the recoverable part of these costs as per the A400M contract. At the same time, the A400M contract loss provision was updated in light of the excess-contract-costs-over-remaining-contract-revenues, based on the probable remaining contract costs that could be estimated. On the contrary, additional potential contract costs not estimable as of the date of these financial statements have been considered as contingent liabilities.

The early stage method of accounting has to be applied until future triggering events allow the resumption of the estimate at completion method. Such triggering events would mainly be the earliest of – among other elements – a valid committed time table of the engine subcontractors, mission critical system suppliers and overall system integration, or an updated contractual agreement with OCCAR and the representative nations establishing an appropriate revised framework for the A400M program, such as the one which was proposed in the new program approach described above. In this respect, EADS is still in relation with this engine manufacturers' consortium to determine a reliable engine availability and a first flight date for the A400M. Consequently, the year-end status of EADS' validation of the committed time table of the engine subcontractors and other suppliers did not enable a resumption of the estimate at completion method according to IAS 11 in the EADS financial statements.

Even though the financial consequences of the extended time frame of three years between the first delivery of the A400M and its first flight on the ultimate level of development costs to be incurred can not be determined precisely as long as a complete revised industrial plan is not agreed upon with engines' and major critical systems' suppliers, the related risks have been reflected in the A400M provision to the extent that EADS was able to estimate their probable financial impacts.

Total expected production costs to be incurred could not be reassessed since the beginning of 2008, as EADS believes that any revision of the program costs will only be possible once the suppliers commit to delivery dates.

Claims received from suppliers are considered by EADS on a case by case basis and challenged until they are accepted by EADS and reflected in contract costs.

In case of a potential, but considered to date unlikely by EADS, cancellation of the A400M contract by OCCAR, AMSL would have to reimburse all initial payments, pre-delivery payments and any other payments received from OCCAR which would represent a total amount of cash of approximately 5,7 b€. In addition, EADS would have to determine the further utilisation of specific tangible assets currently used for the A400M program.

Under the current scenario of a continuation of the A400M program, significant penalties based on contractual clauses could be notified for a cumulative amount of 1.4 b€, due in case each aircraft delivery would be delayed by more than 10 months from the original contractual timetable. Based upon the current probable minimum delivery delays, this penalty clause would apply at least to a significant number of aircraft, but would be subject to future discussion with customers. The A400M provision as of December 31st, 2008 includes EADS' current assessment of the prorate amount of penalties to be finally paid.

The A400M provision related to the excess-of-contract-costs-over-remaining-contract-revenues (amounting to 1,349 M€ as at December 31st, 2008) has been determined on the basis of the probable excess contract costs that could be estimated at year-end 2008 taking into consideration the technical and industrial uncertainties attached to the program. As they cannot currently be estimated, various potential additional costs linked to the unquantifiable financial consequences of the shift in the delivery schedule have not been taken into account when reassessing the A400M provision in the 2008´ financial statements. Therefore, significant negative income statement's impacts may still have to be accounted for in future periods when such costs become estimable or triggering events lead to a return to the estimate at completion method of accounting. Potential benefits from future discussions with customers, if any, might reduce such impacts, but would only be taken into account once agreed upon by OCCAR and the Launch Nations.

In conclusion, while EADS believes the cost and revenue estimates currently incorporated in the financial statements under the early stage method of accounting reflect its most appropriate judgments under the current circumstances, the technical complexity of the A400M program and the uncertainty about the outcome of on-going technical developments imply that further financial risks may arise, such as significant additional delays in delivery schedule, additional contract completion costs as well as the ultimate amount of liquidated damages to be paid. Materialisation of these risks could also trigger an additional significant financial exposure to potential order cancellations or even a potential termination of the whole A400M program.

