Report of the Board of Directors

(Issued as of 7 March 2012)

EADS

Dear Shareholders,

This is the Report of the Board of Directors (the "Board Report") on the activities of European Aeronautic Defence and Space Company EADS N.V. (the "Company" or "EADS" and together with its subsidiaries, the "Group") during the 2011 financial year, prepared in accordance with Dutch regulations.

For further information and detail regarding EADS' activities, finances, financing, risk factors and corporate governance, please refer to the EADS website - **www.eads.com**.

1. General Overview

With consolidated revenues of € 49.1 billion in 2011, 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 2011, it generated approximately 76% of its total revenues in the civil sector and 24% in the defence sector.

EADS organises its businesses into the following four operating Divisions: (i) Airbus (including Airbus Commercial and Airbus Military), (ii) Eurocopter, (iii) Astrium, and (iv) Cassidian and employed a workforce of some 133,000 employees worldwide.

2. Main Events for 2011

2011 was a year of growth and progress for EADS, with strengthening momentum in the commercial aircraft market, reflected in new order and delivery records at Airbus. In the face of pressure on defence and public spending, EADS' Divisions took further steps to strengthen their competitive position by investing in new products and capacities as well as driving efficiency programmes. EADS successfully steered the Group's growth by managing several acquisitions in the services business during the year.

When EADS started the year it set itself the following "EADS Group Priorities for 2011", which were shared with all employees:

1. Stay focused on employee engagement and reinforce the positive momentum emerging from the survey. Foster trust, empowerment, proximity and innovation, reaching out to all our employees.
2. Deliver and surpass EBIT and cash flow targets, enabling implementation of Vision 2020 and funding of programmes. Achieve cost saving and transformation programmes.
3. Capitalise on programme management improvements and deliver: stick to milestones on A350 and A400M – improve costs on A380, NH90, Tiger and Ariane 5 – tightly control Saudi Border Surveillance programme, Eurofighter, YahSat and CSO satellites, and tanker programmes.
4. Ensure the successful launch or progress of key programmes: X4 helicopter, A320neo, participation in European drone programmes (Talarion), Ariane 5 Midlife Evolution and preparation of the Next Generation Launcher.
5. Develop activities in services, security and defence through organic growth and acquisitions.
6. Expand our business in North America and set strong and solid foundations in emerging countries through investment, partnerships, sourcing and recruitment.
7. Ensure proper management of risks and opportunities (ERM); guarantee integrity and compliance of business processes, and uphold the new code of ethics.

8. Through Future EADS, foster integration by leaner functions, centres of competence and shared services.

9. Promote eco-efficiency, innovation and quality as key elements of competitiveness through action plans in Divisions and at EADS Group level.

10. Expand mobility in particular for managers and foster diversity on all levels.

Revenues in 2011 reached a new high of €49.1 billion. They increased by 7% thanks to growth from both volume and mix effects at Airbus and the increase of commercial activity at Eurocopter. These increases more than offset a slight decrease at Astrium and Cassidian. The overall 2011 revenue contribution from the first consolidation of the major acquisitions was around € 300 million, mainly Vector Aerospace and Satair, while the EBIT*[1] impact was insignificant.

For the full year 2011, EADS reported an EBIT of € 1,696 million. The EBIT* before one-off of around € 1.8 billion benefited from the underlying performance in growing Airbus legacy programmes. Also, Airbus Military and especially Eurocopter contributed to the performance improvement. At 31 December 2011, the order book of EADS reached € 541 billion. The net cash position of € 11.7 billion at year-end is higher than anticipated due to improved performance and higher order intake.

In 2011 order intake amounted to € 131 billion, driven by the strong momentum in commercial aviation and the rebound in the commercial helicopter market. Institutional markets including defence and public spending have to be monitored going forward in the context of budget pressure.

Thanks to the Group's good performance and despite depressed stock markets, the EADS share price gained 38% during the year 2011, and was the best performer of the CAC 40 and second-best of the MDAX indices.

The commercial success of the Airbus civil aircraft business with 1,419 net orders represented one of the highlights of the year, an overall industry record. This success was driven mainly by the A320neo (new engine option), which received 1,226 firm orders. The new aircraft will offer up to 15% less fuel burn compared to the current A320 single-aisle family and is due to enter into service in 2015.

The A350 XWB programme progressed, with the first major airframe sections delivered to the A350 XWB final assembly line in Toulouse at the end of 2011. Maturity of the A350 XWB main components at Final Assembly start remains one of the Group's top priorities. Start of Final Assembly is scheduled for Q1 2012 and Entry-into-Service is targeted for H1 2014, with the aim of achieving an appropriate maturity level at each step. As the A380 series production gained in maturity, deliveries on that programme increased to 26, from 18 in 2010. The A400M series production was launched early in 2011 and final assembly of the first aircraft for customer delivery began in November 2011. The A400M as well as the EC175 are flying a strong course towards certification. The Ariane 5 launcher completed its 46th consecutive successful take-off. The Eurofighter programme achieved its 300th delivery in 2011, making it the only new-generation multi-role aircraft to reach this milestone. Moreover, EADS' subsidiary ATR, recorded an exceptional order intake, with 119 firm orders, representing more than 80% of all regional aircraft orders in the range of 50 to 90 seats, according to internal estimates.

In the framework of its Vision 2020 goals, EADS conducted several important acquisitions to expand the services business across its Divisions. Airbus acquired the aviation parts distributor Satair. Astrium acquired Vizada, a leading independent provider of global satellite-based communication services and Eurocopter purchased Canada-based Vector Aerospace, a specialist in helicopter maintenance.

In 2011, the global economic recovery remained uneven, with key issues still to be addressed such as the European sovereign debt crisis, the high level of US public debt and volatile capital inflows to emerging economies. Continued financial market volatility showed how fragile economic recovery still remains in developed markets, with the capital markets questioning the ability of sovereign nations to repay their debts. Also, despite some short term exchange rate improvement in 2011, persistent US dollar weakness has continued to disadvantage EU companies with a cost base mainly in euros whereas US manufacturers continue to derive benefit from more attractively priced exports.

In 2011, the commercial aviation business experienced continued growth in passenger demand and positive profitability, despite the effects of the tsunami in Japan, unrest in the Middle East and North Africa and a high oil price level. However, regional differences still exist, with Asian Pacific carriers contributing nearly half of the profit, while profitability amongst

[1] *Unless otherwise indicated, EBIT* figures presented in this report are Earning before Interest and Taxes, pre goodwill impairment and exceptionals.*

European airlines as a whole was lower. Aircraft manufacturers experienced continued high demand for commercial aircraft, driven by growth needs in emerging markets and mature market replacement demand spurred by higher fuel prices. The competitive landscape among manufacturers is intensifying with several emerging players developing aircraft to position themselves in the single aisle market. Further consolidation in the supplier base also occurred due to the need for risk sharing partners and supplier rationalisation.

Defence and public spending faced downward pressure in Europe as well as in the US whereas in areas such as the Middle-East and Asia, defence spending has increased. While US and European defence budgets are expected to experience cuts over the coming years, the full impact on industry is still unclear. The need for some EU countries to reduce public sector spending but still maintain defensive capabilities has driven governments to look for ways to mitigate the impact on defence budgets. Thus, compromises need to be found between maintaining R&D and procurement budgets on the one hand and considering adaptations of the operational budgets on the other. The retirement of platforms, planned cancellation of some procurement orders and a reduction in personnel are driving demand for closer collaboration between industry and end users, particularly in services.

Governments may therefore pursue further outsourcing of defence related services to industry players in order to achieve better value for money. Additionally, sustained growth in security spending both from government and private sectors has been driven by the need to respond effectively to emergency response requirements such as large-scale natural disasters, fires, flooding and earthquakes, as well as asymmetric terrorist threats and increasingly sophisticated cyber-attacks.

Airbus generated revenues of € 33.1 billion in 2011, representing an increase of 10% compared to 2010. With 534 commercial aircraft deliveries to 88 customers in 2011, Airbus beat its previous record set last year by 24 aircraft. Deliveries included 421 A320 Family aircraft, 87 A330s and 26 A380s. Airbus Military also delivered a record number of 29 aircraft consisting of 6 A330 MRTT, 20 light and medium military transport aircraft (C212, CN235 and C295) and three P-3 conversions. Airbus outperformed its order intake target by recording a total of 1,608 gross commercial aircraft orders, representing a 64% gross worldwide market share. Of these orders, the A320neo received 1,226 firm orders, confirming its title as the "fastest selling airliner ever". Airbus also successfully completed the first flight-test of a Sharklet-fitted A320 at year-end. The first major sub-assemblies of the A350 XWB were delivered to Toulouse in 2011, ahead of the final assembly. In order to focus on preparing a robust and efficient production process, Airbus re-scheduled the start of final assembly to early 2012, with the first delivery planned for the first half of 2014. Deliveries ramped-up on the A380, rising to 26 for the year, while the programme received 29 new gross orders. At the end of 2011, a total of 67 A380s had been delivered to seven customers. The A400M programme is delivering results, having completed more than 2,600 flight hours in over 900 test flights up to the end of 2011, with a fifth aircraft joining the flight test programme. Finally, six A330-MRTTs were delivered to customers in 2011, including the four first MRTTs to the Royal Australian Air Force.

Eurocopter generated revenues of € 5.4 billion in 2011, representing an increase of 12% compared to 2010. 503 helicopters were delivered to customers in 2011, including the 1,000th Dauphin and the 1,000th EC135. New net orders totalled 457 helicopters. These orders, mostly from outside Eurocopter's home countries, included key EC175 and EC225 contracts and confirm the recovery of the civil market, in particular in the US and in the light helicopters segment. The robust support and service activities were enhanced through the acquisition of Vector Aerospace and accounted for 38% of revenues in 2011. Despite a tough business environment, Eurocopter remained a leader on the worldwide civil and parapublic market with a 43% market share according to internal estimates. 32 NH90 and 16 Tiger helicopters were delivered in 2011. Five new customers took delivery of their first NH90 helicopter during the year, while the 100th NH90 was recently delivered. 2011 was also a year of innovation for Eurocopter with the achievement of speed records with the X3 hybrid high-speed demonstrator aircraft, the presentation of the new EC145 T2 version and the launch of the future X4 helicopter intended to replace the Dauphin by the end of the decade.

At € 5.0 billion, Astrium' revenues remained stable in 2011 despite a challenging economic climate in institutional markets and increasing competition. New orders amounted to € 3.5 billion and demonstrated continued momentum. At year-end the order book stood at € 14.7 billion, equivalent to three years' worth of work. The Ariane 5 launcher continued to prove its reliability by completing five launches in one year, achieving its 46th successful launch in a row. Under an ESA initiative, Astrium is currently preparing the next generation of launchers, through the Ariane 5 ME (Mid-life Evolution), an expected programme due to enter service in 2017. During 2011, Astrium delivered 13 satellites including the first two Galileo IOV and signed contracts for six new satellites: four for telecommunication and two for Earth observation, representing 20% of the commercial satellite market. 2011 also saw the launch of the second Automated Transfer Vehicle ("**ATV**") space craft, Johannes Kepler, which successfully docked with the International Space Station. Finally, Astrium Services was awarded a contract for implementation of the European data relay system, the future data highway in space.

Cassidian achieved stable revenues of € 5.8 billion in 2011 and booked € 4.2 billion of new orders whereas its market environment remains very challenging, The Eurofighter programme and MBDA missile programmes continued to be key revenue drivers, while new security programmes also contributed. Profitability declined slightly in line with expectations, due to higher self-funded research and development for future business and a restructuring charge. With the implementation of its transformation programme in 2011, the Division is adapting to the changing defence market by targeting growth outside Europe and developing new offerings in the security field. The Division also re-shaped its organisation to better address new markets and facilitate customer proximity. In core programmes, a major milestone was passed in 2011 with the delivery of the 300^{th} Eurofighter, and production of Eurofighter Tranche 3A was secured until 2017. Within the field of unmanned aircraft systems ("**UAS**"), 2011 was marked by the successful ferry flight of the Euro Hawk from California to Germany in July. Cassidian also progressed with its self-funded Medium-Altitude Long-Endurance UAS initiative by further extending its international collaboration with Turkish Aerospace Industries, and Alenia Aermacchi and more recently formed a UAS partnership with RheinMetall. Finally, Cassidian signed a letter of intention with partner nations to continue full scale development of the next generation of e-scan radar, and reinforced its leading position in the radar market with the introduction of the next generation of naval radar TRS-4D and the SpexerTM 1000 security radar.

EADS turned 2011 into a year of growth and improved performance, despite the European sovereign debt crisis and downward pressure on defence and public spending. EADS will seek to use this success to pave the way for further development in its second decade.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2011, EADS' issued share capital amounted to € 820,482,291 divided into 820,482,291 shares of a nominal value of € 1 each. The issued share capital of EADS as of such date represents 27.3% of the authorised share capital of € 3,000,000,000 comprising 3,000,000,000 shares. The holder of one issued share has one vote and is entitled to the profit in proportion to his participation in the issued share capital.

Modification of share capital or rights attached to shares

Unless such right is limited or eliminated by the shareholders' meeting as described below, holders of shares have a pre-emptive right to subscribe for any newly issued shares pro rata to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of the Company or of a Group company. For the contractual position as to pre-emption rights, see "- 3.2. Relationship with Principal Shareholders".

The shareholders' meeting has the power to issue shares. The shareholders' meeting may also authorise the Board of Directors for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances.

The shareholders' meeting also has the power to limit or to exclude pre-emption rights in connection with new issues of shares, and may authorise the Board of Directors for a period of no more than five years, to limit or to exclude pre-emption rights. All resolutions in this context must be approved by a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting.

Pursuant to the shareholders' resolution adopted at the annual general meeting ("**AGM**") held on 26 May 2011, the powers to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors provided that such powers shall be limited to 0.15% of EADS' authorised share capital. Such powers have been granted for a period expiring at the AGM to be held on 31 May 2012. Shareholders will therefore be asked to renew this authority at such AGM.

At the AGM held on 26 May 2011, the Board of Directors was authorised, for a period of 18 months from the date of such AGM, to repurchase shares of EADS, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, EADS would not hold more than 10% of EADS' issued share capital. Shareholders will be asked to renew this authority at the AGM to be held on 31 May 2012.

The shareholders' meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association of EADS (the "Articles of Association"), the latter requiring the approval of at least two-thirds of the votes cast at the general meeting.

Securities granting access to the Company's capital

Except for stock options granted for the subscription of EADS shares (see "Notes to the Consolidated Financial Statements ("IFRS") — Note 35: Share-Based Payment"): there are no securities that give access, immediately or over time, to the share capital of EADS.

The table below shows the total potential dilution that would occur if all the stock options issued as at 31 December 2011 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights*
Total number of EADS shares issued as of 31 December 2011	820,482,291	97.9 %	816,812,499	97.9 %
Total number of EADS shares which may be issued following exercise of stock options	17,468,709	2.1 %	17,468,709	2.1 %
Total potential EADS share capital	837,951,000	100%	834,281,208	100%

(*) The potential dilutive effect on capital and voting rights of the exercise of these stock options may be limited as a result of the Company's share purchase programmes and in the case of subsequent cancellation of repurchased shares.

Changes in the issued share capital in 2011

In 2011, EADS employees exercised 1,712,892 stock options granted to them through the stock option plans launched by the Company in 2002 and 2003. As a result, 1,712,892 new shares were issued in the course of 2011. The Company also issued 2,445,527 new shares in 2011 in connection with the employee share ownership plan.

78,850 treasury shares were cancelled in 2011 following approval by the AGM held on 26 May 2011.

Repurchases of shares in 2011

During 2011, EADS repurchased in aggregate 553,233 shares directly or pursuant to contracts entered into with a bank to purchase EADS shares on EADS' behalf through derivative products in order to compensate the dilution effect resulting from the issuance of shares following the exercise of stock options under the Company's various stock option plans. Shareholders will be asked to approve the cancellation of 553,233 treasury shares at the AGM to be held on 31 May 2012.

Shareholding structure and development in 2011

EADS combined the activities of Aerospatiale Matra ("**Aerospatiale Matra**" or "**ASM**"), Daimler Aerospace AG ("**Dasa AG**") (with the exception of certain assets and liabilities) and Construcciones Aeronauticas SA ("**CASA**") pursuant to a series of transactions completed in July 2000.

In this document, the term "Completion" relates to the July 2000 completion of the contributions made by Aerospatiale Matra, Dasa AG and Sociedad Estatal de Participaciones Industriales ("**SEPI**") (a Spanish stateholding company) to EADS to combine such activities into EADS.

The term "Indirect EADS Shares" relates to the EADS shares held by Daimler AG ("**Daimler**"), SEPI and Société de Gestion de l'Aéronautique, de la Défense et de l'Espace ("**Sogeade**"), for which EADS Participations B.V. exercises all the attached voting rights, as well as, for Lagardère SCA ("**Lagardère**") and Société de Gestion de Participations Aéronautiques ("**Sogepa**"), or the companies of their group, the number of EADS shares held indirectly via Sogeade, reflecting by transparency, their respective interest in Sogeade.

Unless the context requires otherwise, the shareholdings of Dasa AG in EADS are referred to in this document as shareholdings of Daimler, and the rights and obligations of Dasa AG pursuant to the agreements described herein are referred to as rights and obligations of Daimler.

As at 31 December 2011, 22.35% of EADS' share capital was held by Dasa AG, which is a 66.67% subsidiary of Daimler Luft- und Raumfahrt Holding AG ("**DLRH**"), a wholly owned subsidiary of Daimler. The remaining 33.33% of Dasa AG is held by a consortium of private and public-sector investors. Sogeade, a French partnership limited by shares (société en commandite par actions) whose share capital, as at 31 December 2011, is held 66.67% by Sogepa (a French state holding company) and 33.33% by Désirade (a French société par actions simplifiée wholly owned by Lagardère), held 22.35% of the share capital of EADS. Thus, 44.70% of the share capital of EADS was held by Daimler and Sogeade who jointly control EADS through a Dutch law contractual partnership managed by EADS Participations B.V. (the "Contractual Partnership"). SEPI, which is a party to the Contractual Partnership, held 5.45% of the share capital of EADS. The public (including EADS employees) and the Company held, respectively, 49.35% and 0.45% of the share capital of EADS. The République Française (the "French State") held directly 0.06% of the share capital, such shareholding being subject to certain specific provisions.

In April 2006, Daimler reduced by 7.5% its stake in EADS and Lagardère issued bonds redeemable into EADS shares, as a result of which it is committed to reduce its stake in EADS by 2.5% in June 2007, 2.5% in June 2008 and 2.5% in June 2009, i.e. a total of 7.5%.

On 9 February 2007, Daimler reached an agreement with a consortium of private and public-sector investors ("Dedalus") by which it effectively reduced its shareholding in EADS from 22.5% to 15%, while maintaining the balance of voting rights between German and French shareholders. The Dedalus consortium thereby acquired a 7.5% equity interest in EADS, with Daimler continuing to control the voting rights of the entire 22.5% package of EADS shares. If this structure is dissolved, Daimler has the right either to provide the investors with EADS shares or to pay cash compensation. If EADS shares are provided, the German State, and the French State and Lagardère through Sogeade, will be entitled to pre-empt such EADS shares to retain the balance between the German and the French side.

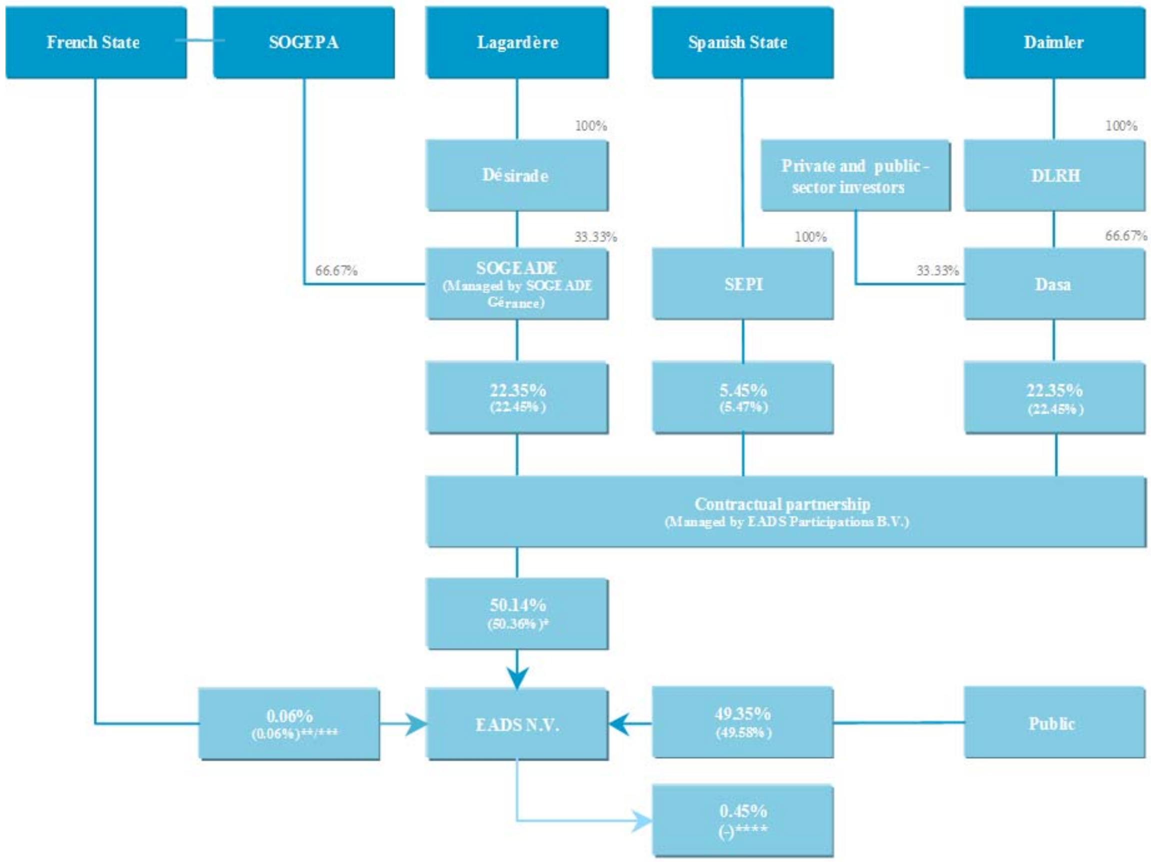
On 26 January 2009, Lagardère and Natixis, the sole subscriber to and sole holder of the outstanding mandatory exchangeable bonds issued by Lagardère in 2006, signed an amendment to the subscription contract whereby they agreed, on the initiative of Natixis, to bring forward the redemption date of the mandatory exchangeable bonds – and consequently, the delivery date of the third instalment of EADS shares – from 25 June 2009 to 24 March 2009. Under the terms of this amendment, Lagardère delivered 20,370,000 EADS shares, representing 2.5% of the capital and voting rights of EADS, to Natixis on 24 March 2009.

On 19 March 2010, Daimler and the Dedalus consortium of private and public-sector investors confirmed to continue the agreement reached on 9 February 2007 concerning the equity interests and voting rights in EADS (as discussed above). At Germany's Federal Chancellery on 16 March 2010, Daimler and the investors stated their willingness to continue the existing agreement without any changes. As a result, Daimler continued to hold 22.5% of the voting rights in EADS while its economic interest remained at 15%. Thus, the existing balance of voting rights between German and French shareholders was unchanged.

On 10 November 2011, Daimler announced that it had reached a joined understanding with the German federal government that the state-owned KfW bank group would take over a 7.5% equity interest in EADS from Daimler, with the sale slated to take place in 2012. Daimler also announced that it had agreed with the German government to hold conclusive discussions in the near future about the long-term structure of the Dedalus investor consortium, which was set up in 2007 and confirmed in 2010 (as discussed above). The consortium already holds 7.5% of EADS, and Daimler has stated that the shared understanding is that the Dedalus investor consortium should fundamentally continue to exist.

The voting rights of the Dedalus investor consortium would remain with Daimler for the time being. As a result, after the planned transfer of shares to KfW bank group, Daimler would reduce its economic interest in EADS to 7.5% and its voting rights to 15%. The voting rights of Daimler and KfW would be pooled in an intermediate holding company.

The diagram below shows the ownership structure of EADS as at 31 December 2011 (% of capital and of voting rights (in parentheses) before exercise of outstanding stock options granted for the subscription of EADS shares). See “Notes to the Consolidated Financial Statements (“IFRS”) – Note 35: Share-Based Payment“.



(*) EADS Participations B.V. exercises the voting rights attached to these EADS shares pledged by Sogeade, Daimler and SEPI who retain title to their respective shares.

(**) The French State exercises the voting rights attached to these EADS shares (such shares being placed with the Caisse des Dépôts et Consignations) in the same way that EADS Participations B.V. exercises the voting rights pooled in the Contractual Partnership.

(***) Shares held by the French State following the distribution without payment of consideration to certain former shareholders of Aerospatiale Matra as a result of its privatisation in June 1999. All the shares currently held by the French State will have to be sold on the market.

(****) As at 31 December 2011, the Company holds, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 3,669,792 of its own shares. The EADS shares owned by the Company itself do not carry voting rights.

For the number of shares and voting rights held by members of the Board of Directors and Executive Committee, see “Notes to the Company Financial Statements – Note [11]: Remuneration”.

Right to attend meetings

Each holder of one or more shares may attend shareholders’ meetings, either in person or by written proxy, speak and vote according to the Articles of Association.

A shareholder or person who has the right to attend a meeting can see to it that he is represented by more than one proxy holder, provided that only one proxy holder can be appointed for each share.

The persons who have the right to attend and vote at shareholders’ meetings are those who are so on record in a register designated for that purpose by the Board of Directors on the twenty-eighth day prior to the day of the shareholders’ meeting (the “**Registration Date**”), irrespective of who may be entitled to the shares at the time of that meeting.

Any person who is entitled to exercise the rights set out in the above paragraph (either in person or by means of a written proxy) and is attending the meeting from another location in such a manner that the person acting as Chairman of the meeting is convinced that such a person is properly participating in the meeting, shall be deemed to be present or represented at the meeting, shall be entitled to vote and shall be counted towards a quorum accordingly.

As a prerequisite to attending the shareholders' meeting and to casting votes, the Board of Directors, or alternatively an entity or person so designated by the Board of Directors, should be notified in writing by each holder of one or more shares and those who derive the aforementioned rights from these shares, not earlier than the Registration Date, of the intention to attend the meeting. Ultimately this notice must be received by the Board of Directors, or alternatively an entity or person so designated by the Board of Directors, on the day mentioned in the convening notice.

Holders of shares that are registered in the shareholders' register kept in Amsterdam have the option of holding them through Euroclear France S.A. In this case the shares are registered in the name of Euroclear France S.A.

Shareholders holding their EADS shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the instructions specified by the Company in the convening notice. For this purpose, a shareholder will also be able to request that it be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on stock exchanges.

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear France S.A. or to any other person designated for this purpose, as specified by the Company in the convening notice.

Pursuant to its Articles of Association, EADS may provide for electronic means of attendance, speaking and voting at the shareholders' meetings. The use of such electronic means will depend on the availability of the necessary technical means and market practice.

Mandatory public offer

Dutch law

In accordance with Dutch law, shareholders are required to make a public offer for all issued and outstanding shares in the Company's share capital if they – individually or acting in concert (as such terms are defined below), directly or indirectly – have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions listed below, the requirement to make a public offer does not apply to persons, who at the time the takeover provisions under Dutch law came into force, already held – individually or acting in concert – 30% or more of the voting rights in the Company.

Under Dutch law, natural persons, legal entities or companies are "acting in concert" if they cooperate on the basis of an agreement with the objective to acquire significant control (as defined above) in the target company, or if they cooperate with the target company with the objective to prevent the success of an announced public offer for the shares in such target company. The following categories of natural persons, legal entities or companies are deemed to be "acting in concert" under Dutch law: (i) legal entities or companies that form a group of companies, (ii) legal entities or companies and their subsidiaries, and (iii) natural persons and their subsidiary companies.

In addition to the exemption stated above, the obligation to make a public offer does not apply to the natural person, legal entity or company that, amongst others:

- Acquires significant control as a result of declaring unconditional a public offer made for all shares (or depositary receipts) in the target company;
- Is a legal entity, independent from the target company, that acquires significant control after a public offer has been announced by a third party, provided that such entity (i) holds the shares in the target company for a maximum period of two years and for purposes of protection of the target company and (ii) the corporate objects of such entity are to preserve the interests of the target company;
- Is a legal entity, independent from the target company, which has issued depositary receipts for the shares in the target company;
- Acquires significant control as a result of: (i) an intra-group transfer of the shares representing significant control; or (ii) a transfer between a parent company and its subsidiary;

- Acquires significant control acting in concert with one or more other natural persons, legal entities or companies, in which case the obligation to make a public offer lies with the natural person, legal entity or company that can exercise most of the voting rights in the general meeting of shareholders of the target company;
- Acts as a custodian (if and to the extent it cannot exercise any voting rights in its sole discretion).

The obligation to make a public offer also does not apply if:

- The natural person, legal entity or company, after acquiring significant control, loses such control within a thirty day grace period, unless (i) loss of control is due to a transfer to a natural person, legal entity or company to which one of the exemptions set out above applies, or (ii) the acquirer of the significant control has exercised its voting rights during this thirty day period; or
- The target company's general meeting of shareholders agrees upfront with the acquisition of significant control - and any subsequent acquisition of shares - by a third party with 95% of votes cast in favour of such proposal, excluding any votes by such third party and any of its concert parties.

Under Dutch Law, a minority shareholder may also make a request for his shares to be purchased by an offeror who holds at least 95% of the issued share capital and the voting rights. This claim must be brought before the Enterprise Chamber of the Court of Appeals in Amsterdam within the three-month period after the closing of the acceptance period of the public offer.

Articles of Association

Pursuant to Article 15 of the Articles of Association, in the event that a direct or indirect acquisition of shares in the Company results in a person acting alone or in concert holding shares or voting rights where the control over the number of shares or votes reaches or exceeds 33 1/3% of the issued share capital of the Company then such person(s) is (are) required to make an unconditional public offer to all shareholders to acquire all of their shares or to procure that such an offer is made. Such offer must comply with all of the applicable regulatory or other legal requirements in each jurisdiction in which the Company's shares are listed.

Pursuant to Article 16 of the Articles of Association, in the event of a failure to launch such an offer (or if the offer does not satisfy the relevant legal or regulatory requirements in each of the jurisdictions where the Company's shares are listed) within two months after notification to the Company of shareholdings reaching or exceeding 33 1/3% or failing such notification, within a period of 15 days of receipt of notice from the Board of Directors confirming the obligation to make the public offer, then any person(s) who is (are) required to make the offer shall within the period specified by the notice sent by the Board of Directors exchange for depositary receipts to be issued by the Stichting Administratiekantoor EADS (the "Foundation"), such percentage of shares they hold over and above the 33 1/3% of the shares issued by the Company (the "Excess Percentage"). From the date specified in the notice sent by the Board of Directors, the right to attend meetings, to vote and to receive dividends shall be suspended in respect of the Excess Percentage. If, within a period of 14 days from a further notice from the Board of Directors, the person required to exchange his shares representing his Excess Percentage for depositary receipts still has not done so, then the Company is irrevocably authorised to exchange such shares for depositary receipts issued by the Foundation. The constitutive documents of the Foundation provide that the Foundation shall not have the right to attend shareholders' meetings of the Company as a shareholder, to speak at such meetings and to exercise the voting rights attached to the shares it holds, except if, in the view of the board of the Foundation, such action is required for the performance of the mandatory offer provisions in the Articles of Association.

The obligation to make a public offer does not apply in the following situations (Article 17 of the Articles of Association):

- To a transfer of shares to the Company itself or to the Foundation;
- To a securities custody, clearing or settlement institution acting in that capacity, provided that the provisions of Article 16 of the Articles of Association described above shall be applicable where shares are held for persons acting in breach of the provisions of Articles 15 and 16 of the Articles of Association described above;
- To a transfer of shares by the Company or to an issue of shares by the Company on a merger or on an acquisition by the Company of another company or business;

- To a transfer of shares from one party to another party who is a party to an agreement as envisaged under Dutch law to define "concert parties" where the agreement is entered into before 31 December 2000 (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties) except that this exemption will not apply to a new party that individually or with its subsidiaries and/or group companies holds at least 33 1/3% of the control over shares or votes in the Company; this exemption is intended to exclude the parties to the Participation Agreement (See "3.2. Relationship with Principal Shareholders") as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties from the obligation to make the mandatory offer in the event of a transfer of shares between themselves; or
- To a transfer by a shareholder to a subsidiary in which it holds more than 50% or by a shareholder to a company which holds more than 50% in such transferring shareholder.

Amendments to the Articles of Association

According to the Articles of Association, resolutions to amend the Articles of Association require a two-thirds majority of the votes validly cast at a general meeting of shareholders. The proposal containing the literal text of the proposed amendment must be available for inspections by shareholders at EADS' headquarters and at a location in Amsterdam to be determined by the Board of Directors, from the day the meeting is convened until after the end of the meeting.

3.2 Relationship with Principal Shareholders

Below is a summary of the agreements governing the relationship between the founders of EADS, entered into at the time of the creation of EADS with respect to: (i) restriction on the exercise of voting rights and (ii) restriction of rights to transfer shares.

The principal agreements governing the relationships between the founders of EADS are (i) an agreement (the "Participation Agreement") entered into on Completion between Daimler, Dasa AG, Lagardère, Sogepa, Sogeade and SEPI, and (ii) a Dutch law Contractual Partnership agreement entered into on Completion between Sogeade, Dasa AG, SEPI and EADS Participations B.V. (the "Contractual Partnership Agreement"), which repeats certain terms of the Participation Agreement and a certain number of other agreements (notably, a shareholder agreement (the "Sogeade Shareholders' Agreement") entered into on Completion between Sogepa and Lagardère and an agreement between the French State, Daimler and DLRH). EADS Participations B.V. is a Dutch private company with limited liability and is the managing partner of the Contractual Partnership. The Indirect EADS Shares held by Daimler, Sogeade and SEPI have been pledged to EADS Participations B.V., which has been granted the exclusive power to exercise the voting rights attached to the pledged shares (including the right to attend and speak at shareholders' meetings) in accordance with the Contractual Partnership Agreement.

The agreements above contain, among other things, provisions relating to the following matters:

- The composition of the Boards of Directors of EADS, EADS Participations B.V. and Sogeade Gérance (gérant commandité of Sogeade);
- Restrictions on the transfer of EADS shares and Sogeade shares;
- Pre-emptive and tag-along rights of Daimler, Sogeade, Sogepa and Lagardère;
- Defences against hostile third parties;
- Consequences of a change of control of Daimler, Sogeade, Lagardère, Sogepa or SEPI;
- A put option granted by Sogeade to Daimler over its EADS shares in certain circumstances;
- Specific rights of the French State in relation to certain strategic decisions, regarding among other issues, EADS' ballistic missiles activity; and
- Certain limitations on the extent of the French State's ownership of EADS.

Further details on the agreements among the principal shareholders of EADS are set out below.

Organisation of EADS Participations B.V.

The Board of Directors of EADS Participations B.V. has an equal number of Directors nominated by Daimler and by Sogeade, respectively (taking into account proposals made by Lagardère in respect of the Sogeade-nominated Directors). Daimler and Sogeade each nominate two Directors, unless otherwise agreed, and the Daimler-Directors and the Sogeade-Directors jointly have the right to nominate and to remove the Chairman and the Chief Executive Officer. In addition, SEPI has the right to nominate a Director, as long as the shareholding of SEPI in EADS is 5% or more but in any case until the AGM to be held in 2012. The Chairman shall either have French or German nationality and the Chief Executive Officer shall have the other nationality.

This structure gives Daimler and Sogeade equal nominating rights in respect of the majority of the Directors of the decision-making body of EADS Participations B.V. All decisions of EADS Participations B.V.'s Board of Directors shall require the vote in favour of at least four Directors.

Transfer of EADS shares

Daimler, Sogeade, SEPI, Lagardère and Sogepa each have the right to sell its EADS shares on the market, subject to the following conditions:

- If a party wishes to sell any EADS shares, it shall first sell its shares other than its Indirect EADS Shares before exercising its right to sell its Indirect EADS Shares in accordance with the provisions set out below;
- On the sale of Indirect EADS Shares, Daimler (in the case of a sale by Sogeade), Sogeade (in the case of a sale by Daimler) or Sogeade and Daimler (in the case of a sale by SEPI) may either exercise a pre-emption right or sell its Indirect EADS Shares on the market in the same proportions as the respective Indirect EADS Shares of the relevant parties bear to each other;
- Any transfer of Indirect EADS Shares by either Sogepa or Lagardère is subject to a pre-emption right in favour of Lagardère or Sogepa, as the case may be. In the event that such pre-emption right is not exercised, the Indirect EADS Shares may be sold (i) to an identified third party subject to Lagardère's or Sogepa's consent (as the case may be) and also to Daimler's consent and (ii) if such consent is not obtained, the Indirect EADS Shares may be sold on the market, subject to Daimler's pre-emption right referred to above;
- Lagardère and Sogepa shall each have a proportional right to tag-along on a sale of its Indirect EADS Shares; and
- The pre-emption and tag-along rights of Lagardère and Sogepa referred to above do not apply to a transfer of EADS shares directly held by one of them.

Any sale on the market of EADS shares in accordance with the Participation Agreement shall be conducted in an orderly manner so as to ensure the least possible disruption to the market of EADS shares. To this effect, the parties shall consult with each other before any such sale.

Control of EADS

In the event that a third party to which Daimler or Sogeade objects (a "Hostile Third Party") has a direct or indirect interest in EADS shares equal to 12.5% or more of the number of such EADS shares the voting rights of which are pooled through the Contractual Partnership (a "Qualifying Interest"), then, unless a Hostile Offer (as defined below) has been made by the Hostile Third Party or until such time as Daimler and Sogeade agree that the Hostile Third Party should no longer be considered a Hostile Third Party or the Hostile Third Party no longer holds a Qualifying Interest, the parties to the Participation Agreement shall exercise all means of control and influence in relation to EADS to avoid such Hostile Third Party increasing its rights or powers in relation to EADS.

The parties to the Participation Agreement may accept an offer (whether by way of tender offer or otherwise) by a Hostile Third Party which is not acceptable to either Daimler or Sogeade (a "Hostile Offer"), subject to provisions requiring, inter alia, the party wishing to accept, to first offer its EADS shares to Daimler and/or Sogeade, in which case Daimler and/or Sogeade may exercise their pre-emption rights in respect some or all of the EADS shares held by the party wishing to accept the Hostile Offer.

Any sale of EADS shares, other than the EADS Indirect Shares, by Daimler, Sogeade or Lagardère, at a time when a Hostile Third Party is a shareholder and purchaser of EADS shares on the market, is subject to the pre-emption right of Sogeade, Daimler and Sogepa respectively. In the case of a sale by Lagardère, if Sogepa does not exercise its right of pre-emption, Daimler has in turn a pre-emption right.

Pledge over EADS' shares granted to EADS Participations B.V.

Upon Completion and in order to secure their undertakings under the Contractual Partnership Agreement and the Participation Agreement, Sogeade, Daimler and SEPI granted a pledge over their respective Indirect EADS Shares to EADS Participations B.V. for the benefit of EADS Participations B.V. and the other parties to the Contractual Partnership Agreement.

Related party transactions

See "Notes to the Consolidated Financial Statements ("IFRS") — Note 36: Related Party Transactions".

3.3 Future Employee Share Ownership Plans and Long-Term Incentive Plan

In the past, EADS has implemented the Employee Share Ownership Plans ("**ESOP**") and Long-Term Incentive Plans ("**LTIP**") to retain and reward EADS employees.

Pursuant to shareholders' resolutions adopted at the AGM, the powers to issue shares and to set aside preferential subscription rights of existing shareholders have been granted to the Board of Directors. Such powers include the approval of ESOP and LTIP plans.

Under ESOP and LTIP, the Board of Directors shall have the discretionary authority to offer shares and grant performance and/or restricted units to employees who, in the sole judgment of the Board of Directors, are eligible thereto and to subject such grant, as the case may be, to performance conditions; each unit giving right to payment in cash.

Elements of ESOP and LTIP (Details)

For further descriptions of ESOP and LTIP programmes with additional information, see

- Item "4.3.1.2. Detailed Remuneration Policy".
- Item "4.3.4 Employee Share Ownership Plan".

3.4 Share price evolution 2011

In 2011, EADS was by far the best performer of the CAC 40, and second best amongst MDAX stocks. Over the course of the year EADS shares gained 38% while the CAC 40 fell -17%, the DAX -15% and the MSCI aerospace sector rose 1.4%. In a turbulent market environment, EADS benefited from brisk order flow, robust fundamentals and growing confidence amongst investors that its major programmes – although risks exist – are progressing.

Up to mid-February, EADS shares followed the positive market trend with general optimism about the global economy further supported by analysts' upgrades and news flow on potential orders. The share price reached a peak of € 22.03 on 16 February, before retreating in line with the general market as fears grew over oil production in Libya. Having closed at € 18.60 on 16 March following the Japanese tsunami catastrophe, the EADS share price began a steep climb, driven by huge orders during and after the Paris Air Show, reaching a peak of € 25.04 on 25 July. At this time, concerns about the European sovereign debt escalated, spilling over into fears for the banking system as a whole.

EADS shares fell to € 19.81 on 8 August in the wake of a general market crash. After a period of high volatility, the EADS share progressed again from the end of November after the group increased its guidance on the main financial drivers of 2011 and adjusted the schedule of the A350 XWB programme. Analysts expressed increasing confidence about EADS' future prospects, while the dollar strengthened against the euro. On 30 December 2011, the EADS share price closed at € 24.15.

3.5 Dividend policy

Based on an Earnings per Share ("**EPS**") of € 1.27, the EADS Board of Directors proposes payment on 7 June 2012 of a dividend of € 0.45 per share to the Annual General Meeting of shareholders (FY 2010: € 0.22 per share). The record date should be 6 June 2012.

It is converging towards a pay-out ratio in line with sector and industry peers. From a Board perspective, as the company is maturing, this policy shall be the orientation for the future.

3.6 Shareholder communication policy

EADS continually strives to improve relations with its shareholders. In addition to communication with its shareholders at shareholder information sessions and the Annual General Meeting of Shareholders, EADS provides briefings on its annual, semi-annual and quarterly results during public conference calls which are accessible in real-time through its website. EADS also publishes annual, semi-annual and quarterly reports and presentations, as well as press releases and other information for investors which are available on its website.

EADS regularly engages in communications with investors or analysts via road shows, group or bilateral meetings, site visits, broker conferences and other events including investor forums, with presentations generally made available on EADS' website. The purpose of these meetings is to ensure that shareholders and the investment community receive a balanced and complete view of the company's performance and the issues faced by the business, as well as to receive feedback from shareholders. At all times, the Company's policy is to act in strict compliance with applicable rules and regulations on fair and non-selective disclosure and equal treatment of shareholders.

4. Corporate Governance

4.1 Management and control

4.1.1 COMPOSITION, POWERS AND RULES

Pursuant to the Articles of Association, 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 7 July 2000. The Rules were amended at a Board of Directors meeting held on 5 December 2003 to take into account recommendations for changes to corporate governance. The Rules were further amended at a Board of Directors meeting held on 22 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. Furthermore, the Rules also stipulate 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 parties to the Participation Agreement (as amended on 22 October 2007 and as referred to in paragraph 3.4 hereof) 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 the Dasa Group, the Lagardère Group, the Sogepa Group, the SEPI Group, the French State, the German State, the Spanish State or the EADS Group".

Pursuant to the Participation Agreement, the Board of Directors comprises eleven members as follows:

- One Non-Executive Chairman, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- The Chief Executive Officer of EADS, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- Two Directors nominated by Daimler;
- Two Directors nominated by Sogeade;
- One Director nominated by SEPI, so long as the Indirect EADS Shares held by SEPI represent 5% or more of the total number of EADS Shares but in any case until the AGM 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 of Directors.

Pursuant to the Articles of Association, each member of the Board of Directors holds office for a term expiring at the AGM to be held in 2012. Members of the Board of Directors will retire at each fifth AGM 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.

Upon the joint proposal by the Daimler-Directors and the Sogeade-Directors, the Board of Directors has appointed a Chief Executive Officer to be responsible for the day-to-day management of the Company. 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.

Powers of the members of the Board of Directors

The Company is represented by the Board of Directors or by the Chief Executive Officer. The Chief Executive Officer may 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 ("Qualified Majority", as defined below);
- Approving the overall strategy and the strategic plan of the Group;
- Approving the operational business plan and the yearly budget of the Group;
- Setting the major performance targets of the Group;
- Monitoring on a quarterly basis, the operating performance 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; it being understood that (i) the Chairman and the Chief Executive Officer of Airbus shall be of the same citizenship, either French or German, and the Chief Executive Officer and the Airbus COO of the other citizenship, and (ii) the Chief Executive Officer and the Airbus Chief Executive Officer may not be the same person ("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 Shareholder 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 of principles and guidelines governing the conduct of the Group in matters involving non-contractual liabilities (like environmental matters, quality assurance, financial announcement, integrity) as well as the corporate identity of the Group;
- 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; and
- Approving any proposal by the Chairman and the Chief Executive Officer as to the appointment of the independent Directors, for submission to the AGM.