The following tables summarize the major accounting balances specifically related to the A400M program on certain balance sheet- and income statement-amounts:

in M €	As at December 31, 2008
Accumulated revenues	4,543
Accumulated advance payments received	5,712
Net advance payments received (shown in liabilities)	1,169

	Year ended December 2008		
in M €	Early stage accounting	Estimate at completion before early stage	Total impact of the A400M program
Revenues	1,107	419	1,526
Expensed work in progress	(1,449)	(489)	(1,938)
Subtotal	**(342)**	**(70)**	**(412)**
Consumption of provision	334	70	404
Additional costs (including increase in provision)	(696)	0	(696)
Total EBIT impact	**(704)**	**0**	**(704)**

in M €	As at December 31, 2008
Property, plant and equipment (mainly buildings and jigs and tools)	722
Current assets (mainly advanced payments made)	953
Net advance payments received (shown in liabilities)	1,169
A400M provision	1,349

4. Changes in the consolidation perimeter of EADS

On April 22, 2008, EADS acquired PlantCML based in California / USA, a leading provider of emergency response solutions, which is fully consolidated from that date in Defence and Security. The difference between the purchase price and the acquired net assets (not yet finally determined) led to the recognition of a preliminary goodwill of 302 M US-$.

On July 28, 2008, EADS acquired an additional 41% of Spot Image based in Toulouse / France, a world leader in the provision of satellite imagery and geo-information value-added services. EADS thereby increased its stake in Spot Image to 81% but had been consolidating it fully in the Astrium Division since January 1, 2008, based on effective control since that date. This additional purchase led to the recognition of an additional goodwill of 2 M € (not yet finally determined).

On April 7, 2008, EADS acquired Surrey Satellite Technology Limited (SSTL) based in the U.K., which is specialized in the design and manufacture of small and micro satellites. The acquisition was approved by the European Commission in December 2008 leading to consolidation of the SSTL balance sheet as at December 31, 2008 in the Astrium Division. This purchase led to the recognition of goodwill of 47 M GBP (not yet finally determined).

Apart from these transactions, other acquisitions or disposals by the Group that occurred in 2008 are not material.

5. Segment information

Through the end of 2008, the Group operated in five divisions (segments) which reflect the internal organizational and management structure according to the nature of the products and services provided.

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

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

in M €	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security	Astrium	Other Businesses	HQ/ Conso.	**Consoli-dated**
Year ended December 31, 2008								
Revenues	27,453	2,759	4,486	5,668	4,289	1,528	-2,918	**43,265**
Research and development expenses	-2,209	-9	-134	-174	-69	-10	-64	**-2,669**
Profit (loss) before finance costs and income taxes	1,763	-18	292	399	231	80	25	**2,772**
EBIT pre-goodwill imp. and exceptionals (see definition below)	1,790	-16	293	408	234	80	41	**2,830**
Year ended December 31, 2007 *)								
Revenues	25,216	1,140	4,172	5,392	3,550	1,407	-1,754	**39,123**
Research and development expenses	-2,175	-16	-93	-168	-78	-8	-70	**-2,608**
Profit (loss) before finance costs and income taxes	-904	-156	210	323	170	84	240	**-33**
EBIT pre-goodwill imp. and exceptionals (see definition below)	-881	-155	211	345	174	84	274	**52**

*) Some minor activities have been transferred to "Other Businesses" from "Defence & Security", "Eurocopter" and "HQ".

6. EBIT pre-goodwill impairment and exceptionals

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

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

in M €	January 1-December 31, 2008	January 1-December 31, 2007
Profit (loss) before finance costs and income taxes	**2,772**	**-33**
Goodwill and exceptionals:		
Disposal of Goodwill	0	12
Exceptional depreciation and disposal	58	73
EBIT pre-goodwill impairment and exceptionals	**2,830**	**52**

7. Significant income statement items

Revenues of 43,265 M € (2007: 39,123 M €) increase by 11% despite an unfavorable US Dollar impact, supported by higher activities in all divisions. Airbus delivered more commercial aircraft (483 versus 453 in the previous year) and Astrium, Military Transport Aircraft, Eurocopter and Defence also record increased volumes. The increase also includes 1,107 M €, resulting from the application of the early stage method of accounting for the A400M program (see Note 3 “Accounting for the A400M program”).