Voting and rules

Each Director has one vote, provided that, if there are more Sogeade-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 Sogeade-nominated Directors who are present or represented at the meeting, and vice versa. All decisions of the Board of Directors are 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 Sogeade-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 Sogeade-nominated Directors and one of the Daimler-nominated Directors. A Director can authorise another Director to represent him or her at a Board of Directors meeting and to vote on his or her behalf. Such authorisation must 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 Sogeade, the matter shall be referred to Arnaud Lagardère (or such person as shall be nominated by Lagardère) as representative of Sogeade 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 Sogeade, Daimler and SEPI being negated.

Pursuant to the Rules, the Board of Directors may 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 requires the presence of at least one of the Sogeade-nominated Directors and one of the Daimler-nominated Directors. 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 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"), a Remuneration and Nomination Committee charter (the "Remuneration and Nomination Charter") and a Strategic Committee charter (the "Strategic Committee Charter"), with each such charter setting forth the respective committees' roles.

Composition of the Board of Directors in 2011

Name	Age	Term started (as member of the Board of Directors)	Term expires	Principal function	Status
Bodo Uebber	52	2007	2012	Chairman of EADS NV	Non-Executive
Louis Gallois	68	2000, re-elected in 2005 and 2007	2012	Chief Executive Officer of EADS NV	Executive
Rolf Bartke	64	2007	2012	Chairman of Recaro-Group	Nominated by Daimler
Dominique D'Hinnin	52	2007	2012	Co-Managing Partner of Lagardère SCA	Nominated by Sogeade
Juan Manuel Eguiagaray Ucelay	66	2005, re-elected in 2007	2012	Economic Advisor	Nominated by SEPI
Arnaud Lagardère	50	2003, re-elected in 2005 and 2007	2012	General and Managing Partner of Lagardère SCA	Nominated by Sogeade
Hermann-Josef Lamberti	56	2007	2012	Member of the Management Board of Deutsche Bank AG	Independent
Lakshmi N. Mittal	61	2007	2012	Chairman and Chief Executive Officer of ArcelorMittal SA	Independent
Sir John Parker	69	2007	2012	Chairman of Anglo American PLC	Independent
Michel Pébereau	70	2007	2012	Honorific president of BNP Paribas SA	Independent
Wilfried Porth	53	2009	2012	Member of the Management Board of Daimler AG	Nominated by Daimler

Note: Status as of 1 March 2012. The professional address of all members of the Board of Directors for any matter relating to EADS is Mendelweg 30, 2333 CS Leiden, The Netherlands.

More details of the curriculum vitae and other mandates of the individual Board of Directors members can be found at the Company's website **www.eads.com**.

Within EADS, each Board of Directors member must have the required mix of experience, qualifications, skills and industrial knowledge necessary to assist the Company in formulating and achieving its overall strategy, together with the specific expertise required to fulfil the duties assigned to him or her as member of one of the Board of Directors' committees. The Board of Directors also believes that having a diverse composition among its members with respect to gender, experience national origin, etc. is valuable for the quality and efficiency of its work.

4.1.2 OPERATION OF THE BOARD OF DIRECTORS IN 2011

Board of Directors meetings

The Board of Directors met 9 times during 2011 and was regularly informed of developments through business reports from the Chief Executive Officer, including rolling forecasts as well as strategic and operational plans. The average attendance rate at such meetings improved to 86%.

Throughout 2011, the Board of Directors monitored the progress of significant programmes, such as A350 XWB, A320neo, A400M, A380, Ariane5, Paradigm, Eurofighter, Talarion, and Saudi Border Security. It was kept regularly informed about the A350 XWB programme development progress and reviewed the status of the programme management improvement initiative throughout the Group.

Furthermore, the Board of Directors addressed EADS' strategy (including the competitive environment and M&A strategy) and in line with the objectives set forth in the Vision 2020 approved the acquisitions of Vector Aerospace, Satair and Vizada, which strengthened EADS' position internationally in general and in the services market segment in particular.

The Board also focused on possible consequences resulting from the European sovereign debt crisis, the Group's financial results and forecasts, asset management, compliance in key business processes, and efficiency and innovation initiatives. It reviewed Enterprise Risk Management ("**ERM**") results, export control regulations, investor relations and financial communication policy, and legal risks. Moreover, the Board discussed further actions for the improvement of EADS employee engagement.

Finally, the Board of Directors focused on governance issues and succession planning in order to facilitate a smooth Board and management transition in 2012. The recommendations for the appointments were prepared diligently by the Board, applying the succession process under the governance of EADS, which was updated in October 2007. The process aims at identifying the best possible candidates for the composition of the Board of Directors as well as the top Executive management positions. (For more information please refer to the relevant press release of 26 January 2012, available on the Company's website **www.eads.com**).

Board self-assessment 2011

The Board of Directors carries out a self-assessment of its performance annually and a more thorough assessment is conducted every three years by independent consultants (as in 2010).

The Corporate Secretary conducted the latest self-assessment in early 2012, based on one-to-one discussions with each Director; it explored the role of the Board of Directors, its operations, whether it fulfils its mission, how its composition is suited to EADS strategy, and the documentation and processes that influence its performance.

The Directors consider the frequency and length of meetings adequate to cover all issues; meetings for specific decisions outside regular Board meetings and the travel constraints make EADS Board membership demanding.

Supporting documentation has further improved and is well focused to support decision-making, while remaining quite detailed. Information provided at meetings is adequate for the complexity of the business; the time to debate during meetings is satisfactory, particularly because Directors come well prepared.

The Directors unanimously find that the Board has matured; its work as a team is efficient, allowing it to explore new domains and tackle relevant matters in the best interest of the Group, very openly and professionally. Discussions are uninhibited and differing views are both encouraged and constructive. The Directors feel that the Board work allows them to fulfil their fiduciary duty. Moreover, the working relationship between the Board and the members of the Executive Committee is smooth and efficient, due to the experience of mutual exchanges. Occasional meetings on industrial sites are considered beneficial and the practice will be continued.

Overall, the Board considers it assembles a very international, diverse and relevant set of skills, with a strong emphasis on finance competencies, and global strategic experience; in 2011, these skills were applied to discussing the A400M and A380 stabilisation, the A350 XWB technical and commercial de-risking, the A320neo launch, a major aircraft provision contract, large acquisitions, results of the overhaul of the executive remuneration system, upholding defence activities in times of downward pressure on defence and public spending, regional and segment strategy, and succession planning. Attention to compliance permeates the work of the Board.

Directors sense that the Board is less absorbed by pressing programme challenges and short term issues at the expense of the longer term view. The majority of Board members are satisfied that more time was devoted to long lead questions in 2011. For the third time, the Board devoted a full day meeting to strategy in 2011, including an assessment of specific country strategies, and the competitive landscape in certain industry segments.

Committees are very thorough and professional, and the articulation of the Audit Committee and of the Remuneration and Nomination Committee with the rest of the Board is satisfactory; committee meetings are often held on dates separate from the Board meeting. The result of most Committees' work is deemed helpful by the whole Board to prepare its decisions, as they focus more on special and technical issues, to avoid repetition of work. Ideas for the further improvement of the Strategic Committee work have been proposed to enhance its relevance to the Board.

Finally, the Chairmanship of the Board and the Committees are recognised as very competent and dedicated.

Meeting attendance for the Board as a whole, and for the Remuneration and Nomination Committees has improved, and it is considered adequate to allow a constant and informed debate over matters. Individual attendance has improved substantially too.

Since the last self-assessment, in 2011, the discussions of financial strategy in the light of the European sovereign debt crisis, of succession planning, of organizational matters and of ways to protect the company in case of core shareholder disinvestment are the most tangible improvements.

Continuous improvement, competitiveness and effectiveness of governance and management of the Group will remain a prime focus and key success factor of EADS.

4.1.3 BOARD COMMITTEES

Summary of memberships in 2011

Directors	Audit Committee	Remuneration & Nomination Committee	Strategic Committee
Bobo Uebber (Chairman)			Chairman
Louis Gallois (CEO)			X
Rolf Bartke	X		
Dominique D'Hinnin	X	X	
Juan Manuel Eguiagaray Ucelay			
Arnaud Lagardère			X
Hermann-Josef Lamberti	Chairman	X	
Lakshmi N. Mittal			
Michel Pébereau			X
Sir John Parker	X	Chairman	
Wilfried Porth		X	X
Number of meetings in 2011	5	4	3
Average attendance rate in 2011	85%	94%	80%

The Audit Committee

Pursuant to the Rules, the Audit Committee makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim (Q1, H1, Q3) accounts, as well as the appointment of external auditors and the determination of their remuneration. Moreover, the Audit Committee has the responsibility for ensuring that the internal and external audit activities are correctly directed and that audit matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the accounts and it monitors the adequacy of the Group's internal controls, accounting policies and financial reporting. It also oversees the operation of the Group's ERM system and the Compliance Organisation.

The rules and responsibilities of the Audit Committee have been set out in the Audit Committee Charter.

The Chairman of the Board of Directors and the Chief Executive Officer are permanent guests of the Committee. The Chief Financial Officer and the Head of Accounting are requested to attend meetings to present management proposals and to answer questions. Furthermore, the Head of Corporate Audit and the Chief Compliance Officer are requested to report to the Audit Committee on a regular basis.

The Audit Committee is required to meet at least four times a year. It met five times during 2011, with an 85% average attendance rate. In 2011 the Audit Committee performed all of the above listed activities.

The Remuneration and Nomination Committee

Pursuant to the Rules, the Remuneration and Nomination Committee makes recommendations to the Board of Directors regarding the appointment of members of the Executive Committee (upon proposal by the CEO and approval by the Chairman); 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. The Remuneration and Nomination Committee also makes recommendations to the Board of Directors regarding remuneration strategies and long-term remuneration plans and decides on the service contracts and other contractual matters in relation to the Board of

Directors and Executive Committee members. The rules and responsibilities of the Remuneration and Nomination Committee have been set out in the Remuneration and Nomination Committee Charter.

The guiding principle governing management appointments in the Group is that the best candidate should be appointed to the position ("best person for the job"), while at the same time seeking to achieve a balanced composition with respect to gender, experience, national origin, etc. The implementation of these principles should, however not create any restrictions on the diversity within the EADS executive management team.

The Chairman of the Board of Directors and the Chief Executive Officer are permanent guests of the Committee. The Head of EADS Human Resources is requested to attend meetings of the Remuneration and Nomination Committee to present management proposals and to answer questions.

The Remuneration and Nomination Committee is required to meet at least twice a year. It met four times during 2011, with a 94% average attendance rate.

In addition to making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviewed top talents and succession planning, discussed measures to improve engagement and to promote diversity, reviewed the remuneration of the Executive Committee members for 2011, the long-term incentive plan, and the variable pay for 2010. Based on the outcome of the Free Share plan, it also proposed the terms of the 2012 ESOP plan.

The Strategic Committee

The Strategic Committee is not a decision making body but a resource available to the Board of Directors for 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 or divestments, projects or product decisions, as well as major research and development projects. The rules and responsibilities of the Strategic Committee have been set out in the Strategic Committee Charter.

The Strategic Committee is required to meet at least twice a year. The Chief Executive Officer is a member and the Chief of the EADS Marketing and Sales Organization is a permanent guest of the Strategic Committee, in order to present management proposals and to answer questions. The Committee met three times during 2011, with an 80% average attendance rate.

In addition to monitoring major strategic and divisional initiatives, acquisition targets and divestment candidates, and progress on the top priorities of the Group for the year, it made recommendations to the Board of Directors linked to the competitive landscape and home countries industrial policy, company perception in key markets, the continuous constraints on defence budgets, and conducted a review of several country strategies.

4.1.4 CONFLICT OF INTEREST AND INSIDER TRADING RULES

Conflicts of interest

EADS has a conflict of interest policy which sets out that any potential or actual conflicts of interest between EADS and any member of the Board of Directors shall be disclosed and avoided (please refer to the Directors' Charter and to the Code of Ethics both available on the Company's website **www.eads.com**).

Insider Trading Rules

The Board of Directors has also adopted specific Insider Trading Rules ("**ITR**"), which restrict its members from trading in EADS shares in certain circumstances. Pursuant to the ITR, (i) all employees and directors are prohibited from conducting transactions in EADS shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in EADS shares or stock options within very limited periods and have specific information obligations to the ITR compliance officer of the Company and the competent financial market authorities with respect to certain transactions. The updated version of the ITR effective from 1 January 2007 is available on the Company's website **www.eads.com**.

4.2 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code as amended at the end of 2008 (the "Dutch Code"), which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While EADS, in its continuous efforts to adhere to the highest standards, applies most of the current recommendations of the Dutch Code, it must, in accordance with the "apply or explain" principle, provide the explanations below.

For the full text of the Dutch Code, please refer to **www.commissiecorporategovernance.nl**.

For the financial year 2011, EADS states the following:

1. EADS is a controlled Company and, therefore, a number of the members of the Board of Directors, 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 of Directors confirmed that the members of the Board of Directors 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 of Directors 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, both the Board of Directors' composition (with a wide range of different experiences represented) as well as the running of meetings are conducive to the expression of autonomous and complementary views.

Accordingly:

- Four members of the Board of Directors 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 of Directors member);
- Members of the Board of Directors 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 of Directors retire at the same time);
- The Board of Directors is headed by the Chairman of the Board of Directors. In case of dismissal or resignation of the Chairman, the Board of Directors 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 is a vice-Chairman);
- EADS' Audit Committee does not meet without the Chief Executive Officer being present (whereas provision III.5.9 of the Dutch Code recommend this);
- EADS' Audit Committee includes two members of the Board of Directors 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);
- EADS' Remuneration and Nomination Committee includes two members of the Board of Directors 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);
- EADS' Remuneration and Nomination Committee is not the relevant body responsible for the selection procedure and nomination proposals for members of the Board of Directors (whereas provision III.5.14 (a) of the Dutch Code recommends that such Committee shall focus on drawing up selection criteria and the appointment procedures for members of the Board of Directors; and provision III.5.14 (d) recommends that such Committee shall focus on making proposals for appointments and reappointments).

2. As for remuneration of member 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 of Directors, as explained in - 4.3.1. EADS' Remuneration Policy and 4.3.2. Remuneration of the members of the Board.

In case of dismissal from the Company of the Chief Executive Officer, a termination indemnity equal to one and a half times the annual total target salary would be paid subject to the following conditions (whereas provision II.2.8 of the Dutch Code recommends that the maximum remuneration in the event of dismissal be one year's salary , 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): the Board of Directors has concluded that the Chief Executive Officer can no longer fulfil his position as a result of change of EADS' strategy or policies or as a result of a change in control of EADS. The termination indemnity would be paid only provided that the performance conditions assessed by the Board of Directors had been fulfilled by the Chief Executive Officer.

However this termination indemnity is no longer applicable, since the Chief Executive Officer has reached the age of 65 and is able to retire immediately.

3. EADS is listed on the Frankfurt, Paris and Spanish stock exchanges and endeavours to strictly comply with the relevant regulations and takes into account the general principles on these markets protecting all its stakeholders.

- Moreover, EADS has adopted Insider Trading Rules providing for specific internal rules, inter alia, governing members' of the Board of Directors 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;
- EADS does not require members of the Board of Directors to hold their securities in the Company as a long-term investment (whereas provision III.7.2 of the Dutch Code recommends such a treatment);
- The term of the office of members of the Board of Directors 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 of Directors and that there be four-year terms (without limitation on renewal) for Executive members of the Board of Directors);
- 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.

For information on the operation of the shareholders' meeting and its key powers and on shareholders' rights and how they can be exercised, please refer to section 3.1 (Shareholding and voting rights – right to attend meetings).

For information on the composition and operation of the Board of Directors and its respective committees, please refer to section 4.1.1 "Composition, power and rules, section, 4.1.2 "Operation of the Board of Directors in 2011", section 4.1.3 "Board Committees".

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, please refer to section 3.1 "Shareholding and voting rights – Shareholding structure and development in 2011", section 3.2 "Relationships with principal shareholders", section 4.1.1 "Composition, powers and rules", section 3.1 "Shareholding and voting rights – Amendments to the Articles of Association" and section 3.1 "Shareholding and voting rights – Modifications of Share Capital or Rights attached to Shares".

4.3 Remuneration Report

4.3.1 EADS' REMUNERATION POLICY

4.3.1.1 General principles

Strategy

EADS' remuneration strategy is to provide remuneration that:

- Attracts, retains and motivates qualified executives;
- Is aligned with shareholders' interest;
- Is performance-related to a significant extent;
- Is fair and transparent;
- Is competitive against the comparable market; and
- Can be applied consistently throughout the Group.

Benchmark

The remuneration policy is benchmarked regularly against the practice of other global companies, using peer group data and general industry data of consulting firms. The benchmark data is a weighted average of French, German and UK information, in the home countries of EADS. In countries outside EADS' home region (such as the US), EADS benchmarks against national peer group data of the industry. The total target remuneration for executives is targeted at the median level compared to the benchmark data.

Assessment of the appropriateness of Board of Directors and Executive Committee remuneration

In March 2010, an assessment performed by an independent expert confirmed that EADS' Board of Directors and Executive Committee remuneration, terms and conditions were in line with the relevant European benchmarks and that EADS was compliant with the specific requirements and regulations set forth in the relevant corporate governance frameworks. This assessment was confirmed in October 2011. In order to ensure future compliance another comparable assessment will be performed, if the regulatory rules change.

Regular review

The Remuneration and Nomination Committee is charged with reviewing and making recommendations to the Board on remuneration policy and issues, with the Board of Directors making the final decision. Pursuant to its charter,

the Remuneration and Nomination Committee must ensure that the rules for determining the variable portion of executives' remuneration are consistent with EADS' annual performance and the long-term strategy, and that this variable portion is linked to previously-determined, measurable targets which must be achieved both in the short term and the long term.

Each year, the Remuneration and Nomination Committee reviews the achievements of the performance conditions of the variable remuneration and how they may affect the remuneration of executives. Following analysis of different scenarios, the Board then determines the level at which performance conditions have been met. The Board based on the recommendation by the Remuneration and Nomination Committee can adjust the payout of the annual variable remuneration and the LTIP grants upwards or downwards if the predetermined performance criteria would produce an unfair result in extraordinary circumstances.

In making its final decision on the remuneration policy, the Board seeks to promote EADS' interests in the medium and long term while discouraging executives from acting in their own interests or taking risks that are not in keeping with the adopted strategy.

Performance management

The remuneration structure has changed in 2011 to reflect the importance of performance management in EADS. Consequently, EADS focusses on the suitable implementation of the respective performance management rules.

(i) Setting of collective financial targets

The process for setting collective financial targets is reinforced to be a more proactive and interactive core process between the Board of Directors and the Executive Committee. It aims at achieving both the long-term strategic goals set forth under Vision 2020 and the short-term objectives based on the annual Operative Planning.

The process takes place in two consecutive steps: Around mid-year, the Board, in discussion with management, sets the 'ambitious target' for the collective financial Key Performance Indicators ("**KPI**"), taking into account market benchmarks of peers and other relevant industries. This target ambition represents the 150% achievement level of the variable remuneration and the LTIP. At year-end, the target setting for the year(s) to come is finalized together with the Operative Planning.

The collective financial targets are themselves subject to different metrics. Annual variable remuneration is determined based on achievement of collective targets for EBIT and Cash on Group and Divisional level. LTIP awards are based on achievement of the 3-years absolute average Earnings per Share ("**EPS**" = Net Income divided by number of ordinary shares) of the Group.

EPS as KPI for LTIP is well recognized throughout the market and used by numerous peer companies. The three years average EPS is intended to focus more on the long-term performance particularly from an investor's perspective, thereby strengthening the relationship between remuneration and sustainable EADS wide operational performance.

(ii) Setting of individual targets

The individual targets used for the determination of the annual variable remuneration are focused on cross-organisational collaboration and on compliance. Consequently, the expected management behaviours are defined by the EADS Leadership Competencies, which are based on company values and on lessons learned from the "EADS Engagement Survey".

The weight of the behavioural targets increases to up to 40% of the individual portion of the annual variable remuneration. Additionally, the weight of the classical operational targets are based on classical SMART (specific – measurable – achievable – realistic – clear timeline) objectives set at an individual, team or functional (up to Divisional) level. These operational targets amount to a minimum of 60% of the overall individual targets.

(iii) Performance spread

The performance spread (achievement level) of the annual variable remuneration is 0 - 200%. This is designed to enable the company to better recognize outstanding achievements of the businesses and of the individuals than in the past. The relative performance of Executives throughout the EADS organization is accompanied by a distribution policy in order to ensure a fair evaluation and to prevent unreasonable payments.

4.3.1.2 Detailed remuneration policy

Non-Executive members of the Board of Directors

Each Non-Executive member of the Board of Directors receives an annual fixed fee of € 80,000, as well as a fee for participation in Board meetings of € 5,000 per meeting attended. The Chairman of the Board receives an annual fixed fee of € 180,000 for carrying out this role, as well as a fee for participation in Board meetings of € 10,000 per meeting attended.

The Chairmen of each of the Board Committees receive an additional annual fixed fee of € 30,000. The members of each of the Board Committees receive an additional annual fixed fee of € 20,000 for each Committee membership. Committee chairmanship and committee membership annual fees are cumulative if the concerned Non-Executive members of the Board belong to two different Committees.

Non-Executive members of the Board of Directors are not entitled to variable remuneration or grants under EADS' LTIPs.

Chief Executive Officer

The Chief Executive Officer, the sole Executive member of the Board of Directors, does not receive fees for participation in Board meetings or any dedicated compensation as member of the Board. Rather, the remuneration policy for the Chief Executive Officer for 2011 (as well as the other members of the Executive Committee) is designed to balance short term operational performance with the mid- and long term objectives of the company and consists of the following main elements:

Remuneration Element	Main drivers	Performance measures	% of total target remuneration/ % of vesting
Base salary	Reward market value of job/position	Not applicable	EADS CEO: 45% of total target remuneration
			Other members of the Executive Committee: 50% of total target remuneration
Annual variable remuneration	Reward annual performance based on achievement of company performance measures and individual/team objectives, including financial and non-financial targets and behaviours	Collective part (50% of target variable remuneration): EBIT (50%), Cash (50%)	EADS CEO: 55% of total target remuneration (range from 0% to 200%)
		Individual part (50% of target variable remuneration): achievement of annual individual objectives	Other members of the Executive Committee: 50% of total target remuneration (range from 0% to 200%)
Long term incentive plan	Reward long term company performance and engagement on financial targets	The number of performance units which will vest is based on 3 year absolute average earnings per share at EADS level	Vested performance units will range from 50% to 150% of initial grant*

* In case of absolute negative results during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

The individual performance targets of the Chief Executive Officer for 2011 were the "EADS Group Priorities for 2011". (see section 2. of this document.). The Board of Directors determined that the performance of the CEO towards these priorities has been generally excellent, impacting the Individual Part of the Annual Variable Remuneration (see description above). In that respect the Board emphasised the determining influence of the CEO on the transition of EADS culture, including through his commitment to risk management and compliance. The Collective Part of the Annual Variable Remuneration 2011 for the Chief Executive Officer was based on the EADS Group financial targets for EBIT of € 1.1 billion. (i.e. corresponding to € 1.3 billion. before one-off's at on-target level), and Cash. These targets have been established in the financial target setting process (see section 4.3.1.1. of this document) and have also been overachieved.

Furthermore, the Chief Executive Officer (as well as the other members of the Executive Committee) is entitled to pension and other benefits as described below.

Annual variable remuneration

Each year, variable remuneration in cash can be earned based on the achievement of specific and challenging targets, and is calculated on the basis of two equal components:

- Collective Financial Targets (representing 50% of the annual variable remuneration) to reward company performance at Group level or Division level (if applicable). EBIT and Cash are the financial indicators chosen to measure company performance in 2011 (EBIT weighted at 50%, Cash weighted at 50%).; and
- Individual Targets (representing 50% of the annual variable remuneration) to reward individual performance measured against the achievement of individual/team objectives, which also comprise non-financial indicators that are relevant to the Company's long-term value creation and behavioural objectives.

Based on the level of performance, the collective as well as the individual achievement can vary from 0% to 200% of the target variable remuneration. On target achievement at 100% for both individual and collective financial targets would indicate meeting personal and company performance targets.

Long-Term Incentive Plans (“LTIP”)

The EADS LTIP consists of performance units and restricted units, and is a general tool for talent retention and promotion of long-term value creation.

Performance units are rights to receive a payment in cash based on the value of the EADS share on the respective vesting dates. They are granted to Group executives based on their hierarchical level. Vesting of these units is conditional upon mid-term business performance. The average vesting period is 4 years and 3 months.

Restricted units are also rights to receive a payment in cash based on the value of the EADS share on the respective vesting dates. They are granted to selected individuals to reward personal performance and potential. Vesting of these units is subject to continued employment of the relevant individual in the Group.

Should the performance criteria be met and/or provided that the executive is still employed by the Company or any of its Group companies, the vesting of the Performance and Restricted units entitles the executives / selected individuals to four payments in cash between 3.5 and 5 years (average 4 years and 3 months); each payment representing 25% of the vested units.

A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. Until and including LTIP 2009, the performance criteria has been the cumulative EADS Group EBIT of 2 upfront defined consecutive years measured against the targets set in the respective Operative Planning (OP).Since LTIP 2010, the performance criteria changed to “3 years absolute average Earnings per share” of the EADS Group based on a specific target setting by the EADS Board of Directors.

In case of absolute negative results (cumulative EBIT of EADS Group) during the performance period, the Board can decide to review the vesting of the Performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

In addition, and in order to strengthen the alignment of EADS top management with long-term growth objectives, the Board has approved mandatory share ownership rules. Executive Committee members must purchase and hold EADS shares equal to a minimum of 20% of the number of vested units. They will have to hold this number of EADS shares until the end of their mandate as an Executive Committee member.

In November 2011, the Board approved the granting of 2,588,950 Performance units on target and 877,750 Restricted units to 1,771 EADS executives and selected non-executives.

The proposed 2012 LTIP would be a Performance and Restricted Unit Plan, with the same general principles as described above. The plan would offer the granting of about 4,000,000 (or more) Performance and Restricted units on target. This number of allocations will be strongly dependent on the number of beneficiaries and on the evolution of the share price used as calculation basis at grant date (face value methodology). The value of each unit would be based on an average price of the EADS share at the respective dates of vesting. The grant value of the Performance units granted to the Chief Executive Officer will not represent more than 50% of his total target remuneration.

EADS has taken into account the market trend, which is moving from stock options or other equity plans to cash unit plans. The size of the annual EADS LTIP grant will be adjusted to reflect the face value policy decided by the Board of Directors for the different EADS executive categories at target level.

4.3.2 REMUNERATION OF THE MEMBERS OF THE BOARD

The amounts of the various components constituting the remuneration granted to the Chief Executive Officer and to Non-Executive Directors during 2011, together with additional information such as the number of performance units 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”.

They are summarised below as well:

Total remuneration and related compensation costs:

The total remuneration and related compensation costs of the members of the Board of Directors and former Directors related to 2011 and 2010 can be summarised as follows:

Non-Executive members of the Board of Directors (in €)	**2011**	**2010**
Fixed Fees*	1,170,000	1,170,000
Fees for participation in meetings	425,000	520,000

* *The Fixed Fees related to 2010 were paid in 2011; the Fixed Fees related to 2011 will be paid in 2012.*

Executive members of the Board of Directors (in €)	**2011**	**2010**
Base Salary	990,000	900,000
Annual Variable Pay (related to reporting period including part paid by EADS NV)	1,993,475	1,732,500

The cash remuneration of the Non-Executive members of the Board of Directors related to 2011 was as follows:

2011	**Fixed Fees* in €**	**Fees for participation in meetings in €**	**Total in €**
Directors			
Bodo Uebber	210,000	90,000	300,000
Rolf Bartke	100,000	45,000	145,000
Dominique D’Hinnin	120,000	45,000	165,000
Juan Manuel Eguiagaray Ucelay	80,000	40,000	120,000
Arnaud Lagardère	100,000	30,000	130,000
Hermann-Josef Lamberti	130,000	35,000	165,000
Lakshmi N. Mittal**	80,000	30,000	110,000
Sir John Parker	130,000	35,000	165,000
Michel Pébereau	100,000	35,000	135,000
Wilfried Porth	120,000	40,000	160,000
TOTAL	**1,170,000**	**425,000**	**1,595,000**

* The fixum will be paid in 2012.

** Excluding the fees related to 2010 paid in 2011.

The cash remuneration of the Executive member of the Board of Directors related to 2011 was as follows:

2011	**Base Salary in €**	**Annual Variable Pay in € related to 2011**
Directors		
Louis Gallois	990,000	1,993,475

Long term incentives

The table below gives an overview of the performance units granted to the Chief Executive Officer in 2011 pursuant to the LTIP:

	Unit plan: number of performance units*	
	Granted in 2011	Vesting dates
Louis Gallois	51,400	Vesting schedule is made up of 4 payments over 2 years: (i) 25% expected in May 2015; (ii) 25% expected in November 2015; (iii) 25% expected in May 2016; (iv) 25% expected in November 2016.

* Vesting of all Performance units granted to the Chief Executive Officer is subject to performance conditions.

Pension benefits

The twelve 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, payable once they reach retirement age.

These rights can gradually increase to 60% after a second term, usually after ten years of service in the EADS Executive Committee. However, in order to reach this 60% replacement ratio the respective member of the Executive Committee must also have 12 years of seniority within the Group.

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 (i.e. the book cash value) amounted to € 2.9 million as of 31 December 2011, while the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2011 represented an expense of € 0.6 million. This obligation has been accrued in the consolidated financial statements.

Non-Executive members of the Board do not receive pension benefits.

Termination indemnity

As part of his mandate contract, the Chief Executive Officer is entitled to a termination indemnity when the departure results from a decision by the Company in case of change in control or change in the Company's strategy. Payment of the termination indemnity is also subject to performance conditions as fixed and assessed by the Board of Directors. The termination indemnity, if applicable, would amount to a maximum of 18 months of annual total target remuneration.

However this termination indemnity rule is not applicable, since the Chief Executive Officer has reached the age of 65 and is able to retire immediately.

Non-Executive members of the Board of Directors do not have a termination indemnity.

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 mandate contract, and is renewable for one year at the Company's initiative. The application of the clause is subject to a Board of Directors decision.

The Chief Executive Officer will receive compensation based on 50% of the last target annual monthly salary in consideration of the non-competition clause. The monthly salary is defined as base salary and 1/12 of the annual variable remuneration last paid.

Other benefits

The Chief Executive Officer is entitled to a company car. The value of his company car as at 31 December 2011 is € 24,120 (excluding VAT).

4.3.3 REMUNERATION 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 2011 total remuneration on a full year basis of € 18,786,097. This remuneration is divided for the EADS 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.

The total remuneration paid by EADS and all its Group companies to Louis Gallois, Chief Executive Officer, during the year 2011, was € 2,722,500 (this sum includes the payments of his January to December 2011 base salary of € 990,000 and the variable pay for 2010 of € 1,732,500.

The members of the Executive Committee including the Chief Executive Officer receive the majority of their remuneration from their relevant national Group entity (under the terms of their employment or mandate contract) and the remaining part from EADS N.V. ("**NV compensation**", under the terms of the N.V. letter of agreement).

4.3.4 EMPLOYEE SHARE OWNERSHIP PLAN

EADS supports employee share ownership. Since its creation, EADS has regularly offered qualifying employees the opportunity to purchase EADS shares on favourable terms through employee share ownership plans ("**ESOP**").

In June 2011, EADS has invited employees of the Group to subscribe for EADS shares matched with free shares based on a defined ratio. This ratio varied depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 50% for 10 shares acquired and a minimum of 21% discount for 400 shares acquired. The maximum number of shares an employee could acquire was fixed by the Board of Directors at 400 leading to 507 shares received by the employee. The discount percentage calculation refers to the share price reduction considering the number of shares acquired versus the initial investment.

In France, employees could subscribe their shares through a mutual Fund ("**FCPE**") forming part of the Group Savings plan.

Non-Executive members of the Board were not eligible for free shares.

Future ESOP

The Company intends to implement an ESOP in 2012, subject to approval by the Board of Directors. The 2012 ESOP is expected to be a share matching plan whereby the company would match a certain number of directly acquired shares with a grant of free shares. The total offering would be up to approximately 3.2 million shares of the Company, i.e. up to 0.39% of its issued share capital, open to all qualifying employees (including the Chief Executive Officer). Under the umbrella of ESOP 2012, a dedicated UK tax saving plan (Share Incentive Plan – SIP) has been deployed in December 2011 subject to the decision of the Board of Directors in May 2012.

Non-Executive members of the Board are not eligible to participate in Future ESOP.

4.3.5 MISCELLANEOUS

Policy for loans and guarantees granted

EADS' general policy is not to grant any loan to the members of the Board of Directors. Unless the law provides otherwise, the members of the Board of Directors shall be reimbursed by the Company for various costs and expenses, like reasonable costs of defending claims. Under certain circumstances, such as an act or failure to act by a member of the Board of Directors that can be characterized as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to this reimbursement. The company has also taken out liability insurance ("**D&O**" – Directors & Officers) for the persons concerned.

4.4 Ethics and Compliance Programme

The EADS Group Chief Compliance Officer ("**CCO**") is in charge of the design and implementation of the EADS Ethics and Compliance Programme, which supports the Group's commitment to adhering to the highest ethical and compliance standards in order to sustain the Group's global competitiveness.

The EADS Ethics and Compliance Programme seeks to ensure that Group business practices conform to applicable laws and regulations as well as to ethical business principles endorsed by the Group. It also seeks to promote a culture of integrity and transparency. A key programme element consists of the Group Ethics Code, "Integrity & Transparency" (updated in 2010 and available on the Company's website **www.eads.com**), which seeks to guide the daily behaviour of all EADS employees.

A compliance organisation and resource network has been implemented throughout the Group, in a structure that balances proximity to day-to-day business activities with the necessary independence. Accordingly, compliance officers throughout the Group report both to management as well as to the compliance organisation. This is reflected at the very top of the hierarchy, with the EADS Group CCO reporting both to the Chief Executive Officer and the Audit Committee, which oversees the functioning of the Group-wide compliance organisation as a whole.

Compliance officers appointed in each of EADS' four Divisions as well as various Business Units are in charge of supporting employees to conduct business ethically and in accordance with the EADS Ethics and Compliance Programme. Chief compliance officers at the Divisions and Business Units must ensure that they have sufficient local resources to carry out their roles effectively, and report both to the EADS Group CCO and to the head of the relevant Division or Business Unit.

At Group level, permanent compliance officers are appointed to departments where the main compliance risks exist, and are empowered to issue compliance directives applicable throughout the Group. For example, the Group International Compliance Officer is in charge of developing and implementing EADS' Business Ethics Policy and Rules to prevent corruption. The Group Export Compliance Officer seeks to ensure that the activities of the Group comply with all relevant export control rules and with the internal "sensitive countries" policy, while the Group Procurement Compliance Officer supervises compliance in the supply chain. Since 2010, a fourth departmental compliance officer has been in charge of more effectively addressing data privacy compliance risks in the Group.

In order to achieve the objectives set by the Chief Executive Officer and discussed with the Audit Committee, the EADS Group CCO has established compliance "roadmap" based on international standards. The roadmap provides an overview of compliance activities such as:

- A periodic assessment and reporting of the main compliance risks as part of the EADS ERM system;
- The monitoring of ethics and compliance policies;
- Transparent reporting to the Audit Committee and discussions with the Executive Committee;
- Communication and training activities across the Group; and
- The functioning of the new alert system implemented in 2010, the "OpenLine", through which employees may raise ethical and compliance concerns in strict confidentiality and without fear of retaliation. Due to current regulatory requirements, alerts posted on the OpenLine may only be treated if they deal with accounting, financial, corruption, or anti-competitive practices (since 2011) issues. The use of the OpenLine is limited to employees of all companies controlled by the Group and located in France, Germany, Spain and the UK. Taking into account EADS' overall compliance strategy, EADS will monitor the OpenLine system and will assess the possibility of extending its use to all employees and broadening its scope to issues of a general and operational nature.

In 2011, programme progress reports were presented four times to the Board of Directors and the Audit Committee.

In the future, EADS will continue to lead efforts to establish consistent global standards for compliance in the aerospace and defence industry, in particular business ethics. Today, the European Common Industry standards and the International Forum on Business Ethical Conduct are both among the most innovative sector-wide business ethics initiatives. As such industry standards become more consistent globally with a more level playing field for all, EADS will seek to turn its commitment to ethics and integrity into a sustainable competitive advantage.

4.5 Enterprise Risk Management System

Risk and opportunity management is of paramount importance to EADS, given the complex and volatile business environment in which EADS operates. A comprehensive set of risk and opportunity management procedures and activities across EADS makes up the EADS Enterprise Risk Management ("**ERM**") system.

The objective of the ERM system is to create and preserve value for EADS' stakeholders. It is designed and operated to effectively identify potential events that may affect EADS, manage risk to be within the defined risk tolerance, identify and manage opportunities, and provide reasonable assurance regarding the achievement of targets. To achieve this, EADS seeks to have one integrated, consistent, comprehensive, efficient and transparent ERM system, using the same understanding, practice and language. It seeks to embed the risk management philosophy into EADS culture, in order to make risk and opportunity management a regular and everyday process for employees.

The Board of Directors and EADS top management regard ERM as a key management process to steer the Company and enable management to effectively deal with risks and opportunities. The advanced ERM capabilities and organisation that EADS is seeking to progressively implement can provide a competitive advantage to the extent they successfully achieve the following:

- Strategy: the selection of high level strategic objectives, supporting the EADS vision and consistent with risk appetite;
- Operations: the effectiveness and efficiency of operations and resource allocation; the delivery of products on time and in accordance with cost and quality objectives; the capability to achieve performance and financial targets; the implementation of risk-enabled decisions and managerial processes;
- Reporting: reliability of reporting, in particular financial reporting; and
- Compliance: compliance with applicable laws and regulations.

ERM process

The objectives, principles and process for the ERM system as endorsed by the Board of Directors are set forth in the EADS ERM Policy and communicated throughout the Group. The EADS ERM Policy is supplemented by various manuals, guidelines, handbooks, etc. The ERM system is based on the Internal Control and Enterprise Risk Management Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO II). External standards that contribute to the EADS ERM system include the Internal Control and ERM frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organization (ISO).

The ERM system comprises an integrated hierarchical bottom-up and top-down process to enable better management and transparency of risks and opportunities. At the top, the Board of Directors and the Audit Committee discuss major risks and opportunities, related risk responses and opportunity capture as well as the status of the ERM system, including significant changes and planned improvements. This is based on systematic bottom-up information including management judgement. The results are then fed back into the organisation. The design of the ERM system seeks to ensure compliance with applicable laws and regulations with respect to Internal Control ("**IC**") and Risk Management ("**RM**"), addressing both subjects in parallel. The ERM process consists of four elements: **the operational process**, which consists of a sequence of 8 consistent, standardized components to enhance operational risk and opportunity management; **the reporting process**, which contains procedures for the status reporting of the ERM system and the risk/opportunity situation; **the compliance process**, which comprises procedures to substantiate the assessment of the effectiveness of the ERM system; and **the support process**, which includes procedures to increase the quality and provide further substantiation of the quality of the ERM system.

The ERM process applies to all possible sources of risks and opportunities, with both internal and external sources, quantifiable and unquantifiable, potentially affecting EADS in the short-, middle- and long-term. It also applies to all of EADS' businesses, activities and departments. Management at each level discusses ERM when they run the business, as part of their decision making and related activities. Accordingly, the ERM process is part of the management process and interrelated with other processes. The details of application of the ERM process vary with the risk appetite of management and the size, structure and nature of the organisational unit, programme/project, department or process. Nonetheless, the fundamental principles of the EADS ERM Policy generally apply.

For a discussion of the main risks to which the Group is exposed, see “4.6. Risk Factors”.

ERM governance and responsibility

The governance structure and related responsibilities for the ERM system are as follows:

- The Board of Directors supervises the design and effectiveness of the ERM system including management actions to mitigate the risks inherent in EADS’ business activities. It discusses the major risks at least quarterly based on ERM reporting or as required depending on development of business risks. It is supported by the Audit Committee which discussed at least yearly the activities with respect to the operation, design and effectiveness of the ERM system, as well as any significant change and planned improvement prior to presentation to the full Board of Directors;
- The EADS Chief Executive Officer, backed by the Executive Committee, is responsible for an effective ERM system, the related internal environment (i.e. values, culture) and risk philosophy. He is supported by the EADS Chief Financial Officer who supervises the EADS Chief Risk Officer and the ERM system design and process implementation;
- The EADS Chief Risk Officer has primary responsibility for ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system, is backed by a dedicated risk management organisation on Group and Division level, which actively seeks to reduce overall risk criticality. This risk management organisation is networked with the risk owners on the different organisational levels and pushes for a proactive risk management culture; as well as
- The executive management of the EADS Divisions, Business Units and Headquarters’ departments assume responsibility for the operation and monitoring of the ERM system in their respective area of responsibility. They seek to ensure transparency and effectiveness of the ERM system and adherence to its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate responses to increase probability and impact of opportunities.

ERM effectiveness

The EADS ERM system needs to be effective. EADS has established recurring ERM self-assessment mechanisms, to be applied across EADS. This seeks to allow EADS to reasonably assure the effectiveness of its ERM system. The ERM effectiveness assurance comprises:

- ERM process: Needs to be present and functioning throughout EADS without any material weaknesses and needs to fulfil the EADS ERM Policy requirements;
- Risk appetite: Needs to be in accordance with the EADS risk environment;
- ERM IC system: Needs to have an effective IC system for the ERM process in place.

For the coverage of all of its activities, EADS has defined 20 high level business processes. In order to achieve ERM effectiveness, the ERM process as an overlaying process must be an integral part of these business processes. ERM effectiveness is assured if the achievement of the ERM process objectives is secured by adequate ERM controls which are operating effectively throughout the organisation and are within the respective risk appetite level.

Operating effectiveness is measured inter alia by assessing potential major failings in the ERM system which have been discovered in the business year or any significant changes made to the ERM system.

The combination of the following controls is designed to achieve reasonable assurance about ERM effectiveness:

Organisation	ERM control with explanations
Board of Directors/Audit Committee	**Regular monitoring** The Board of Directors and the Audit Committee review, monitor and supervise the ERM system.
Top Management	**ERM top management discussions** This control is the most important step of the ERM compliance process. All results of the risk management, self-assessment and confirmation procedures are presented by the Divisions or Business Units to top management and discussed and challenged at EADS CEO / CFO level.
Management	**ERM confirmation letter procedure** Entities and processes/departments heads that participate in the annual ERM compliance procedures need to sign ERM confirmation letters, especially on IC effectiveness and deficiencies or weaknesses. The scope of participants is determined by aligning coverage of EADS business with management's risk appetite.
ERM Department	**ERM effectiveness measurement** Assess ERM effectiveness by performing operational risk management for the ERM process, benchmarks, etc.
Corporate Audit	**Audits on ERM** Provide independent assurance to the Audit Committee on the effectiveness of the EADS ERM system.
Compliance	**Alert System** Provide evidence for deficiencies of the EADS ERM system.

Developments in 2011 and outlook

Today, companies are operating in a more volatile risk environment than ever before. Mature risk management capabilities are therefore more critical, more strategic and overall more valuable. EADS seeks to deploy its ERM system effectively across the Group in order to mitigate risk and drive competitive advantage, and invests accordingly. The design of its ERM system has evolved towards a more homogeneous and performance-oriented management tool that is integrated into the business, with the following major achievements in 2011:

- Strengthening of ERM foundations, with a progressive appreciation of ERM processes and development of a true risk culture;
- Beginning roll-out of a dedicated Group-wide ERM IT tool;
- Strong ERM contribution to improvement initiatives launched across the Group; and
- Successful finalisation of year-end ERM compliance process, i.e. ERM confirmation letters were received from all relevant risk owners in Divisions, Business Units and Business Functions, and all ERM top management discussions took place.

As an outlook, EADS seeks to:

- Follow the path to further mature risk management, especially ERM awareness, capabilities, culture and risk management organisation;
- Fully embed the risk management organisation into business operations;
- Improve ERM measurement, modelling and analytics for decision-making;
- Further improve transparency, reduce risk criticality and encourage seizing of opportunity by use of the ERM methodology;
- Further deploy and harmonise the Group-wide ERM IT tool; and
- Introduce a common skills model and career path for risk managers.

Generally, EADS seeks to continuously evaluate and improve the operating effectiveness of the ERM system. EADS will use the recommendations from the internal audit department, which has reviewed risk management of selected departments and business process, to further strengthen its ERM system.

Board declaration - limitations

The Board of Directors believes to the best of its knowledge that the internal risk management and control system over financial reporting has worked properly in 2011 and provides reasonable assurance that the financial reporting does not contain any errors of material importance.

No matter how well designed, all ERM 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' ERM system and procedures are or will be, despite all care and effort, entirely effective.

4.6 Risk Factors

EADS is subject to many risks and uncertainties that may affect its financial performance. The business, results of operation or financial condition of EADS could be materially adversely affected by the risks described below. These are not the only risks EADS faces. Additional risks and uncertainties not presently known to EADS or that it currently considers immaterial may also impair its business and operations. For further information on these risks, please refer to EADS' Registration Document available on the Company's website **www.eads.com.**

4.6.1 FINANCIAL MARKET RISKS

EU sovereign debt crisis

EADS' operations and performance depend significantly on economic conditions in Europe, the US and the rest of the world. Economic and market conditions may deteriorate significantly due to, among other things, crises affecting credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt and bank debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including those in the Middle East, North Africa and other regions). Sharp economic downturns may develop quickly and could affect EADS' business for short or extended periods and have a negative effect on EADS' future results of operation and financial condition.