The **Gross Margin** increases by +3,037 M € to 7,358 M € compared to 4,321 M € in 2007. This improvement is mainly related to Airbus in particular benefiting in 2008 from foreign exchange effects (GBP and USD) on onerous contracts and due to the higher impact in 2007 of A350XWB burdens, higher charges related to the A400M and accrued Power8 restructuring charges. In 2008, strong operational performance with delivery ramp-up, Power8 savings and improvements in all divisions further contribute to the increase in the gross margin.

Research and development expenses of -2,669 M € (2007: -2,608 M €) principally reflect an increase for the Airbus A350XWB program mainly compensated by a decrease on the Airbus A380-800 program.

Other income decreases by -44 M € to 189 M € (2007: 233 M €). In 2007, other income included among others gains from the sale of land and buildings.

Share of profit from associates under the equity method and other income from investments of 211 M € (2007: 296 M €) is mainly influenced by the estimated result of Dassault Aviation of 169 M € (2007: 194 M €). Since for the second half-year 2008 no financial information is yet available from Dassault Aviation, the net income of the second half year 2007 of Dassault Aviation has been used as an estimate for the second half year's Dassault Aviation net income for 2008, resulting in an amount of 92 M € estimated as EADS share (46.3%). For the first semester 2008 the Dassault Aviation Group reported a net income of 167 M € which has been equity accounted by EADS according to its share of 46.3%. The equity result in 2008 of Dassault Aviation does not include yet any potential IFRS catch-up adjustments (2007: +17 M €). Additionally, in 2007, the sale of EADS' interest in Embraer resulted in a non-recurring capital gain of 46 M €.

Net **finance costs** amount to -472 M € (2007: -737 M €) including the negative impacts from the revaluation mainly of GBP positions and embedded derivatives as well as from the unwinding of the discounting on A380, A350XWB and Power8 provisions, partially set off by the positive impacts from realized treasury swap gains and revaluation of capitalized option premiums.

The **income tax** expense of -703 M € (2007: a benefit of 333 M €) corresponds to an effective income tax rate of 31% (2007: 43%). It was impacted by a negative tax rate differential from main EADS countries with higher income tax rates applied than in the Netherlands and by an impairment of deferred tax assets partly compensated by the low effective tax rate on the share of Dassault Aviation equity result.

8. Significant balance sheet items

Non-current assets

Intangible assets of 11,171 M € (prior year-end: 10,832 M €) include 9,760 M € (prior year-end: 9,519 M €) of goodwill. This mainly relates to Airbus (6,374 M €), Defence & Security (2,559 M €), Astrium (619 M €) and Eurocopter (111 M €). The related annual impairment tests, which were performed at the end of the year, did not lead to any impairment charges.

Eliminating foreign exchange-rate effects of -704 M €, **property, plant and equipment** decrease by -542 M € to 12,243 M € (prior year-end: 13,489 M €), including leased assets of 878 M € (prior year-end: 1,319 M €). Property, plant and equipment used for the A400M program amounting to 722 M€ were not subject to an impairment charge, as they are expected to be recoverable through the further progress of the A400M program (see Note 3 "Accounting for the A400M program"). Property, plant and equipment also comprise "Investment property" amounting to 87 M € (prior year-end: 96 M €).

Investments in associates under the equity method of 2,356 M € (prior year-end: 2,238 M €) mainly reflect the increase in the equity investment in Dassault Aviation, amounting to 2,243 M € (prior year-end: 2,121 M €).

Other investments and other long-term financial assets of 1,712 M € (prior year-end: 1,553 M €) are related to Airbus for an amount of 1,280 M € (prior year-end: 1,013 M €), mainly concerning the non-current portion of aircraft financing activities including a foreign exchange rate effect of +43 M €.

Other non-current assets mainly comprise "Non-current derivative financial instruments" and "Non-current prepaid expenses". The decrease by -897 M € to 2,646 M € (prior year-end: 3,543 M €) is mainly caused by the variation of the non-current portion of fair values of derivative financial instruments (-1,339 M €) partly compensated by the purchase of option premiums at Airbus in the course of US dollar hedgings.

Deferred tax assets of 2,756 M € (prior year-end: 2,705 M €) are presented as non-current assets as required by IAS 1.