European financial markets have recently experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro-zone to reduce their public deficits and refinance or pay their debt obligations as they come due. Banks with exposure to these countries and which must also comply with stricter regulation have faced funding issues and have started to reduce their balance sheets accordingly. Such disruptions have contributed to increased volatility in the exchange rate of the euro against other major currencies, affected the credit markets and created uncertainty regarding the near-term economic prospects of countries in the EU as well as the quality of loans to sovereign debtors and banks in the EU. There has also been an indirect impact on financial markets worldwide. If economic conditions in the relevant European countries or in Europe more generally were to deteriorate or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in credit, currency, and equity markets. This could have a number of effects on EADS' business, including:

- Requests by customers to postpone or cancel orders for aircraft due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or weak levels of passenger demand for air travel and cargo activity more generally;
- An increase in the amount of sales financing that EADS must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interest it might hold in the underlying aircraft;
- Further reductions in public spending for defence, homeland security and space activities, which go beyond those budget consolidation measures already proposed by governments around the world;
- Insolvency or financial instability of outsourcing partners or suppliers or their inability to obtain credit to finance development and/or manufacture products, resulting in product delays;

- Continued de-leveraging as well as mergers and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by EADS for its businesses or restrict its ability to implement desired foreign currency hedges; and
- Default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations including the cash assets of EADS.

EADS' financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realised in the future on the company's financial instruments differing significantly from the fair values currently assigned to them.

Foreign currency

A significant portion of EADS' revenues is denominated in US 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 hedge its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pound sterling against the euro. EADS' foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the longer-term, which could have a negative effect on its results of operation and financial condition. In addition, the portion of EADS' US dollar-denominated revenues that is not hedged in accordance with EADS' hedging strategy will be exposed to changes in exchange rates, which may be significant.

Sales financing

In support of sales, EADS may agree to participate in the financing of customers or guarantee part of the market value of certain aircraft during limited periods after their delivery to customers. As a result, EADS has a significant portfolio of leases and other financing arrangements with airlines and other customers. No assurances may be given that the measures taken by EADS to protect itself from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market will be effective, which may have a negative effect on its future results of operation and financial condition.

Counterparty credit

In addition to the credit risk relating to sales financing as discussed above, EADS is exposed to credit risk to the extent of (i) non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments, and (ii) price risks arising from the credit spreads embedded in cash investments. There can be no assurances that despite the implementation of a credit limit system and the diversification of counterparties, EADS will not lose the benefit of certain derivatives, or cash investments, in case of a systemic market disruption. In such circumstances, the value and liquidity of these financial instruments could decline and result in a significant impairment, which may in turn have a negative effect on EADS' future results of operation and financial condition.

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. EADS is exposed to the risk of unexpected material adverse changes in the fair value of Dassault Aviation and that of other associated companies.

Pension commitments

EADS participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. 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.

For further information relating to financial market risks and the ways in which EADS attempts to manage these risks, see "Notes to the Consolidated Financial Statements (IFRS) — Note [34]: Financial risk management".

4.6.2 BUSINESS-RELATED RISKS

Commercial aircraft market cyclicality

Historically, the market for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and cargo activity, which are in turn primarily influenced by economic or gross domestic product ("**GDP**") growth. Other factors, however, play an important role in determining the market for commercial 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 and freight load factors, (iv) airline pricing policies, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) deregulation and (vii) environmental constraints imposed upon aircraft operations. EADS expects that the market for commercial aircraft will continue to be cyclical, and that downturns in broad economic trends may have a negative effect on its future results of operation and financial condition.

Terrorism, pandemics and catastrophic events

As past terrorist attacks (such as in New York and Madrid) and the spread of pandemics (such as H1N1 flu) have demonstrated, terrorism and pandemics 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 wars, riots or political unrest 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, airline or air traffic. 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 or other products, and EADS' customers may postpone delivery or cancel orders.

Moreover, EADS' business may be disrupted by the occurrence of these and other events, including information technology or infrastructure attacks or failures, damaging weather or acts of nature and other crises. Any such disruptions could affect EADS' internal operations or services provided to customers, and could have a significant adverse effect on EADS' future results of operations and financial condition as well as its reputation.

Dependence on key suppliers and subcontractors

EADS is dependent on numerous key suppliers and subcontractors. Certain of these suppliers may experience financial or other difficulties in the future. Depending on the severity of these difficulties, some suppliers could be forced to reduce their output, shut down their operations or file for bankruptcy protection, which could disrupt the supply of materials and parts to EADS. It may be difficult for EADS to find a replacement for certain suppliers without significant delay, thereby impacting its ability to complete its customer obligations satisfactorily and in a timely manner. These events could in turn have a negative impact on EADS' future results of operation and financial condition. To the extent that EADS decides in the future to provide financial or other assistance to certain suppliers in financial difficulty in order to ensure an uninterrupted supply of materials and parts, it could be exposed to credit risk on the part of such suppliers.

Finally, if the macro-economic environment leads to higher than historic average inflation, the labour and procurement costs of EADS may increase significantly in the future. This may lead to higher component and production costs which could in turn negatively impact EADS' future profitability and cash flows, to the extent EADS is unable to pass these costs on to its customers or require its suppliers to absorb such costs. EADS' suppliers or subcontractors may also make claims or assertions against it for higher prices or other contractual compensation, in particular in the event of significant changes to development or production schedules, which could negatively affect EADS' future profitability.

Industrial ramp-up

As a result of the large number of new orders for aircraft recorded in recent years, EADS intends to accelerate its production in order to meet the agreed upon delivery schedules for such new aircraft (including helicopters). 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, parts (such as aluminium, titanium and composites) and skilled employees given high demand by EADS and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, in particular at Airbus, which carry their own resource demands. Therefore, 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.

Dependence on public spending and on certain markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. In particular, the significant deterioration in public finances and high debt levels of the main industrialised countries have led several of them recently to seek to reduce their public spending. This is especially true with respect to defence and security budgets, where certain countries have either proposed or already implemented substantial reductions. Depending on how future budget reductions are finally implemented, the termination or reduction of funding for existing or new programmes may have a negative effect on EADS' future results of operations and financial condition.

Further, a significant portion of EADS' backlog is concentrated in certain regions or countries, including the US, China, India and the Middle East. 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' future results of operation and financial condition.

Availability of government and other sources of financing

In prior years, EADS and its principal competitors have each received different types of government financing of product research and development. However, no assurances can be given that government financing will continue to be made available in the future. Moreover, the availability of other outside sources of financing will depend on a variety of factors such as market conditions, the general availability of credit, EADS' credit ratings, as well as the possibility that lenders or investors could develop a negative perception of EADS' long- or short-term financial prospects if it incurred large losses or if the level of its business activity decreased due to an economic downturn. EADS may therefore not be able to successfully obtain additional outside financing on favourable terms, or at all, which may limit EADS' future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

Competition and market access

The markets in which EADS operates are highly competitive. There can be no assurance that EADS will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues or market share.

Technologically advanced products and services

EADS offers its customers products and services that are 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 of 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, to provide cancellation rights, 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 – in particular with respect to new development programmes such as the A350 XWB or A400M, for example.

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 problems in this respect may also have a significant adverse effect on the competitive reputation of EADS' products.

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 with a high level of complexity. 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.

Restructuring, transformation and cost saving programmes

In order to improve competitiveness, offset rising procurement costs and achieve profitability targets, among other things, EADS and its Divisions have launched several restructuring, transformation and cost saving programmes over the past several years. These include Group-wide programmes such as Power8 Plus and Future EADS, as well as Division-specific programmes.

Anticipated cost savings under these programmes are based on estimates, however, and actual savings under these programmes may vary significantly. 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 the programmes above, EADS may also incur higher than expected implementation costs. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated.

Acquisitions, joint ventures & strategic alliances

As part of its business strategy, EADS may acquire businesses and form joint ventures or strategic alliances. Acquisitions are inherently risky because of difficulties that may arise when integrating people, operations, technologies and products. There can be no assurance that any of the businesses that EADS acquires can be integrated successfully and as timely as originally planned or that they will perform well and deliver the expected synergies once integrated. In addition, EADS may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration of acquired businesses. While EADS believes that it has established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful.

Public-private partnerships and private finance initiatives

Defence customers, particularly in the UK, increasingly request proposals and grant contracts under schemes known as public-private partnerships ("**PPPs**") or private finance initiatives ("**PFIs**"). 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 on-going 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.

Programme-specific risks

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

- **A350 XWB programme:** In connection with the A350 XWB programme, EADS faces the following main challenges: (i) ensuring the maturity of technology linked to the use of composite materials, (ii) meeting the technical performance targets for the aircraft and respecting the development schedule, (iii) ensuring the production ramp-up and the ramp-up of key skilled personnel, *e.g.* for composite stress and design, (iv) securing the achievement of recurring cost targets, (v) ensuring the performance of the risk sharing partners, including those selected for sites divested by Airbus and those involved in the extended enterprise framework, (vi) maintaining customer satisfaction with a new customisation policy which is a key enabler for the production ramp-up, and (vii) managing customer contracts in coherence with the industrial delivery plan;

- **A380 programme:** In connection with the A380 programme, 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) making continued improvements to lower the resources and costs associated with designing each customised “head of version” aircraft for new customers, in order to allow a higher number of heads of version to be completed each year, (iii) managing maturity in service, and (iv) mastering the root causes of, and launching the required action to fix, the hairline cracks discovered in the wing rib feet of certain A380 aircraft, and limiting associated costs to repair costs only;
- **A400M programme:** In connection with the A400M programme, EADS faces the following main challenges: (i) ensuring that the aircraft is both civilly certified and meets the initial military certification and qualification requirements (initial operational clearance (IOC)) of programme customers, (ii) developing a full set of in-service support goods and services that deliver mission success to programme customers, (iii) finalising aircraft development (engine, cargo systems, defensive aids, etc.), (iv) preparing entry into service of the first aircraft together with the necessary set of support elements, (v) managing the anticipated difficulties on the production ramp-up concurrently with the delivery of progressively enhanced aircraft capabilities (standard operational clearance (SOC) 1 to 3), and (vi) meeting the contractual time schedule;
- **A320neo programme:** In connection with the A320neo programme, EADS faces the following main challenges: (i) management of stress in the supply chain as a result of the industrial ramp-up, (ii) meeting the engine development status and its schedule, and (iii) ensuring the availability of skilled personnel for the programme;
- **NH90 programme:** In connection with the NH90 programme, EADS faces the following main challenges: (i) meeting the development schedule, the cost objectives and the technical content (full operational configuration of the NATO Frigate Helicopter (NFH) version), (ii) continuing to proceed with the industrial ramp-up on the programme, (iii) mastering the contract renegotiations with governments and addressing requests to reduce contractually binding orders, and (iv) assuring support readiness in connection with multiple fleets entering into service; and
- **Lead systems integration:** In connection with lead systems integration projects (in particular Saudi border surveillance contract), EADS faces the following main challenges: (i) meeting the schedule and cost objectives with a high number of sites with complex local infrastructures to deliver and the integration of COTS products (radars, cameras, sensors) with their interfaces into the system, (ii) assuring an efficient project and staffing ramp-up, and (iii) managing the rollout including subcontractors as well as training and organisational adaptation of the customer.

4.6.3 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. 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.

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. In addition, although EADS believes that it lawfully complies with the intellectual property rights granted to others, it has been accused of infringement on occasion and could have additional claims asserted against it in the future. 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 laws and regulations

The export market is a significant market for EADS. 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 or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain EADS' ability to perform under previously signed contracts. EADS is also subject to a variety of other laws and regulations, including among others, those relating to commercial relationships, the use of its products and anti-bribery provisions. Although EADS seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in administrative, civil or criminal liabilities resulting in significant fines and penalties or result in the suspension or debarment of EADS from government contracts for some period of time or suspension of EADS' export privileges.

In addition, EADS is sometimes subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. Any such inquiry or investigation could result in an unfavourable ruling against EADS, which could have a negative effect on its business, results of operation and financial condition.

Litigation

EADS is currently engaged in a number of legal proceedings (See "Notes to the Consolidated Financial Statements (IFRS) — Note [32]: Litigation and claims"). EADS expects to continue to incur time and expenses associated with its defence, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although EADS is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a negative effect on EADS' business, results of operation and financial condition. An unfavourable ruling could also negatively impact EADS' stock price and reputation.

4.6.4 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 as well as occupational health and safety. In addition, the various products manufactured and sold by EADS must comply with relevant environmental, health and safety and substances/preparations related laws and regulations in the jurisdictions in which they operate. In the event of an accident or other serious incident, 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). Any problems in this respect may also have a significant adverse effect on the competitive reputation of EADS' products.

5. Financial performances and Other Corporate Activities

EADS' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

5.1 Consolidated Financial Statements ("IFRS")

5.1.1 Consolidated Income Statement ("IFRS")

Table 1 – Consolidated Income Statement (IFRS)

in millions of €	**2011**	**2010**
Revenues	49,128	45,752
Cost of sales	(42,285)	(39,528)
Gross margin	**6,843**	**6,224**
Selling expenses	(981)	(1,024)
Administrative expenses	(1,427)	(1,288)
Research and development expenses	(3,152)	(2,939)
Other income	359	171
Other expenses	(221)	(102)
Share of profit from associates under the equity method	164	127
Other income from investments	28	18
Profit before finance costs and income taxes	**1,613**	**1,187**
Total finance costs	(220)	(371)
Income taxes	(356)	(244)
Profit for the period	**1,037**	**572**
Attributable to:		
Equity owners of the parent **(Net income)**	1,033	553
Non-controlling interests	4	19

5.1.2 Revenues

For the full year 2011, EADS' revenues increased 7% to € 49.1 billion (FY 2010: € 45.8 billion). This growth is driven by volume and mix effects at Airbus and the increase of commercial activity at Eurocopter. These increases more than offset a slight decrease at Astrium and Cassidian. The overall 2011 revenue contribution from the first consolidation of the major acquisitions was around € 300 million, mainly Vector Aerospace and Satair, while the EBIT* impact was insignificant. Physical deliveries remained high with 534 aircraft at Airbus Commercial, 503 helicopters at Eurocopter and the 46th consecutive successful Ariane 5 launch.

5.1.3 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. In the following, EBIT pre goodwill impairment and exceptionals is earmarked as EBIT*.

Table 2 – Reconciliation Profit (loss) before finance costs and income taxes to EBIT* (IFRS)

(in millions of €)	2011	2010
Profit (loss) before finance costs and income taxes	**1,613**	**1,187**
Disposal and impairment of goodwill	42	0
Exceptional depreciation and disposal	41	44
EBIT pre goodwill impairment and exceptionals	**1,696**	**1,231**

EADS' reported EBIT* stood at € 1,696 million (FY 2010: € 1,231 million). At Airbus Commercial, a higher number of deliveries and better pricing more than compensated hedge rate deterioration and higher R&D. The total one-time effects at Airbus were roughly neutral. The negative impact from the A350 XWB provision was more than offset by the effects from the A340 completion and by a positive foreign exchange impact on pre-delivery payments mismatch and balance sheet revaluation. The performance of Astrium, Cassidian and Eurocopter includes around € 200 million net in negative one-time items. This is partially compensated by positive one-offs in Other Businesses and Headquarters. The largest proportion is in Eurocopter, which has reported roughly € 115 million of negative one-time effects, driven mainly by governmental programmes and by the SHAPE transformation programme. Cassidian booked a net charge of € 72 million for restructuring and programmes. At Astrium, a charge of € 23 million was booked in the fourth quarter, relating to the AGILE transformation programme.

EBIT* before one-off (adjusted EBIT*) – an indicator capturing the underlying business margin by excluding non-recurring charges or profits caused by movements in provisions or foreign exchange impacts – stood at around € 1.8 billion (FY 2010: € 1.3 billion) for EADS and at around € 0.5 billion for Airbus (FY 2010: around € 0.3 billion). Compared to 2010, this represents a significant rise, despite an increase in Research & Development expenses and dollar headwind. It benefited from good performance in Airbus legacy programmes thanks to volume, mix and price improvements. Also, Airbus Military and especially Eurocopter contributed to the performance improvement, the latter mainly from its commercial series and services activity. The Headquarters EBIT* before one-off improved in 2011, mainly due to an increased allocation of management fees to Divisions and positive impacts from Group eliminations in the fourth quarter.

Net Income increased by 87% to € 1,033 million (FY 2010: € 553 million), or earnings per share of € 1.27 (earnings per share FY 2010: € 0.68). The Net Income before one-off increased to € 1,061 million (FY 2010: € 603 million). These increases are mainly driven by the operational improvement reflected in the EBIT*, which is flowing down to the Net Income. Net Income before one-off is the Net Income stripped out of the EBIT* one-offs. It excludes other financial result (except the unwinding of discount on provisions), the positive one-off in the interest result linked to the termination of the A340 programme and all tax effects on the mentioned items.

The finance result amounts to € -220 million (FY 2010: € -371 million). The interest result of € 13 million (FY 2010: € -99 million) improved mainly due to higher interest income related to the good cash performance. The 2011 interest result includes a positive one-time release of € 120 million due to the completion of the A340 programme. The other financial result amounts to € -233 million (FY 2010: € -272 million). This line includes, among others, a negative revaluation of EADS' foreign exchange options for around € 90 million and the unwinding of discounted provisions for an amount of € -172 million.

Table 3 – EBIT* and Revenues by Division

by Division	EBIT*			Revenues		
(Amounts in millions of Euro)	FY 2011	FY 2010	Change	FY 2011	FY 2010	Change
Airbus Division (1)	584	305	+91%	33,103	29,978	+10%
Airbus Commercial	543	291	+87%	31,159	27,673	+13%
Airbus Military	49	21	+133%	2,504	2,684	-7%
Eurocopter	259	183	+42%	5,415	4,830	+12%
Astrium	267	283	-6%	4,964	5,003	-1%
Cassidian	331	457	-28%	5,803	5,933	-2%
Headquarters / Consolidation	196	-22	-	-1,409	-1,174	-
Other Businesses	59	25	+136%	1,252	1,182	+6%
Total	1,696	1,231	+38%	49,128	45,752	+7%

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

1) The reportable segments Airbus Commercial and Airbus Military form the Airbus Division. Eliminations are treated at the Division level.

5.1.4 Consolidated Statements of Financial Position (“IFRS”)

Table 4 – Consolidated Statements of Financial Position (IFRS)

in millions of €	December 31 2011	2010	Change
Intangible Assets	12,745	11,299	1,446
Property, Plant and Equipment	14,233	13,504	729
Investments in associates under the equity method	2,677	2,451	226
Other investments and other long-term financial assets	2,378	2,386	-8
Other non-current assets	1,884	1,975	-91
Deferred tax assets	4,309	4,250	59
Non-current securities	7,229	5,332	1,897
Non-current assets	**45,455**	**41,197**	**4,258**
Inventories	22,563	20,862	1,701
Trade receivables	6,399	6,632	-233
Other current assets	4,503	3,632	871
Current securities	4,272	5,834	-1,562
Cash and cash equivalents	5,284	5,030	254
Current assets	**43,021**	**41,990**	**1,031**
Total assets	**88,476**	**83,187**	**5,289**
Equity attributable to equity owners of the parent	8,850	8,841	9
Non-controlling interests	20	95	-75
Total equity	**8,870**	**8,936**	**-66**
Non-current provisions	9,125	8,213	912
Long-term financing liabilities	3,628	2,870	758
Deferred tax liabilities	1,050	1,195	-145
Other non-current liabilities	18,297	18,203	94
Non-current liabilities	**32,100**	**30,481**	**1,619**
Current provisions	5,860	5,766	94
Short-term financing liabilities	1,476	1,408	68
Trade liabilities	9,630	8,546	1,084
Current tax liabilities	308	254	54
Other current liabilities	30,232	27,796	2,436
Current liabilities	**47,506**	**43,770**	**3,736**
Total equity and liabilities	**88,476**	**83,187**	**5,289**

Non-current assets

Intangible assets of € 12,745 million (prior year-end: € 11,299 million) include € 10,760 million (prior year-end: € 9,809 million) of goodwill, which is mainly allocated to Airbus Commercial (€ 6,657 million), Cassidian (€ 2,551 million), Astrium (€1,171 million) and Eurocopter (€ 319 million). The increase of goodwill primarily relates to the acquisition of Vizada, Vector and SatAir. The annual impairment tests, which were performed in the fourth quarter, led to an impairment charge of € 20 million in Other Businesses.

Eliminating foreign exchange-rate effects of € +111 million, property, plant and equipment increase by € +618 million to € 14,233 million (prior year-end: € 13,504 million), including leased assets of € 574 million (prior year-end: € 759 million). Property, plant and equipment also comprise "Investment property" amounting to € 74 million (prior year-end: € 77 million).

Investments in associates under the equity method of € 2,677 million (prior year-end: € 2,451 million) mainly reflect the increase in the value of the equity investment in Dassault Aviation, amounting to €2,552 million (prior year-end: € 2,318 million).

Other investments and other long-term financial assets of € 2,378 million (prior year-end: € 2,386 million) are related to Airbus for an amount of € 1,659 million (prior year-end: € 1,765 million), mainly concerning the non-current portion of aircraft financing.

Other non-current assets mainly comprise non-current derivative financial instruments and non-current prepaid expenses. The decrease by € -91 million to € 1,884 million (prior year-end: € 1,975 M € million) is mainly caused by the negative variation of fair values of derivative financial instruments (-116 M €) and the decrease of paid option premiums (€ -87 million) partly compensated by an increase of non-current prepaid expenses (€ +163 million).

Deferred tax assets of € 4,309 million (prior year-end: € 4,250 million) are presented as non-current assets as required by IAS 1. The increase is mainly due to the variation of fair values of derivative financial instruments.

The fair values of derivative financial instruments are included in other non-current assets (€ 486 million, prior year-end: € 602 million), in other current assets (€ 404 million, prior year-end: € 364 million), in other non-current liabilities (€ 2,140 million, prior year-end: € 2,109 million) and in other current liabilities (€ 995 million, prior year-end: € 821 million) which corresponds to a total net fair value of € -2,245 million (prior year-end: € -1,964 million). The volume of hedged US dollar-contracts increases from US dollar 70.2 billion as at 31 December 2010 to US dollar 75.1 billion as at 31 December 2011. The US dollar spot rate became more favorable (USD / € spot rate of 1.29 at 31 December 2011 vs. 1.34 at 31 December 2010). The average US dollar hedge rate for the hedge portfolio of the Group improves from USD / € 1.38 as at December 31, 2010 to USD / € 1.37 as at 31 December 2011. Financial markets disruptions witnessed in recent years have been accompanied with dissolving of no-arbitrage relations, which impact the fair values of the financial instruments held by EADS. For this reason per year-end 2011, the Group changed the approach for the estimate of fair values of currency forwards and swaps from the zero coupon method towards the currency forward rate based par method. This represents a change of accounting estimate as defined in IAS 8.5. The zero coupon method derives forward exchange rates from differences in the relevant interest yield curves of the currencies involved and was used as a proxy for the forward rate based par method that uses quoted forward points, rather than interest rate quotes, to obtain forward exchange rates. In effect, had the Group applied the interest-rate differential method as of year-end 2011, total unrealised loss recognised in AOCI, net of tax, would have increased by € 0.6 billion. The effect from using a refined fair value measure will reverse in AOCI over the life of the currency forwards and swaps outstanding at year end 2011.