The fair values of **derivative financial instruments** are included in other non-current assets (1,101 M €, prior year-end: 2,440 M €), in other current assets (1,482 M €, prior year-end: 2,955 M €), in other non-current liabilities (2,208 M €, prior year-end: 258 M €) and in other current liabilities (657 M €, prior year-end: 36 M €) which corresponds to a total net fair value of -282 M € (prior year-end: 5,101 M €). The volume of hedged US dollar-contracts increases from 51.3 billion US dollar as at December 31, 2007 to net of 68.1 billion US dollar as at December 31, 2008, including 9 billion of US dollar vanilla options. The US dollar exchange rate became stronger (USD / € spot rate of 1.39 at December 31, 2008 vs. 1.47 at December 31, 2007) towards year-end. However, the average US dollar hedge rate for the hedge portfolio of the Group deteriorated from 1.26 as at December 31, 2007 to 1.36 (excluding US dollar plain vanilla options which were out of the money) as at December 31, 2008 (US dollar / € rate respectively).

Current assets

Inventories of 19,452 M € (prior year-end: 18,906 M €) increase by +546 M €. This is driven by all divisions except for Military Transport Aircraft and Defence & Security: Eurocopter (+473 M €) with an increase in unfinished goods and services due to the ramp-up of commercialized programs (mainly SuperPuma, Dauphin, EC 135 and Ecureuil), a high number of helicopters in governmental programs (mainly NH90 and Tiger) and Airbus (+98 M €) partly compensated by a lower level of unfinished goods and services and Astrium (+65 M €) with a higher level of work in progress, boosted by the satellite and launcher business. The decrease at Military Transport Aircraft by -113 M € mainly reflects a lower level of unfinished goods and services. Work in progress for the A400M program of 1,449 M€ (see Note 3 “Accounting for the A400M program”), which would have been capitalized under the estimate at completion method of PoC accounting, was expensed as cost of sales according to the early stage method of accounting (see Note 3 “Accounting for the A400M program”).

Trade receivables increase by +628 M € to 5,267 M € (prior year-end: 4,639 M €), mainly caused by Astrium (+469 M €) for M51, various satellites and Ariane launchers. A further increase is related to Eurocopter (+181 M €).

Other current assets include “Current portion of other long-term financial assets”, “Current other financial assets”, “Current other assets”, “Current tax assets” and “Current prepaid expenses”. The decrease of -1,123 M € to 4,590 M € (prior year-end: 5,713 M €) comprises among others a decrease of -1,473 M € regarding positive fair values of derivative financial instruments. This is partly compensated by higher receivables from related companies (+170 M €, mainly Eurofighter GmbH).

Current securities increase from 1,598 M € to 3,912 M € (see also note 8 “Significant cash flow items”).

Cash and cash equivalents decrease from 7,549 M € to 6,745 M €. The decrease mainly results from a change in the amount of securities (see also note 9 “Significant cash flow items”).

On January 7, 2009, DAHER acquired a 70% majority share in Socata and Socata Aircraft (USA) from EADS. Additionally, Airbus sold its site in Filton (UK) to GKN on January 5, 2009. Due to the high probability of a positive outcome of the aforementioned transactions at the end of 2008, the non-current and current assets of these operations amounting to 263 M € are reclassified to

assets / disposal groups classified as held for sale (prior year-end: 0 M €). **Liabilities directly associated to assets classified as held for sale** amount to 155 M € (prior year-end: 0 M €).

Total equity

Equity attributable to equity holders of the parent (including purchased treasury shares) amounts to 11,022 M € (prior year-end: 13,090 M €). The decrease is mainly due to income and expense recognized in equity of –2,056 M €, which includes the profit for the period attributable to the equity holders of the parent of +1,572 M € as well as changes in the fair value of cash flow hedges of -3,734 M € net of taxes. The amount of equity has also been reduced by the cash distribution to shareholders of -97 M €.

Minority interests increase to 104 M € (prior year-end: 85 M €) mainly in relation to initial consolidations as well as to recognized income and expense.