Current assets

Inventories of € 22,563 million (prior year-end: € 20,862 million) increase by € +1,701 million. This is partly driven by higher unfinished goods and services for Eurocopter (€ +403 million), Airbus (€ +333 million) and Astrium (€ +244 million) programs. Moreover, there are also increases in raw materials (€ +326 million), advance payments made (€ +102 million) and finished goods (€ +101 million) for the Group.

Trade receivables decrease by € -233 million to € 6,399 million (prior year-end: € 6,632 million), mainly caused by Astrium (€ -669 million) and Airbus (€ 179 million), partly compensated by an increase at Eurocopter (€ +527 million) and at Cassidian (€ +76 million).

Other current assets include “Current portion of other long-term financial assets”, “Current other financial assets”, “Current other assets” and “Current tax assets”. The increase of € +871 million to € 4,503 million (prior year-end: € 3,632 million) relates, among others, to VAT receivables and receivables from related companies.

Cash and cash equivalents increase from € 5,030 million to € 5,284 million.

Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 8,850 million (prior year-end: € 8,841 million). The increase in equity is mainly due to total comprehensive income for the period of € +163 million. It includes the profit for the period, which is partly compensated by changes of fair values in cash flow hedges and actuarial losses on defined benefit plans. The cash distribution to EADS NV shareholders of € -178 million also reduces equity.

Non-controlling interests decrease by € -75 million to € 20 million (prior year-end: € 95 million), mainly due to the purchase of the remaining 25% of DADC Luft- und Raumfahrt Beteiligungs AG, Munich by EADS.

Non-current liabilities

Non-current provisions of € 9,125 million (prior year-end: € 8,213 million) comprise the non-current portion of pension provisions with an increase of € +591 million to € 5,628 million (prior year-end: € 5,037 million) mainly resulting from actuarial losses on defined benefit plans due to lower discount rates.

Moreover, other provisions, which are part of non-current provisions, increase by € +321 million to € 3,497 million (prior year-end: € 3,176 million). The increase mainly reflects provisions for contract losses (€ +233 million). The increase of provisions for contract losses is mainly related to the A350 XWB programme reflecting the Entry-into-Service now scheduled for the first half-year 2014.

Long-term financing liabilities, mainly comprising bonds, increase by € +758 million to € 3,628 million (prior year-end: € 2,870 million). This increase is mainly related to new loans, which are granted by the European Investment Bank (USD 721 million) and the Development Bank of Japan (USD 300 million).

Other non-current liabilities, comprising “Non-current other financial liabilities”, “Non-current other liabilities” and “Non-current deferred income”, increase in total by € +94 million to € 18,297 million (prior year-end: € 18,203 million), due to higher advance payments and an increase in fair values for financial instruments, partly compensated by a decrease of refundable advances in “non-current other financial liabilities”.

Refundable advances including interest accretion for the total amount of € 406 million representing obligations arising out of contracts associated with the long-range program in Airbus Commercial have been settled as a result of actions taken by Airbus in the third quarter 2011, due to the termination of the A340 program. The release of the liabilities has positively affected the consolidated income statement before taxes by € 192 million in other operating income and by € 120 million in interest result. The settlement has further resulted in an operating cash outflow of € 94 million in the fourth quarter 2011.

Current liabilities

Current provisions increase by € +94 million to € 5,860 million (prior year-end: € 5,766 million) and comprise the current portion of pension provisions (€ 193 million) and of other provisions (€ 5,667 million). An increase of provisions for outstanding costs (€ +345 million) and of provisions for aircraft financing (€ +54 million) is partly compensated by a decrease of provisions for loss making contracts (€ -410 million), mainly following a reclassification to inventories.

Other current liabilities include “Current other financial liabilities”, “Current other liabilities” and “Current deferred income”. They increase by € +2,436 million to € 30,232 million (prior year-end: € 27,796 million). Other current liabilities mainly comprise current customer advance payments of € 25,006 million (prior year-end: € 23,285 million), increasing by € +1,721 million.

5.1.5 Net Cash

EADS’ Net Cash position amounted to a solid € 11.7 billion (year-end 2010: € 11.9 billion) after acquisitions. It also reflects a cash contribution to pension assets of € 489 million.

Gross Cash comprises “Non-current securities”, “Current securities” and “Cash and cash equivalents”. For the Net Cash calculation “Long-term financing liabilities” and “Short-term financing liabilities” are deducted from the gross cash.

Free Cash Flow for the full year 2011 benefited from good operational performance. Free Cash Flow stood at € 958 million (FY 2010: € 2,707 million). After customer financing and before acquisitions, the Free Cash Flow of € 2,493 million is significantly above expectations thanks to higher order intake and higher than expected deliveries at Airbus, better EBIT* before one-off and better than expected cash inflow from government customers. Gross cash flow from operations increased compared to one year ago, mainly due to the improvement of profitability before depreciation and provisioning. The working capital includes an inventory increase at Airbus due to the progressive ramp-up on production programmes. The ramp-up in inventories was overcompensated by higher advance payments received at Airbus. Customer financing generated cash of € 135 million in 2011 as the lessor and global banking markets continue to be active despite recent concerns. The level of industrial capital expenditure is slightly below the 2010 level. In line with the Group’s strategy, EADS pursued some significant acquisitions in 2011 with an overall cash-out of approximately € 1.5 billion.

5.1.6 Order Intake and Order Book

EADS’ order intake increased by 58% to € 131.0 billion (FY 2010: € 83.1 billion), driven by the higher level of commercial aircraft orders at Airbus. At the end of December 2011, the Group’s order book increased by 21% to a record level of € 541.0 billion (year-end 2010: € 448.5 billion), underpinning EADS’ top line growth into the future. The Airbus Commercial backlog benefited from a positive revaluation impact of around € 15 billion due to the US dollar closing spot rate that has strengthened since year-end 2010. The defence order book decreased to € 52.8 billion (year-end 2010: € 58.3 billion).

Table 5 – Order Intake and Order Book by Division

by Division (Amounts in millions of Euro)	Order Intake(2)			Order Book(2)		
	FY 2011	FY 2010	Change	31st Dec 2011	31st Dec 2010	Change
Airbus Division (1)	117,874	68,223	+73%	495,513	400,400	+24%
Airbus Commercial	117,301	68,210	+72%	475,477	378,907	+25%
Airbus Military	935	152	+515%	21,315	22,819	-7%
Eurocopter	4,679	4,316	+8%	13,814	14,550	-5%
Astrium	3,514	6,037	-42%	14,666	15,760	-7%
Cassidian	4,168	4,312	-3%	15,469	16,903	-8%
Headquarters / Consolidation	-1,233	-1,409	-	-1,467	-1,639	-
Other Businesses	2,025	1,668	+21%	2,983	2,519	+18%
Total	131,027	83,147	+58%	540,978	448,493	+21%

1) The reportable segments Airbus Commercial and Airbus Military form the Airbus Division. Eliminations are treated at the Division level.
2) Contributions from commercial aircraft activities to EADS Order Intake and Order Book are based on list prices.

5.1.7 EADS Division details

Airbus consolidated revenues increased by 10% to € 33,103 million (FY 2010: € 29,978 million), mainly driven by the deliveries increase. The Airbus consolidated EBIT* increased by 91% to € 584 million (FY 2010: € 305 million).

Airbus Commercial revenues amounted to € 31,159 million (FY 2010: € 27,673 million). Production at Airbus increased for the tenth year in a row, leading to a new record of 534 physical deliveries of commercial aircraft, including 26 A380. Compared to one year ago, Airbus Commercial revenues benefited mainly from a favourable volume and mix effect, which included a higher number of A320 Family and A380 deliveries as well as a pricing improvement. The negative impact on revenues from foreign exchange is around € 400 million. Airbus Commercial reported EBIT* amounted to € 543 million (FY 2010: € 291 million). In comparison to one year ago, the Airbus Commercial EBIT* before one-off of around € 490 million (FY 2010: around € 280 million) benefited from operational improvement including a favourable pricing effect. The improvement year-on-year is partially reduced by hedge rate deterioration of around € 200 million and higher R&D expenses, particularly for the A350 XWB programme. While revenues at Airbus Military decreased by 7% to € 2,504 million (FY 2010: € 2,684 million) due to lower revenue recognition for the A400M, EBIT* improved significantly to € 49 million (FY 2010: € 21 million) due to a favourable mix, operational improvements and overhead cost reductions.

In 2011, Airbus Commercial beat its previous order intake record with 1,419 net orders (FY 2010: 574 net orders). The A320neo Family alone won 1,226 new firm orders, making it the fastest selling jet ever in commercial aviation history. Airbus started flight testing its A320 “Sharklet” wing-tip devices, which promise a 3.5% reduction in fuel-burn. Further significant milestones include the 7,000th aircraft delivery. Two airlines, Korean Air and China Southern, took first delivery of the A380, bringing the total number of airlines operating the aircraft to seven. A380 series production progressed, underlined by the 26 deliveries in 2011, which were above target.

Production rate increases on the Single Aisle and Long Range family are well underway, despite the ramp-up challenges. Due to the positive order momentum, Airbus has decided to ramp up production of the A330 to rate eleven in Q2 2014 provided the Emission Trading Scheme issue does not harm aircraft orders. Management is devoting maximum attention to solving the A380 wing rib feet issues. The cost to fix this issue will be borne by Airbus and an estimate has been provided for within the warranty provisioning for the aircraft delivered. The A350 XWB programme is advancing. Major sections of the A350 XWB arrived at the Final Assembly Line (“**FAL**”) in Toulouse at the end of 2011. In February 2012, the A350 XWB Trent engine successfully performed its first flight on an A380 “Flying Test Bed”. Entry-into-Service is scheduled for H1 2014. The programme is very challenging: the schedule is tightening as Airbus progresses towards its next milestones, particularly Entry-into-FAL. Airbus advanced its services strategy in 2011 by acquiring logistics specialist Satair and US-based Metron Aviation, a provider of advanced Air Traffic Management solutions.

Airbus Military delivered a record number of 29 aircraft in 2011, including six cutting-edge A330 Multi-Role Tanker Transport aircraft. In a challenging environment, Airbus Military received five orders for light and medium aircraft. Flight testing on the A400M continues at maximum capacity with five test aircraft aiming for a timely achievement of first customer delivery. Final assembly of the first customer aircraft started in Seville.

At the end of December 2011, Airbus’ consolidated order book was valued at € 495.5 billion (year-end 2010: € 400.4 billion). The Airbus Commercial backlog amounted to € 475.5 billion (year-end 2010: € 378.9 billion), which comprises 4,437 units representing an industry record (year-end 2010: 3,552 aircraft). It benefited from a positive revaluation impact of around € 15 billion due to the strengthening value of the US dollar against the euro at the end of 2011 versus 2010. Airbus Military recorded five new orders, bringing the order book to 217 aircraft. The order book of Airbus Military stood at € 21.3 billion (year-end 2010: € 22.8 billion).

Revenues at **Eurocopter** increased 12% and reached a record level of € 5,415 million (FY 2010: € 4,830 million), driven by the progressive recovery of the civil sector. Deliveries totalled 503 helicopters (FY 2010: 527 helicopters), including the 1,000th Dauphin, the 1,000th EC135 and the 100th NH90. The Division’s EBIT* increased by 42% to € 259 million (FY 2010: € 183 million). The increase in revenues and EBIT* compared to one year ago results from a favourable mix effect in commercial deliveries and support activities as well as better operational performance. Revenues also include € 210 million from the first consolidation of Vector Aerospace. A net charge of around € 115 million was booked in 2011. This mainly relates to governmental programmes as well as to SHAPE. The 2010 figure included a net charge of € 120 million. R&D expenses increased in the context of Eurocopter’s innovation strategy.

Benefiting from a significant civil sector recovery and its long-term innovation strategy, Eurocopter recorded net orders of 457 helicopters in 2011, compared to 346 net orders the year before. These included major contract awards for the EC225, the first large booking for Eurocopter’s enhanced EC145 T2 and firm orders for the new EC175. The positive market momentum has continued into the current year with 191 orders and commitments at the HeliExpo Air Show in Dallas early 2012.

The NH90 programme reached a major milestone with the declaration of compliance for the NH90 Tactical Transport Helicopter (TTH) Final Operational Configuration in November.

Eurocopter acquired Vector Aerospace to boost its services business and international footprint. Its global presence was further strengthened through a co-operation in Kazakhstan and a new production plant in Mexico. In 2011, Eurocopter reached important new milestones in its innovation drive, initiating flight tests of an AS350 hybrid helicopter demonstrator and the X3 demonstrator. In 2011, Eurocopter completed its two-year SHAPE transformation effort, which strengthened its capabilities during the market downturn of the past few years. The Division's order book stood at € 13.8 billion (year-end 2010: € 14.6 billion) comprising 1,076 helicopters (year-end 2010: 1,122 helicopters).

Astrium revenues in 2011 stood stable at € 4,964 million (FY 2010: € 5,003 million) thanks to excellent programme execution, despite a challenging institutional market and increased competition. EBIT* decreased slightly to € 267 million (FY 2010: € 283 million). The strong performance in the Satellites and Space Transportation businesses was weighed down by lower activity in Services, expenses related to the Vizada acquisition and a charge of € 23 million booked for the AGILE transformation programme in the last quarter.

Order intake reached € 3.5 billion in 2011, showing continued momentum, although at a lower level than the exceptional previous two years. Landmark deals were secured with telecommunications satellite sales to US DIRECTV and Malaysian Measat operators. This represents Astrium´s first success in its drive to improve overall competitiveness in export markets through the AGILE transformation programme. In 2011, Ariane 5 performed five successful launches, including its 46th consecutive successful launch and the launch of the second Automated Transfer Vehicle (ATV).

Overall, 13 Astrium-built satellites were launched in 2011, thereof the first two Galileo In-Orbit Validation satellites and the very high resolution Earth observation satellite Pléiades 1A, for which Astrium Services will be the exclusive commercial distributor. Significant progress towards future expansion in the services sector was achieved through the acquisition of Vizada, which was closed in December. At the end of December 2011, the order book of Astrium amounted to € 14.7 billion (year-end 2010: € 15.8 billion).

Cassidian generated robust revenues of € 5,803 million (FY 2010: € 5,933 million). Profitability was in line with expectations, with EBIT* decreasing to € 331 million (FY 2010: € 457 million). While the EBIT* reflects a solid margin in mature programmes, it is burdened by a significant increase in self-funded R&D, a restructuring provision of € 38 million and by a net negative charge of € 34 million on programmes. Budget constraints in the domestic markets are clearly having an impact on the business of Cassidian with some delayed order intake, delayed financing and higher R&D.

The Division achieved an order intake of € 4.2 billion in 2011 despite a more challenging environment. The order book includes a contract for the first phase of the United Arab Emirates Command and Control System (ECCS) for EMIRAJE Systems, a Joint Venture between Cassidian and C4 Advanced Solutions. The Division has started a far-reaching transformation process to foster globalisation and adapt to a challenging business environment in the European home markets.

In 2011, Cassidian continued to progress in its development of Unmanned Aerial Systems (UAS) capabilities. The EuroHawk UAS, a joint programme with Northrop Grumman for the German armed forces, performed its ferry flight from the US to Germany in July. Following this flight the signal intelligence mission system, developed by Cassidian, was successfully integrated ahead of flight testing. Cassidian signed UAS collaboration agreements with Turkish Aerospace Industries and with Alenia Aeronautica of Italy. In late 2011, Cassidian signed a further agreement with Rheinmetall to pursue the UAS activities together with EADS within a new entity. The delivery of the 300th Eurofighter in October marked yet another milestone in this multinational programme. With the agreed delivery stretch, Eurofighter production is secured until 2017. At the end of December 2011, the order book of Cassidian stood solid at € 15.5 billion (year-end 2010: € 16.9 billion).

Headquarters and Other Businesses (not belonging to any Division)

Revenues of Other Businesses increased 6% to € 1,252 million (FY 2010: € 1,182 million). EADS North America revenues increased thanks to a ramp-up in Light Utility Helicopters (LUH) and Medium & Light transport aircraft deliveries. At Sogerma, rate increases and higher cabin seat activity offset the transfer of some activities to Eurocopter following the Vector Aerospace acquisition. EBIT* of Other Businesses more than doubled to € 59 million (FY 2010: € 25 million), including increases at ATR and Sogerma as well as a gain from the divestiture of Defense Security and Systems Solutions (DS3) in EADS North America that was completed in May.

ATR achieved an exceptional annual order intake with 119 firm orders (FY 2010: 78). These firm orders represent over 80% of all regional aircraft orders in the range of 50 to 90 seats, confirming the success of the upgraded product range. In August 2011, ATR delivered its first ATR 72-600 to launch customer Royal Air Maroc. In total, ATR delivered 54 aircraft in 2011 (FY 2010: 52), thereof 10 ATR 72-600s. In 2011, ATR reached a record backlog of 224 aircraft, representing three years of production.

EADS North America received a contract from Lockheed Martin to supply its TRS-3D radar for use on board of US Navy Littoral Combat Ships. In October, EADS North America achieved another significant milestone on the UH-72A Lakota Light Utility Helicopter (LUH) programme with the delivery of Lakotas to the National Guard outfitted with the Security and Support (S&S) Battalion Mission Equipment Package (MEP). To date, EADS North America has delivered more than half of the planned 345 LUH to the Army, all on time and within budget. The US Navy has also taken delivery of five Lakotas for use at the US Naval Test Pilot School. As of the end of December 2011, the order book of Other Businesses had increased by 18% to € 3.0 billion (year-end 2010: € 2.5 billion).

5.2 EADS N.V. Company financial statements

Table 6 – Balance sheet EADS N.V.

	December, 31	
(in millions of €)	**2011**	**2010**
Goodwill	4,354	4,354
Financial fixed assets	9,802	7,960
Non-current securities	7,103	5,172
Fixed assets	**21,259**	**17,486**
Receivables and other assets	6,362	4,874
Securities	4,140	5,756
Cash and cash equivalents	3,394	3,199
Non-fixed assets	**13,896**	**13,829**
Total assets	**35,155**	**31,315**
Stockholders' equity [1]	**8,850**	**8,841**
Financing liabilities	3,090	2,194
Non-current liabilities	**3,090**	**2,194**
Financing liabilities	0	29
Other current liabilities	23,215	20,251
Current liabilities	**23,215**	**20,280**
Total liabilities and stockholders' equity	**35,155**	**31,315**

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

Table 7 – Income Statement EADS N.V.

(in millions of €)	**2011**	**2010**
Income from investments	1,010	463
Other results	23	90
Net result	**1,033**	**553**

5.3 Information on statutory accountants

	Date of First Appointment	Expiration of Current Term of Office*
KPMG Accountants N.V. Rijnzathe 14 – 3454 PV De Meern — The Netherlands Represented by J.C.M. van Rooijen	10 May 2000	31 May 2012[t]
Ernst & Young Accountants LLP Boompjes 258, 3011 XZ Rotterdam — The Netherlands Represented by C.T. Reckers	24 July 2002	31 May 2012

(*) A resolution will be submitted to the General Meeting of Shareholders called for 31 May 2012, in order to appoint Ernst &Young Accountants LLP and KPMG Accountants N.V. as the Company's auditors for the 2012 financial year.

KPMG Accountants N.V., Ernst & Young Accountants LLP and their respective representatives are registered with the Royal NIVRA (Nederlands Instituut van Register Accountants).

5.4 Human Resources

5.4.1 WORKFORCE INFORMATION

As of 31 December 2011, the EADS workforce was composed of 133,115 employees. The total number of employees compared to 2010 increased by 11,424. This increase in the Active Workforce is explained by important consolidation changes in the course of 2011.

Eurocopter consolidated the Vector Aerospace Group with 2,419 employees. PFW Aerospace and its 2,155 employees were acquired by Airbus as well as Satair with 377 employees. Furthermore, the ND Satcom Group joined Astrium with 301 and the Vizada / Mobsat Holding with 719 employees. Additional minor acquisitions and consolidation changes further contributed to this increase in headcount.

In 2011, the workforce consisted of 96.5% full time employees. Depending on country and hierarchy level, the average contractual working time is between 35 and 40 hours a week.

In 2011, 8,238 employees worldwide entered employment with EADS (5,047 in 2010). At the same time, 3,666 employees left EADS (3,213 in 2010).

In total, 92.1% of EADS' active workforce is located in Europe on more than 100 sites.

5.4.2 ORGANISATION OF HUMAN RESOURCES MANAGEMENT

The overall mission of Group HR function is to ensure that EADS can attract, develop, and retain a world-class competent, motivated and flexible workforce which fits current and anticipated future business requirements. HR facilitates diversity, continuous integration and internationalization of the Group and contributes to a common EADS spirit. The HR strategy aims at making EADS a global employer of choice and an innovative and engaging place to work for our employees. HR supports managers in their leadership and people management duties and advises employees.

Since 2006, the HR organization has been further integrated, in line with the Group business requirements. The role of the HR Board consisting of divisional and group HR directors and functional reporting lines from the Divisions to the Group Head of HR fosters a coordinated Group HR policy. The HR function has implemented global shared services for HR administration, payroll, recruitment and learning administration using a common global HR information system. An integrated HR Portal has been implemented on the basis of harmonized HR processes and tools.

These efforts over the last years and the establishment of shared service and governance structures are providing an increasingly integrated HR function. A common HR Delivery Model is in place which entails a harmonized HR Business Partner role definition to ensure a consistent representation of HR in the different businesses. HR Business Partners provide business proximity and ensure people development and HR solutions tailored to business challenges.

Corporate HR ensures the definition and implementation of group-wide HR strategies, policies, processes and projects which are in the overall interest of EADS and thus (i) defines common HR policies together with Divisions and (ii) owns particular topics through sovereign functions (e.g. Talent and Executive Development, Compensation and Benefits as well as Social Policy and Industrial Relations). The Corporate HR team operates as strategic leader and centre of competence in reserved HR matters, in close cooperation with the Divisions and Business Units which have the operational HR responsibility. For the sovereign as well as selected key HR topics, formal networks are established which ensure regular meetings of the HR managers and specialists from different domains on both group and national levels.

In 2011, working with Group / Divisional Strategy and CTO departments, HR took important steps in mapping existing competences and defining those competences EADS will need to develop in the future.

The ESOP 2011 campaign has been a great success. 23,371 employees (18.8%) invested in the Company, which is more than ever in the history of EADS and demonstrates employees trust in the Company.