Non-current liabilities

Non-current provisions of 7,479 M € (prior year-end: 8,055 M €) comprise the non-current portion of pension provisions with a decrease of -47 M € to 4,335 M € (prior year-end: 4,382 M €). In 2008, some EADS companies contributed in total 300 Mio. EUR in cash to the Contractual Trust Arrangement (CTA) implemented in 2007. Moreover, other provisions are included in non-current provisions, which decrease by -529 M € to 3,144 M €. A significant part of the decrease is related to the provision for the A350XWB and the A380 due to the strengthening of USD / € rate regarding the income streams and to the lowering of GBP/ € rate concerning the cost streams and due to utilisations and reclassification for settlement and buy-out charges for the A350 program. Other provisions include among others the provision for aircraft financing activities with an increase of +99 M € to 803 M € (thereof foreign exchange effects of +42 M €).

Long-term financing liabilities of 3,046 M € (prior year-end: 3,090 M €), excluding foreign exchange-rate effects of +49 M €, decrease by -93 M € in particular due to Astrium and Airbus.

Other non-current liabilities comprise "Non-current other financial liabilities", "Non-current other liabilities" and "Non-current deferred income" and increase in total by +1,944 M € to 16,824 M € (prior year-end: 14,880 M €). They mainly include non-current customer advance payments received of 8,843 M € (prior year-end: 8,420 M €), the non-current portion of European Government refundable advances amounting to 4,563 M € (prior year-end: 4,854 M €) and non-current negative fair values of derivative financial instruments of 2,208 M € (prior year-end: 258 M €). The main part of non-current deferred income of 418 M € (prior year-end: 753 M €) is linked to deferred revenues of Airbus and ATR according to Residual Value Guarantee clauses. These are reversed over the guaranteed period.

Current liabilities

Current provisions increase by +205 M € to 4,583 M € (prior year-end: 4,378 M €) and comprise the current portion of pension provisions (211 M €) and other provisions (4,372 M €). The increase mainly reflects higher provisions for outstanding costs at Eurocopter and Defence & Security and additional provisions for the A400M program with a net change of 154 M € to 1,349 M €, partly offset by a decrease regarding the current portion of restructuring provisions for the "Power 8" program.

Short-term financing liabilities of 1,458 M € (prior year-end: 1,724 M €) decrease by -266 M € mainly due to a repayment of commercial paper of EADS B.V. (-501 M €).

Trade liabilities increase by +426 M € to 7,824 M € (prior year-end: 7,398 M €), mainly relating to Airbus (+264 M €) and Astrium (+108 M €).

Other current liabilities include "Current other financial liabilities", "Current other liabilities" and "Current deferred income". They increase by +2,115 M € to 22,504 M € (prior year-end: 20,389 M €). Other current liabilities mainly comprise current customer advance payments of 17,802 M € (prior year-end: 16,214 M €).

9. Significant cash flow items

Cash provided by operating activities decreases from 5,098 M € to 4,399 M €. Gross cash flow from operations (excluding working capital change) of 4,571 M € exceeds prior period's level (2007: 3,862 M €); changes in other operating assets and liabilities (working capital changes) amount to -172 M € (2007: +1,236 M €). Working capital mainly deteriorates due to lower advance payments received compared to 2007 which benefited from a positive 1.1 bn € of Paradigm refinancing. As stated in Note 2 "Accounting principles", EADS anticipated adoption of the 2008 Annual Improvement Project in its 2008 group financial statements as far as it relates to IAS 16 "Property, Plant and Equipment" and consequentially IAS 7 "Statement of Cash Flows", classifying cash flows arising from the rental or subsequent sale of assets previously used for renting activities as cash flows from operating activities. In 2008, customer financing amounts to -327 M € (2007: +61 M €). Previous year's cash flows have been adjusted accordingly.

Cash used for investing activities amounts to -4,952 M € (2007: -4,937 M €). This mainly comprises securities purchased for -2,676 M € and purchases of intangible assets, property, plant and equipment and investment property for -1,837 M €, namely in Airbus and Astrium.

Cash used for financing activities improves by +437 M € to -201 M € (2007: -638 M €). The outflow mainly comprises the net repayment of financing liabilities as well as the cash distribution to shareholders.