A new diversity board has been setup in 2011 to foster gender, social, cultural and intergenerational diversity as well as taking care about disabilities. With regard to gender diversity, the main focus remained on talent management and on building an internal pool of talented women, supported by a specific development program for women on level 5 (Manager) named “GROW”.

2011 saw also the launch of the new group wide initiative “my life at EADS”, which aims to create a better working environment and enhance the wellbeing of employees through improvements in health and safety, stress prevention, childcare solutions and flexible working arrangements. Seven best practices have already been awarded in December and will now be promoted across the Group, together with the next ones to come.

Since 2009, EADS runs a group wide engagement initiative for all employees based on a survey every 18-24 months, which highlights the strong drivers for engagement as well as areas for improvement.

The main focus of action after the first survey in 2009 was recognition of employees, reinforcement of leadership basics, better communication, improvement measures on trust, empowerment and proximity of managers as well as HR support for the employees, and last but not least the reinforcement of innovation.

A significantly increased participation rate in the second engagement survey, conducted in October 2010, demonstrated that employees are taking this process seriously. The results of this second survey showed a positive trend: EADS improved overall in the areas of recognition, caring about employees’ development and progress, internal communication.

The continuation of empowerment initiatives resulted in reducing bureaucracy and speeding up / simplifying the processes. However more initiatives were implemented group wide:

- All units invested strongly in two annual discussions between managers and subordinates: annual interview and mid-year review;
- Engagement forums for best practices sharing were established in June 2011 to enable the whole organisation to learn from those valuable experiences. The documentation was distributed to all managers;
- Leadership training programs “BEST/INSPIRE” were further deployed at all management levels. More than 5,000 managers have been trained since 2009 and more than 1,000 are expected to be trained in 2012; and
- A focus was set on action plans and follow-up at team level, in all Divisions (team boosters), with the local support of HR.

The third engagement survey will be conducted from 12 March to 6 April 2012, the results will be available in June/July 2012.

5.5 Environmental matters

EADS' prominence in aerospace makes it a central player of the sustainable mobility issue and more broadly, of the evolution towards a "green economy".

Following the creation of the EADS Environmental network, the group's first environmental policy was published in 2008; it was translated into a corporate environmental roadmap, issued a year later, which dictates regulatory compliance and continuous improvement in environmental management, and defines specific goals of eco-efficient operations, products and services. To heighten the sense of importance, and incorporate systematically "eco-efficiency" in the corporate culture, EADS dedicated one of the group-wide Top Ten Priorities for 2011 towards the "promotion of eco-efficiency, innovation and quality as key elements of competitiveness through action plans in Divisions and at EADS group level." The eco-efficiency concept is about maximizing economic value creation while minimizing environmental impact.

5.5.1 MANAGING ENVIRONMENTAL IMPACT OF ACTIVITIES AND PRODUCTS THROUGHOUT THE LIFE CYCLE

Environmental Management System ("EMS")

ISO 14001 is an internationally recognised standard of EMS efficiency for businesses and organisations. EADS encourages not only the environmental certification of its operations but also the implementation of a full life cycle perspective for its products and services, as this remains the most cost-efficient and practical way to effectively reduce the environmental impact. The certified EMS has been progressively implemented across EADS manufacturing sites and over 90% of EADS employees operate under an ISO 14001. The site and product life cycle orientation of EMS purports to create economic value by reducing environmental costs and exposure at each stage of the product life, from design to operations up to end of life.

At the Research and Development stage

EADS' main focus is to enable the whole aviation sector to meet stringent 2020 and 2050 targets for reducing noise and emissions. EADS divisions have major roles in cooperative projects such as:

- *"MOZAIC", "COMET", "IAGOS", and "QUANTIFY"* (projects to monitor gas and water vapour in the upper troposphere and better understand air components, meteorology and climate change phenomenon);
- *"CORINE"* (a European Union funded project focusing on a collaborative eco-design tool for small and medium size companies);
- *"Clean Sky"* (a seven-years, € 1.6 billion joint technology initiative, seeking to meet the "ACARE" research objectives). As much as 80% of the Research and Technology budgets in Airbus and Eurocopter are devoted to finding ways to increase eco-efficiency and reduce pollution;
- *"eGenius"* (a project to develop alternative energy-sources for greener aviation and to support basic research activities for electric aircraft concepts); and
- Last but not least, EADS performs research tests with the German Aerospace Centre "DLR" for fuel cell powered autonomous taxiing. Furthermore EADS joins forces with Parker Aerospace in fuel cell technology development to further improve eco-efficiency in aviation and generate aviation industries' general understanding of the specific technology and its potential.

At the extended enterprise level

EADS strives to keep the environmental impact of its entire supply chain under control, and it helps its suppliers to improve, notably for compliance with regulatory requirements regarding various substances content in products. To mitigate non trivial business risks, a large mobilization is underway to support the EADS supply chain on complex substances related regulations such as REACh.

EADS strives to develop joint industrial initiatives to improve the overall environmental performance of the aerospace and defence industry in the most effective, consistent and cost-efficient manner possible. In this connection, EADS supported the creation of the IAEG (International Aerospace Environmental Group) to harmonize industry responses to existing and emerging environmental regulations, align aerospace environmental standards and work on a common approach and expectations for the supply chain.

EADS leads or participates in various European and international environmental working groups such as ICAO, ATAG, ICCAIA, ASD, CAEP, WEF and in environmental working groups of national industry organisations such as GIFAS in France, TEDAE in Spain, BDLI in Germany and ADS in the UK.

At the manufacturing level

Investment processes are being reviewed in order to include environmental criteria to better integrate environment into business and move towards an eco-efficient enterprise.

Initiatives have been launched at Division and site level to reduce the environmental footprint of the Company by 2020 e.g.:

- Airbus initiated BLUE-5, which provides a roadmap for reducing the environmental footprint of Airbus by 2020 on the 5 aspects of EADS Vision 2020: energy consumption, CO_2 emissions, waste production, water consumption and discharges and Volatile Organic Compound "VOC" emissions;
- Astrium has set up a multi-functional working group production/facility management/design, with the aim to make environmental performance a decision driver for new production means;
- Airbus optimised the ventilation system at the A380 paintshop, which reduces energy consumption by 50,000 kilowatt hours during the average 16-day processing time for an A380. The saving on fuel costs is considerable but there is also a 32-tonnes reduction of CO_2 emissions per aircraft;
- Airbus Military installed 18,000 m² of solar panels at the A400M FAL "final assembly line" in San Pablo, Spain, providing 10% of the plant's total electricity needs without producing any CO_2. Furthermore, Getafe's Centre for Prototype Aircraft has pipes for geo-thermal heating, which run through thermo-active foundations, avoiding the need for any CO_2-generating fossil fuel; and
- Eurocopter has started the environment-friendly construction of an innovative, unique high-tech platform. The building features geothermal heating and groundwater cooler, as well as "green" roods that can be walked on. There will also be several charging stations for electric vehicles. Additionally, Eurocopter performed the installation of solar panels in Marignane.

To monitor progress, and to comply with reporting obligations, EADS-wide environmental reporting is now well implemented, organized around clear guidelines, a data collection tool and a structured network. The reporting process and the consolidated data are externally audited since 2010. 13 environmental indicators will be verified in 2012, compared to 4 in 2010, covering themes such as energy consumption, CO_2 emissions, waste production and water. Results from the audit of last year have proven the relevance, maturity and reliability of EADS environmental reporting.

Aircraft operations:

Over the last 40-50 years, the aviation sector has reduced noise by 75% and CO_2 by 70%. Yet, environmental performance is mandated to improve further and is a major focus of attention.

While its fuel saving technology is a compelling argument for airlines, the A380's, noise and fuel efficiency (< 3 litres fuel consumption / passenger / 100 km, vs. 5 litres average for the worldwide fleet) remains unsurpassed for its category.

In line with the ambitious "ACARE" targets, some top level aircraft requirements were set for the environmental performance of the A320neo Family. The A320neo will not only deliver significant fuel savings of up to 15%, which represents up to 3,600t of CO2 savings annually per A320neo. In addition, A320neo customers will benefit from a double-digit reduction in NOx emissions, reduced engine noise, lower operating costs and up to 500nm (950 km) more range or two tonnes more payload.

Built-in fuel efficiency is beyond any doubt the greatest contributor to the environmental friendliness of the A350 XWB. In comparison with current long range twins, the A350 XWB saves up to 25% fuel burn thanks to an intelligent use of materials, state of the art aerodynamics, advanced systems and new generation engines.

Eurocopter's X3 hybrid helicopter demonstrator has delivered on the promise of pushing the frontiers in rotary-wing aviation by surpassing its original speed target of 220 kts demonstrating the compound aircraft's performance, capabilities and maturity. The new aircraft and propeller speeds can be varied by wide degree, making it possible to significantly reduce noise levels during low altitude flyovers. The X3 also can perform optimized flight trajectories during landing and take-off in order to reduce the sound footprint perceived on the ground. The X3 consumes less fuel per kilometre during high-speed cruise flights than the current generation of conventional helicopters.

Beyond aircraft development, EADS is assuming a leading role in developing integrated solutions for enhanced environmental performance including modernization of Air Traffic Management ("**ATM**") and has launched a new subsidiary company called "Airbus ProSky", dedicated to the development and support of modern ATM systems. EADS divisions have been involved in the "Single European Sky ATM research" joint undertaking ("**SESAR**") since inception. Airbus also participates in NextGen, the corresponding US project, to ensure interoperability of systems.

EADS is pioneering sustainable[2] biofuels, made from bio-mass feedstock that give off carbon dioxide as they grow, thereby offsetting emissions when they are burned. EADS has been working with universities, fuel companies and start-up companies, as well as standard-setting organisations, to develop "drop-in" biofuels (that work with existing aircraft and infrastructure). Airbus has 7 value chain projects in place, with Tarom, Iberia, Qatar TAM, China Eastern and Virgin Australia and is at present pursuing projects in South Africa and Canada. It also supports airlines, such as Lufthansa, Air France, Interjet and others with their commercial operations using biofuels and is co-leading a key project with the EU to prepare a feasibility study and road map to ensure 2 million tonnes of biofuel availability for aviation in the EU by 2020.

Airbus supported the realization of a "green flight" operated by Air France from Toulouse to Paris on 13th, October 2011. All current CO_2 emissions reduction levers have been used to make this flight the most efficient in terms of cost and emissions: optimisation of flight procedures, optimisation of air traffic, use of a modern aircraft, use of bio fuels, etc. The results are extraordinary: 2.2l / passenger / 100 km, 50% reduction of the consumption compared to a usual flight.

End of life and recycling of aircraft

This process deserves consideration: about 14,000 commercial transport aircrafts will be removed from service over the next 20 years, and will be replaced by more fuel and CO_2 efficient aircrafts. Airbus has developed sustainable dismantling and recycling techniques that comply with environmental, health and safety requirements, and it is increasingly incorporating this knowledge upstream into aircraft design.

5.5.2 EADS: A WAREHOUSE OF TECHNOLOGY, CONTRIBUTING TO THE ENVIRONMENTAL OFFER

EADS evolving technology portfolio, arising from Aerospace and Defence research, has applications inside and outside its core business, contributing to environmental innovation across other sectors.

Illustrating this approach, Astrium is positioning its observation, navigation, telecom satellites and services as enablers of three component solutions to earth's environmental challenges: Monitoring (to provide policy makers with solid data for decisions), Mitigation (of the negative impact of human activities), and Adaptation (to environmental degradation).

Satellites are long established as a monitoring tool for environmental scientists and policy makers. Astrium observation technologies provided to the European Space Agency become durable monitoring tools within the EU GMES programme.

Space is also an invaluable vantage point, for the Adaptation segment, in times of crisis (extreme weather, floods, forest fires, earthquakes, etc.) to support rescue teams with terrain data and victim location, or to do preventive mapping of vulnerable zones. On the Mitigation front, Astrium offers services to agriculture that help to reduce the use of fertilizers.

Launched in 2010 'Cryosat' the Astrium built satellite has complemented our understanding of the relationship between the deterioration of the polar caps and the climate change.

[2] *EADS defines sustainable bio-fuels as neither competing with land/water resources used for food production nor destroying rain forests.*

Geostationary Ocean Color Imager “GOCI” an instrument provided by Astrium to South Korea has been validated in space, on board the COMS (Communication Ocean, Meteorological Satellite) starting successfully its scientific mission in 2011.

EADS Services, via its GEO-Information business, and the ‘Agence Française de Développement’ (AFD) have launched a portal to provide satellite imagery of the forests in the Congo basin to organizations working to conserve the region's forests. Over 600 SPOT satellite images will now be directly accessible.

A very successful international workshop on REDD (Reducing Emissions from Deforestation and forest Degradation) was organized gathering more than 80 world experts, economists and investors showing the great interest of satellites imagery to monitor forest protection.

5.6 Research and Technology Management

Today’s rapidly changing business environment demands new aerospace innovation that answers society’s requirements concerning the environment, security and mobility. EADS’ Research and Technology management (“**R&T**”) is tightly linked to improve the Group's competitiveness to answer these needs. Research & Technology plays a central role in helping EADS remain competitive by driving forward the spirit of innovation. The EADS Corporate Technical Office (“**CTO**”) organization ensures that business strategy and technology strategy are closely aligned.

The CTO, together with Divisional research operations, delivers shareholder value through a deliberate, leading-edge R&T portfolio that enables the introduction of new technologies. The CTO also fosters long-term customer relationships by developing high value solutions which meet the technological, performance, safety, and cost competitive pressures that the company faces. The EADS R&T strategy is also driven by the need for successful on time, on quality, on price introduction of new products and processes that include IT technology, quality and services. The scope of R&T within EADS covers a wide spectrum of technological domains. R&T activities are targeted at various levels in the value chain and the R&T strategy is structured according to the timelines of short term/committed programmes, medium term/optional programmes and long term/advanced concepts.

The R&T activities for advanced concepts include Integrated Demonstrators and Technological/Operational Studies. Today, all EADS Divisions work in close collaboration with the CTO office to generate new products in line with the Company’s vision and to maximize its future business potential. This vision explores and generates completely new ideas, while pushing the limits of what is technically possible. During 2011, the corporate research portfolio was focused around four growth axes: mobility, sustainable aviation (e.g. biofuel developments and diesel-electric propulsion concepts), safety and security (e.g. unattended luggage inspection system and aircraft safety) and services (e.g. in mid-life upgrades, maintenance repair and overhaul).

EADS also dedicates resources to assess emerging ideas and concepts through several programs including Free Scouting and the EADS Nursery. EADS R&T management endeavours to develop upstream technology concepts, which means, for example, constantly looking for new ideas, materials and equipment and experimenting with them on prototypes before they are deployed on a large scale. In doing so, the Company develops privileged relationships with top institutes around the world. EADS R&T activities in these areas are aimed to identify emerging concepts and to further develop these technologies. EADS identifies emerging technologies through its internal research network known as Technological Capability Centres: that will drive future performance for seven key technology areas: Composites Technologies, Metallic Technologies & Surface Engineering, Structures Engineering, Production & Aeromechanics, Sensors, Electronics & Systems Integration, Engineering, Physics, IT and Energy & Propulsion. Activities of the TCCs are located at IW centres around the world.

R&T management also includes the “architect’s toolbox” which develops and masters the state of the art tools, and enables EADS to be an efficient industrial architect. The toolbox encompasses virtual product engineering technologies like: function digital mock-up, mixed reality for aircraft operations, realistic human experience analysis, and mature software development products like MACROS.

It is of key importance for EADS to detect disruptive technologies that could contribute to the Company's portfolio of products. Through EADS Innovation Works, the research arm of the CTO, and together with the Divisional R&T units and the partnerships with external laboratories around the world, EADS monitors and evaluates closely different technologies such as fuel cells, secure communications, photonics, nanotechnologies and hybrid materials – among many others.

In keeping with its ambition to grow its business in the products related services, EADS is developing technologies for services such as training, advanced product support, full communication services as well as special mission capability: e.g. provision, maintenance and operations on behalf of a customer including qualified staff to conduct the mission.

6. Financial Targets for 2012

As basis for EADS' 2012 guidance, the Group expects the world economy and air traffic to grow in line with prevailing independent forecasts and assumes an average dollar exchange rate of € 1 = $ 1.35.

In 2012, Airbus should deliver around 570 commercial aircraft. Gross orders should be above the number of deliveries. EADS 2012 revenues should continue to grow above 6%. Group EBIT* before one-off should improve significantly thanks to volume increases at Airbus and Eurocopter, better pricing at Airbus and A380 improvement. EADS expects the EBIT* before one-off to be above € 2.5 billion. The EADS 2012 Earnings per Share (EPS)* before one-off should be above € 1.65 (FY 2011: € 1.39), based on the Net Income* before one-off.

Going forward, the reported EBIT* and EPS performance of EADS will be dependent on the Group's ability to execute on its complex programmes such as A400M, A380 and A350 XWB, in line with the commitments made to its customers. Based on this EBIT* guidance, EADS should continue to generate a positive Free Cash Flow after customer financing and before acquisitions. As it is the most volatile item, especially during uncertain macro-economic times, EADS will give a more precise guidance later in the year.

7. EADS Strategic Challenges

The following strategic challenges of EADS have been published in the Group's Vision 2020 which outlines EADS' long-term objectives and has been discussed throughout various management levels, as well as EADS' Board of Directors. All such objectives must be understood to be long-term management ambitions, the achievement of which is subject to risks as outlined in section - 4.6 Risk Factors.

7.1 Group Strategic Challenges

EADS has one of the broadest aerospace platform portfolios and has the world's largest order backlog in 2011, making the group a global leader in its sector. With its Vision 2020, EADS strives to expand its global leadership in air and space platforms, systems (mainly platform related systems architecture and integration) and services with a complete portfolio of products, both commercial and governmental.

In the current environment all players in the aerospace and defence industry are likely to face tough decisions in the coming years. The Group needs to manage a significant increase in commercial aircraft deliveries and simultaneously a continued reduction in defence budgets in particular for the US and numerous EU countries. While the commercial backlog predicts an increase in manufacturing, the Group will put emphasis on also growing the governmental and services businesses to ensure a broader and more balanced base for value creation potential. This represents a key strategic challenge for the Group.

Although the commercial aviation cycle is strongly correlated to GDP growth, the industry remained in a period of growth in aircraft deliveries, driven by emerging market growth. Rising fuel price and the need for more efficient aircraft, i.e. the need to replace aging fleets in developed economies are additional drivers for sustained growth in aircraft demand. Simultaneously, emerging aircraft competitors are ramping up activities and the competitive landscape is likely to evolve, including a shortening of the innovation cycle. As a response, EADS pursues strong R&D and innovations efforts to provide solutions in line with market expectations (such as the A320neo).

EADS must also cope with an increased pressure related to its supply chain, both in terms of the availability of financing and skilled labour for lower tier players to meet increasing demand and production ramp-up from commercial OEM players. Specialty raw-material shortages could also be a challenge to sustain and increase capacity as well as single source supplies as was the case in Japan after the natural disaster in 2011.

Defence and institutional activities which traditionally have been more resilient to downturns have been facing headwinds since the economic downturn in 2008. Several nations, and in particular the US and many EU countries, have been forced to reduce public sector spending in general which will result in defence budget cuts and a need to strengthen focus on affordability of platforms and equipment as well as increased outsourcing of activities no longer considered as core to the armed forces.

Additionally, sustained growth in security spending both from government and private sectors has been driven by the need to respond effectively to large-scale security threats, such as natural disasters, fires, flooding and earthquakes, as well as asymmetric terrorist threats and an increasing need to define protective policies and counter measures against sophisticated cyber-attacks.

Consequently, EADS will continue to develop and secure core capabilities, technologies for the interoperability and connectivity of platforms and systems in the commercial, as well as in the defence and security realms. In particular when delivering complex UAVs, satellites and air defence missile systems, such capabilities remain core in order to secure prime contractorship.

EADS will continue to develop services activities which provide a new growth engine fuelled by the increasing need in markets segments like Training, Advanced In Service Support and Air Traffic Management systems. Capture opportunities due to the expected transfer of responsibilities and outsourcing from defence/governmental bodies and armed forces to the private sector is also a priority. Demand for mission-critical services and availability contracts are rising in the market, either driven by cost and revenue constraints or driven by operational efficiency requirements. Therefore, EADS targets to double its services share of business by 2020.

In order to ensure continuous access to markets and technology resources, to optimize cost and to protect against dollar volatility, EADS will pursue the development of three geographical pillars including EU, US and other global markets. To achieve this ambition, EADS needs to reinforce the industrial footprint and partnership-building outside Europe whilst protecting core technologies and optimising our industrial base in Europe. Beyond new opportunities in the US commercial aviation market, which are mainly driven by replacement needs, EADS long term goal will also be to enhance the Group's US industrial base and achieve $10 billion revenues in North America, mainly by addressing a defence, security and space related customer base and gaining a prime position with US Government. Furthermore, increased focus will be given to selected key markets in the Middle East, Latin America and Asia in order to benefit from the growth dynamics in turbo economies.

For EADS to counter these strategic challenges and drive towards the Vision 2020 objectives, further organic growth needs to be fostered and supported by external growth through acquisitions or partnerships. Consequently, EADS must constantly monitor the development of potential opportunities, in particular in areas of strategic interest such as aerospace platforms, defence-, security- and space- systems and electronics as well as related activities in service support throughout the overall business portfolio.

EADS will also continue to drive necessary improvements to achieve a best in class operational and financial efficiency and in particular an enhancement of profitability. Achievement of this target is depending on the average value of the euro-dollar exchange-rates and the development of the commercial cycle. The improvements have to come through internal cost control, optimal resource allocation, enhanced programme execution and risk management, ability to cope with the US$ volatility as well as growth, particularly of more profitable segments. Furthermore the management of the commercial cycles, avoiding volatility in manufacturing as well as managing impacts on the supply base, is also a key element to ensure long term value creation.

EADS is consistently moving towards becoming an eco-efficient company. With a clear objective to reconcile environmental protection and economic sustainability, EADS intends to meet increasing demand for aeronautic/space/defence products while minimizing environmental impacts in the most economical and efficient way.

Finally, EADS needs to find, build and retain motivated and competent employees. EADS leadership culture is based on mutual trust, empowerment, recognition and accountability. Employee development is the core activity of EADS managers. EADS will also encourage stronger mobility and greater internal diversity in the teams. Recruitment of managers from nations outside our home countries will also be encouraged.

7.2 Divisions outlook

Airbus

In 2012, Airbus is targeting a further increase in deliveries to approximately 570 commercial and 30 military aircraft. Monthly production rates are set to be ramped up to 42 for the A320, 9.5 for the A330 and towards three for the A380 by the end of 2012. Gross commercial aircraft orders are expected to be above the number of deliveries.

The first A350 XWB will enter final assembly in early 2012, in line with the new schedule. The Sharklets for the A320 Family will complete testing, ahead of certification before the year end. A400M production will ramp up in preparation for delivery of the first aircraft to the French Air Force.