10. Number of shares

The total number of shares outstanding is 809,509,147 and 804,209,475 as of December 31, 2008 and 2007, respectively. EADS' shares are exclusively ordinary shares with a par value of 1.00 €.

During the year 2008, the number of treasury shares held by EADS decreased from 9,804,998 as of December 31, 2007 to 5,259,965 as of December 31, 2008.

New shares amounting to 14,200 (in 2007: 613,519 new shares) were issued as a result of the exercise of stock options in compliance with the implemented stock option plans. Under the 2008 Employee Stock Ownership Plan, which was granted in June 2008, 2,031,820 shares were issued in July 2008. (Under the 2007 Employee Stock Ownership Plan 2,037,835 shares were issued in May 2007).

11. Earnings per share

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

	January 1 to December 31, 2008	January 1 to December 31, 2007
Net income (loss) attribut. to equity holders of the parent	1,572 M €	-446 M €
Weighted average number of ordinary shares outstanding	806,978,801	803,128,221
Basic earnings (losses) per share	1.95 €	-0.56 €

For calculation of the **diluted earnings per share**, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's categories of dilutive potential ordinary shares are stock options as well as performance and restricted shares. In 2008, the average price of EADS shares did not exceed the exercise price of stock options under any stock option plan (in 2007: the 1st, 2nd, 4th and 5th stock option plans). Hence, no shares related to stock options (2007: 2,420,180 shares related to stock options) were considered in the calculation of diluted earnings per share. Since the average price of EADS shares during 2008 exceeded the price for performance and restricted shares, 618,141 shares related to performance and restricted shares (in 2007 no shares) were considered in the calculation..

	January 1 to December 31, 2008	January 1 to December 31, 2007
Net income (loss) attribut. to equity holders of the parent	1,572 M €	-446 M €
Weighted average number of ordinary shares outstanding (diluted)	807,596,942	805,548,401
Diluted earnings (losses) per share	1.95 €	-0.55 €

12. Related party transactions

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

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

13. Number of employees

The number of employees at December 31, 2008 is 118,349 as compared to 116,493 at December 31, 2007.

14. Litigation and claims

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

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 E.U.-U.S. Agreement on Trade in Large Civil Aircraft, the U.S. lodged a request on October 6, 2004 to initiate proceedings before the World Trade Organisation ("WTO"). On the same day, the E.U. launched a parallel WTO case against the U.S. in relation to its subsidisation of Boeing. On May 31, 2005, the U.S. and the E.U. each requested the establishment of a panel. At its meeting on July 20, 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 E.U. Unless a settlement, which is currently not under discussion, is reached between the parties, the WTO panels have indicated that they will issue draft reports sometime in 2009.

The French Autorité des marchés financiers (the "AMF") began investigations in 2006 for alleged breaches of market regulations and insider trading rules with respect to, among other things, the A380 delays announced in 2006. On April 1, 2008, the AMF announced the notification of charges against EADS and certain of its executives for breach of such market regulations and insider trading rules, respectively. EADS and the individual defendants intend to vigorously exercise their defence rights in front of the Sanction Commission, which will decide whether to impose fines after due hearing of the parties. EADS believes that the financial risk associated with this procedure and its possible consequences is not material. However, it recognises that these proceedings may have significant consequences on its image and reputation. Following criminal complaints filed by a shareholders' association and by an individual shareholder (including a civil claim for damages), French investigating judges are also carrying out investigations on the same facts.

In Germany, the German Federal Financial Supervisory Authority (the "BaFin") began its own investigations in 2006 for alleged breaches of market regulations and insider trading rules.

However, the BaFin formally notified EADS on March 2, 2007 that it had discontinued its investigation for suspected breaches of market regulations. Upon referral by the BaFin, German criminal proceedings regarding suspected insider trading offences are still pending against a small number of individuals at lower management level, while investigations against other individuals were discontinued without charges being brought.

Furthermore, in Germany, several individual shareholders have filed a few civil actions against EADS since 2006 to recover their alleged losses in connection with the disclosure of A380 programme delays, the latest such action being filed in early 2009. A plaintiff motion for "model proceedings" is also currently pending before the court, which would allow common issues of fact or law in multiple individual securities actions to be bundled together. The actions are in their preliminary stage and the amounts claimed are relatively small. EADS anticipates a vigorous defence.

On June 12, 2008, two actions were initiated in the United States District Court for the Southern District of New York, one of which has since been voluntarily withdrawn. The remaining action purports to be a class action brought on behalf of all persons and entities residing in the United States who purchased or otherwise acquired EADS' common stock during the period from July 27, 2005 through March 9, 2007. Named as defendants are EADS and four current or former executives of EADS and Airbus. The action seeks damages in an unspecified amount, with interest and attorneys' fees, for alleged violations of the U.S. securities laws in connection with financial disclosures issued by EADS in 2005, 2006 and 2007 and public statements made during that same time frame relating to A380 programme delays. On January 2, 2009, defendants filed motions to dismiss the complaint in the action. EADS anticipates a further vigorous defence.

EADS recognizes provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks.

15. Commitments and contingencies

As explained in Note 3 "Accounting for the A400M program", in case of potential termination of the Launch Contract initiated by OCCAR with unanimous mandate of all Launch Nations after March 31, 2009, AMSL would be obliged to repay to OCCAR all initial payments, pre-delivery payments and any other payments received from OCCAR for the A400M program of approximately in total 5.7 b€. As of the date of these financial statements, EADS does not expect that OCCAR will exercise its contractual termination right, as EADS assumes, that the proposed new program approach will support the process of establishing an appropriate framework for the continuation of the A400M program together with OCCAR.

Under the current scenario of a continuation of the A400M program, various potential additional costs linked to the unquantifiable financial consequences of the shift in the delivery schedule have not been taken into account when reassessing the A400M provision in the 2008´ financial statements. Therefore, significant negative income statement' impacts may still have to be accounted for in future periods when such costs become estimable or triggering events lead to a return to the estimate at completion method of accounting. Potential benefits from future discussions with customers, if any, might reduce such impacts, but would only be taken into account once agreed upon by OCCAR and the Launch Nations. Finally, each of the Launch Nations may separately claim cancellation of those individual aircraft ordered which would be substantially delayed. This would trigger reimbursement of the initial payments and pre-delivery payments received from OCCAR in respect of such aircraft.

16. Subsequent events

On January 7, 2009, the agreement with DAHER to acquire a 70% majority share in EADS Socata (announced on November 3, 2008) became effective.

In 2008, EADS had continuing negotiations with GKN to divest its Airbus site in Filton (UK). The closing of the sale is effective since January 5, 2009.

Up to the release of these financial statements, no events have materialised that could be considered as triggering events requiring a change in the accounting methodology for the A400M program (see Note 3 “Accounting for the A400M program”).

On January, 9th 2009, AMSL and EADS announced that they have proposed a new program approach for the A400M to the Launch Nations, through OCCAR, with the aim to find an appropriate way forward for this program. AMSL and EADS wanted to initiate discussions around the program schedule along with changes to other areas of the contract including in particular certain technical characteristics of this military aircraft. In line with complex military development programs, AMSL suggested to resume series production only once adequate maturity is reached based on flight test results. With such new proposed approach, the first delivery of the A400M would then occur three years after its first flight.

On February, 10th 2009, with reference to the report of the French senate finance and foreign affairs commissions regarding their views on the current status of the A400M program, EADS reaffirmed its full commitment to deliver on the European A400M military transport aircraft program and welcomed the public support given by the French Senators being responsible for this report.

In 2005, the liquidator of the special purpose vehicle GFAC, a joint venture between Swissair and GATX, sued Airbus at a court in New York to recover USD 227 M in pre-delivery payments, together with interest and costs. The lawsuit followed Airbus’ termination of the Purchase Agreement with GFAC in October 2001 for 38 SA and LR aircraft, in the context of Swissair’s bankruptcy. On February 6, the judge decided in favor of GFAC. Although Airbus has asked the court to reconsider its decision at a hearing on March 18, and will also file an appeal, it cannot be excluded that Airbus will, on that day, be ordered to pay an amount equal to the pre-delivery payments plus legal interest.