In financial terms, Airbus Commercial underlying profitability (EBIT before one-off) is expected to improve significantly, thanks to higher delivery volumes, better pricing and improvement of A380 production performance. Going forward, the reported EBIT* will be dependent on the company's ability to execute on the A400M, A380 and A350 programmes, in line with the commitments made to its customers.

Eurocopter

In 2012, Eurocopter aims to continue its ambitious innovation programme, while growing its international footprint and further expanding services. Development of the next-generation X4, Eurocopter's successor in the Dauphin segment, will be a priority for 2012, as will the inauguration of the EC725 assembly line in Brazil, and the phasing-in of a production facility in Mexico. Eurocopter will also continue discussions with the German government on defence programmes.

In the next 5 years, Eurocopter is anticipating a gradual global recovery in the civil market, especially outside Europe. Eurocopter expects deliveries to return to pre-crisis levels in the next few years and a significant improvement in its profitability mid-term.

Astrium

In 2012 Astrium will continue the drive to improve its competitiveness through the transformation programme AGILE, launched in late 2010. Revenues are expected to be stable in 2012, while pressure on institutional markets will weigh on services profitability. In the following years, Astrium is expected to return to benchmark profitability, in line with the Group's ambitious growth and profitability targets for 2020.

In 2012 budget constraints will put pressure on order intake from institutional customers both in the defence and exploration sector. The ESA Ministerial Council, due to take place in late 2012, is expected to provide clear perspectives on the future direction of European space programmes.

Cassidian

During 2012, Cassidian will continue to adapt to the changing global business environment. Cassidian will continue to invest in technologies, demonstrators and globalisation to secure future business, while managing risks and pursuing its transformation process through efficiency improvements, headcount adaptations and development outside Europe.

Beyond 2012, Cassidian aims to return gradually to benchmark profitability confirming ambitious long-term targets for growth, profitability and cash generation. In the medium term, Cassidian expects to be generating more than 50% of its total business outside the traditional home countries, compared to 32% in 2010. In the long term, Cassidian aims to increase the security-related share of its revenues to 50% compared to 22% in 2010.

The information contained in this Board Report will enable you to form an opinion on the situation of the Company and the operations, which are submitted to you for approval.

For further information and detail regarding EADS' activities, finances, corporate governance, and in particular risk factors, the reader should refer to the EADS website **www.eads.com.**

The Board of Directors hereby declares that, to the best of its knowledge:

- The financial statements for the year ended 31 December 2011 give a true and fair view of the assets, liabilities, financial position and profits or losses of EADS and undertakings included in the consolidation taken as a whole; and
- This Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2011 financial year of EADS and undertakings included in the consolidation taken as a whole, and the principal risks facing EADS have been described herein.

The Board of Directors

Bodo Uebber, Chairman

Louis Gallois, Chief Executive Officer

Rolf Bartke, Director

Dominique D'Hinnin, Director

Juan Manuel Eguiagaray Ucelay, Director

Arnaud Lagardère, Director

Hermann-Josef Lamberti, Director

Lakshmi N. Mittal, Director

Sir John Parker, Director

Michel Pébereau, Director

Wilfried Porth, Director

Leiden, 7 March 2012

Financial Statements 2011

EADS N.V. Consolidated Income Statements (IFRS) for the years ended 31 December 2011, 2010 and 2009

(In € million)	Note	2011	2010	2009
Revenues	5, 6	**49,128**	**45,752**	**42,822**
Cost of sales	7	(42,285)	(39,528)	(38,383)
Gross margin		**6,843**	**6,224**	**4,439**
Selling expenses		(981)	(1,024)	(924)
Administrative expenses		(1,427)	(1,288)	(1,272)
Research and development expenses	8	(3,152)	(2,939)	(2,825)
Other income	9	359	171	170
Other expenses	10	(221)	(102)	(102)
Share of profit from associates accounted for under the equity method	11	164	127	115
Other income from investments	11	28	18	19
Profit (loss) before finance costs and income taxes	5	**1,613**	**1,187**	**(380)**
Interest income		377	316	356
Interest expense		(364)	(415)	(503)
Other financial result		(233)	(272)	(445)
Total finance costs	12	(220)	(371)	(592)
Income taxes	13	(356)	(244)	220
Profit (loss) for the period		**1,037**	**572**	**(752)**
Attributable to:				
Equity owners of the parent **(Net income (loss))**		1,033	553	(763)
Non-controlling interests		4	19	11
Earnings per share		**€**	**€**	**€**
Basic	38	1.27	0.68	(0.94)
Diluted	38	1.27	0.68	(0.94)

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

EADS N.V. Consolidated Statements of Comprehensive Income (IFRS) for the years ended 31 December 2011, 2010 and 2009

(In € million)	2011	2010	2009
Profit (loss) for the period	**1,037**	**572**	**(752)**
Currency translation adjustments for foreign operations	(25)	119	(279)
Effective portion of changes in fair value of cash flow hedges	(365)	(2,983)	2,948
Net change in fair value of cash flow hedges transferred to profit or loss	(171)	(201)	(1,456)
Net change in fair value of available-for-sale financial assets	(20)	12	136
Actuarial gains (losses) on defined benefit plans	(747)	(127)	(594)
Unrealized gains (losses) from investments accounted for using the equity method	129	(161)	33
Tax on income and expense recognized directly in equity	331	1,096	(381)
Other comprehensive income, net of tax	**(868)**	**(2,245)**	**407**
Total comprehensive income of the period	**169**	**(1,673)**	**(345)**
Attributable to:			
Equity owners of the parent	163	(1,679)	(354)
Non-controlling interests	6	6	9

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

EADS N.V. Consolidated Statements of Financial Position (IFRS) at 31 December 2011 and 2010

(In € million)

Assets	Note	2011	2010
Non-current assets			
Intangible assets	14	12,745	11,299
Property, plant and equipment	15	14,159	13,427
Investment property	16	74	77
Investments in associates accounted for under the equity method	17	2,677	2,451
Other investments and other long-term financial assets	17	2,378	2,386
Non-current other financial assets	20	631	871
Non-current other assets	21	1,253	1,104
Deferred tax assets	13	4,309	4,250
Non-current securities	22	7,229	5,332
		45,455	**41,197**
Current assets			
Inventories	18	22,563	20,862
Trade receivables	19	6,399	6,632
Current portion of other long-term financial assets	17	172	111
Current other financial assets	20	1,739	1,575
Current other assets	21	2,253	1,712
Current tax assets		339	234
Current securities	22	4,272	5,834
Cash and cash equivalents	31	5,284	5,030
		43,021	**41,990**
Total assets		**88,476**	**83,187**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		820	816
Share premium		7,519	7,645
Retained earnings		471	46
Accumulated other comprehensive income		153	446
Treasury shares		(113)	(112)
		8,850	8,841
Non-controlling interests		20	95
Total equity	23	**8,870**	**8,936**
Non-current liabilities			
Non-current provisions	25	9,125	8,213
Long-term financing liabilities	26	3,628	2,870
Non-current other financial liabilities	27	8,193	8,624
Non-current other liabilities	28	9,814	9,264
Deferred tax liabilities	13	1,050	1,195
Non-current deferred income	30	290	315
		32,100	**30,481**
Current liabilities			
Current provisions	25	5,860	5,766
Short-term financing liabilities	26	1,476	1,408
Trade liabilities	29	9,630	8,546
Current other financial liabilities	27	1,687	1,234
Current other liabilities	28	27,670	25,772
Current tax liabilities		308	254
Current deferred income	30	875	790
		47,506	**43,770**
Total liabilities		**79,606**	**74,251**
Total equity and liabilities		**88,476**	**83,187**

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

EADS N.V. Consolidated Statements of Cash Flows (IFRS) for the years ended 31 December 2011, 2010 and 2009

(In € million)	Note	2011	2010	2009
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))		**1,033**	**553**	**(763)**
Profit for the period attributable to non-controlling interests		4	19	11
Adjustments to reconcile profit (loss) for the period to cash provided by operating activities:				
Interest income		(377)	(316)	(356)
Interest expense		364	415	503
Interest received		417	332	382
Interest paid		(307)	(278)	(331)
Income tax expense (income)		356	244	(220)
Income taxes (paid) received		(100)	(140)	4
Depreciation and amortization		1,884	1,582	1,826
Valuation adjustments		(408)	(366)	(254)
Results on disposals of non-current assets		(29)	(75)	(31)
Results of companies accounted for by the equity method		(164)	(127)	(115)
Change in current and non-current provisions [1)]		230	(219)	1,594
Change in other operating assets and liabilities:		**1,386**	**2,819**	**15**
- Inventories		(1,640)	705	(1,961)
- Trade receivables		447	(345)	(478)
- Trade liabilities		806	(40)	192
- Advance payments received		1,965	1,698	2,925
- Other assets and liabilities		(327)	738	(257)
- Customer financing assets		246	169	(306)
- Customer financing liabilities		(111)	(106)	(100)
Cash provided by operating activities		**4,289**	**4,443**	**2,265**
Investments:				
- Purchases of intangible assets, Property, plant and equipment		(2,197)	(2,250)	(1,957)
- Proceeds from disposals of intangible assets, Property, plant and equipment		79	45	75
- Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	31	(1,535)	(38)	(21)
- Proceeds from disposals of subsidiaries (net of cash)	31	18	12	13
- Payments for investments in associates, other investments and other long-term financial assets		(312)	(190)	(136)
- Proceeds from disposals of associates, other investments and other long-term financial assets		77	91	43
- Dividends paid by companies valued at equity		50	41	27
Disposals of non-current assets / disposal groups classified as held for sale and liabilities directly associated with non-current assets classified as held for sale		0	0	103
Change in securities	22	(378)	(3,147)	(821)

(In € million)	Note	2011	2010	2009
Cash (used for) investing activities		**(4,198)**	**(5,436)**	**(2,674)**
Increase in financing liabilities		813	99	1,114
Repayment of financing liabilities		(399)	(1,160)	(208)
Cash distribution to EADS N.V. shareholders		(178)	0	(162)
Dividends paid to non-controlling interests		(5)	(7)	(4)
Changes in capital and non-controlling interests		(65)	(48)	17
Change in treasury shares		(1)	(3)	(5)
Cash provided by (used for) financing activities		**165**	**(1,119)**	**752**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents		(2)	104	(50)
Net increase (decrease) in cash and cash equivalents		**254**	**(2,008)**	**293**
Cash and cash equivalents at beginning of period		**5,030**	**7,038**	**6,745**
Cash and cash equivalents at end of period		**5,284**	**5,030**	**7,038**

1) In 2011, “contribution to plan assets for pensions" is shown in “change in current and non-current provisions” within cash provided by operating activities. Previously, contribution to plan assets for pensions" was disclosed in cash used for investing activities. It amounts in 2011 to €(489) million (2010: €(553) million and 2009: €(173) million).

For details, see Note 22 "Securities" and Note 31 "Consolidated Statement of Cash Flows".

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

EADS N.V. Consolidated Statements of Changes in Equity (IFRS) for the years ended 31 December 2011, 2010 and 2009

				Equity attributable to equity holders of the parent							Non-controlling interests	Total equity
				Retained earnings		Accumulated other comprehensive income						
(in €million)	Note	Capital stock	Share premium	Other retained earnings	Actuarial gains or losses	Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments	Treasury shares	Total		
Balance at 31 December 2008		**815**	**7,836**	**1,992**	**(1,270)**	**421**	**(184)**	**1,521**	**(109)**	**11,022**	**104**	**11,126**
Profit (loss) for the period				(763)						(763)	11	(752)
Other comprehensive income					(479)	140	1,012	(264)		409	(2)	407
Capital increase	23	1	14							15	2	17
										0	(5)	(5)
Cancellation of treasury shares	23								(5)	(5)		(5)
Balance at 31 December 2009		**816**	**7,850**	**1,229**	**(1,749)**	**561**	**828**	**1,257**	**(114)**	**10,678**	**110**	**10,788**
Profit for the period				553						553	19	572
Other comprehensive income					(32)	(177)	(2,201)	178		(2,232)	(13)	(2,245)
Capital increase	23		5							5		5
Capital decrease	23		(43)							(43)	(6)	(49)
Share-based Payment (IFRS 2)	35			23						23		23
Dividends paid to non-controlling interests										0	(7)	(7)
Equity transaction (IAS 27)				3						3	(7)	(4)
Change in non-controlling interests										0	3	3
Change in treasury shares	23								(3)	(3)		(3)
Balance at 31 December 2010		**816**	**7,812**	**1,808**	**(1,781)**	**384**	**(1,373)**	**1,435**	**(117)**	**8,984**	**99**	**9,083**
Profit for the period				1,033						1,033	4	1,037
Other comprehensive income					(579)	182	(399)	(74)		(870)	2	(868)
Capital increase	23	4	59							63		63
Capital decrease	23									0		0
Share-based Payment (IFRS 2)	35			15						15		15
Cash distribution to EADS N.V. Shareholders / dividends paid to non-controlling interests			(178)							(178)	(5)	(183)
Equity transaction (IAS 27)				(17)	(28)		(1)			(46)	(79)	(125)
Change in non-controlling interests										0	3	3
Change in treasury shares									(8)	(8)		(8)
Cancellation of treasury shares	23		(7)						7	0		0
Balance at 31 December 2011		**820**	**7,686**	**2,839**	**(2,388)**	**566**	**(1,773)**	**1,361**	**(118)**	**8,993**	**24**	**9,017**

1) In 2011, “contribution to plan assets for pensions" is shown in “change in current and non-current provisions” within cash provided by operating activities. Previously, contribution to plan assets for pensions" was disclosed in cash used for investing activities. It amounts in 2011 to €(489) million (2010: €(553) million and 2009: €(173) million).

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

Notes to the Consolidated Financial Statements (IFRS)

Contents

Basis of Presentation

COMPANY FINANCIAL STATEMENTS AND NOTES

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 NV** and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands). EADS' core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. EADS has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on 7 March 2012, are prepared and reported in euro ("€"), and all values are rounded to the nearest million appropriately.

2. Summary of Significant Accounting Policies

Basis of preparation — EADS' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code. They comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the IFRS Interpretations Committee ("IFRIC") or former Standing Interpretations Committee ("SIC"). The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain items such as:

(i) derivative financial instruments, which are measured at fair value;

(ii) available-for-sale financial assets, which are measured at fair value;

(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, and are hence measured at fair value ("Fair Value Option", see Note 34 "Information about financial instruments");

(iv) assets and liabilities designated as hedged items in fair value hedges, which are either measured at fair value or at amortised cost adjusted for changes in fair value attributable to the risks that are being hedged;

(v) share based payment arrangements, which are measured using the fair-value based measure of IFRS 2; and

(vi) defined benefit obligations (or assets), which are measured according to IAS 19, and related plan assets, which are measured at fair value.

The measurement models used when historical cost does not apply are more fully described below.

In accordance with Article 402 Book 2 of the Netherlands Civil Code the Statement of Income of the **EADS NV company financial statements** is presented in abbreviated form.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in the last subsection "Use of Accounting Estimates" of this Note 2.

NEW, REVISED OR AMENDED IFRS STANDARDS AND NEW INTERPRETATIONS

The IFRS accounting principles applied by EADS for preparing its 2011 year-end Consolidated Financial Statements are the same as for the previous financial year except for those following the application of new or amended Standards or Interpretations respectively and changes in accounting policies as detailed below.

a) New, Revised or Amended Standards

The application of the following new, revised or amended standards is mandatory for EADS for the fiscal year starting 1 January 2011. If not otherwise stated, the following new, revised or amended Standards did not have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

In November 2009, the IASB issued a revised version of **IAS 24** "Related Party Disclosures", which was endorsed in July 2010. The revised standard simplifies the disclosure requirements for government related entities and clarifies the definition of a related party.

The amendment to IAS 32 "Classification of Rights Issues – **Amendment to IAS 32** Financial Instruments: Presentation" (endorsed in December 2009) addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Specifically, the amendment states that, rights, warrants or options to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency would be equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non derivative equity instruments.

The third **omnibus of amendments to IFRS Standards (2010)** which were endorsed in February 2011 includes amendments to 9 IFRS Standards and 1 Interpretation. The amendments refer to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 27, IAS 28, IAS 31, IAS 34 and IFRIC 13. Most of the amendments are mandatory for annual periods beginning on or after 1 January 2011 with separate transition provisions for each amendment.

b) New or Amended Interpretations

The following Interpretations became effective for EADS as of 1 January 2011. If not otherwise stated, the following Interpretations did not have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

To correct an unintended consequence of IFRIC 14, the IASB issued in November 2009 **amendments to IFRIC 14** "Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)". Without these amendments in some circumstances entities are not permitted to recognise some voluntary prepayments for minimum funding contributions as an asset. This was not intended when IFRIC 14 was issued, and the amendments correct this issue. The amendments were endorsed in July 2010 and had to be applied retrospectively.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (issued in November 2009, endorsed in July 2010) provides guidance on how an entity shall account for a transaction when a creditor agrees to accept an entity's shares or other equity instruments to settle the financial liability fully or partially ("debt for equity swaps"). The Interpretation had to be applied retrospectively.

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

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2011 and have not been applied in preparing these Consolidated Financial Statements. The potential impacts from the application of those newly issued standards, amendments and interpretations are currently under investigation. In general and if not otherwise stated, these new, revised or amended IFRS and their interpretations are not expected to have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

In November 2009, the IASB issued **IFRS 9** "Financial Instruments" (not endorsed yet) as the first step of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". Amongst other changes to the accounting for financial instruments, IFRS 9 replaces the multiple classification and measurement models for financial assets and liabilities in IAS 39 with a simplified model that is based on only two classification categories: amortised cost and fair value. Further, the classification of financial assets under IFRS 9 is driven by the entity's business model for managing its financial assets and the contractual cash flow characteristics of these financial assets. In the next phases of the IAS 39 replacement project, the IASB will cover the current impairment methodology and the requirements for hedge accounting. IFRS 9 has to be applied starting 1 January 2015, with early adoption permitted, and offers various transition models. EADS is currently assessing the potential impacts from the expected application of IFRS 9.

In October 2010, the IASB issued amendments to **IFRS 7** "Financial Instruments: Disclosures" (endorsed in November 2011) as part of its comprehensive review of off balance sheet activities relating to transfers of financial assets. The objective of the amendments is to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. For EADS, this amendment has to be applied prospectively for annual periods beginning on or after 1 January 2012, with earlier application permitted.

In December 2010, the IASB issued amendments to **IAS 12** "Income Taxes" (not yet endorsed) providing practical guidance for the measurement for deferred tax relating to an asset by introducing the presumption that recovery of the carrying amount of an asset will normally be through sale. Respective amendments supersede SIC 21 "Income Taxes – Recovery of Revalued Non Depreciable Assets". EADS will apply those amendments for annual periods beginning on 1 January 2012.

In May 2011, the IASB published its improvements to the accounting and disclosure requirements for consolidation, off balance sheet activities and joint arrangements by issuing **IFRS 10** "Consolidated Financial Statements", **IFRS 11** "Joint Arrangements", **IFRS 12** "Disclosure of Interests in Other Entities" and consequential **amendments to IAS 27** "Separate Financial Statements" and **IAS 28** "Investments in Associates and Joint Ventures". IFRS 10 supersedes the requirements related to Consolidated Financial Statements in IAS 27 "Consolidated and Separate Financial Statements" (amended 2008) as well as SIC 12 "Consolidation – Special Purpose Entities". IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" (amended 2008) and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 12 replaces disclosure requirements in IAS 27, IAS 28 and IAS 31. None of the new or amended standards has yet been endorsed.

IFRS 10 is based on existing principles and re-confirms control as the single determining factor in whether an entity should be in the scope of the Consolidated Financial Statements: An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides additional guidance to determine control in cases difficult to assess such as in situations where an investor holds less than a majority of voting rights, but has the practical ability to direct the relevant activities of the investee unilaterally by other means as well as in cases of agency relationships which were neither addressed by IAS 27 nor by SIC 12.

IFRS 11 provides guidance for the accounting of joint arrangements by focusing on the rights and obligations arising from the arrangement. The standard distinguishes between two types of joint arrangements: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. IFRS 11 requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement applicable to the particular assets, liabilities, revenues and expenses. A joint venturer is required to recognize an investment and to account for that investment using the equity method. The proportionate consolidation method may no longer be used for joint ventures.

IFRS 12 provides disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, structured entities (formerly referred to as "special purpose entities") and off balance sheet vehicles in one single standard. The standard requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 10 to 12 and amendments to IAS 27 and IAS 28 are applicable to annual periods beginning on or after 1 January 2013 with early application allowed. The abandonment of the partial consolidation method for joint ventures might have a significant impact on EADS Consolidated Financial Statements as EADS has opted to apply this method for the consolidation of its joint ventures. The impact from the application of IFRS 10, especially for the consolidation of structured entities, is currently under assessment.

In May 2011, the IASB issued **IFRS 13** "Fair Value Measurement". IFRS 13 (not yet endorsed) defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

With the issuance of IFRS 13 the requirements for measuring fair value and for disclosing information about fair values are comprehensively summarised in a single standard instead of having it spread over several standards not articulating a clear measurement or disclosure objective. IFRS 13 seeks to reduce complexity and improve consistency in the application of fair value measurement principles by having a single set of requirements for all fair value measurements; to communicate the measurement objective more clearly by clarifying the definition of fair value; and to improve transparency by enhancing disclosures about fair value measurements. The new standard defines fair value as an exit price, i.e. as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at measurement date. It further introduces a three level fair value hierarchy regarding the inputs used for fair value determination. IFRS 13 is to be applied prospectively and is mandatory from 1 January 2013, early application is allowed.

In June 2011, the IASB issued an amended version of **IAS 19** "Employee Benefits" (not yet endorsed). In the amendment the option of a deferred recognition of actuarial gains and losses (known as the "corridor method") has been eliminated as well as the immediate recognition in profit or loss, to improve comparability of financial statements. EADS does not apply the corridor approach and recognizes changes in actuarial gains and losses within retained earnings. The amended IAS 19, in addition, replaces the expected return on plan assets and interest costs on the defined benefit obligation with a single net interest component and past service costs will be recognized fully in the period of the related plan amendment. The amended standard also changes the requirements for termination benefits and includes enhanced presentation and disclosure requirements. For EADS, the standard becomes applicable for annual periods beginning on 1 January 2013 with early application being permitted. The introduction of a single net interest component, i.e. the interest income (expense) resulting from multiplying the net defined benefit asset (liability) by the discount rate used to determine the defined benefit obligation ("DBO"), will impact EADS Consolidated Financial Statements as there will be no longer different rates applicable for plan assets and DBOs.

In June 2011, the IASB also issued amendments to **IAS 1** "Presentation of Financial Statements" (not yet endorsed). The amendments will improve and align the presentation of other comprehensive income ("OCI") by requiring to group together items within OCI that might be reclassified to the income statement. The amended standard becomes effective for financial periods beginning on or after 1 July 2012.

In December 2011, the IASB issued **amendments to IAS 32** "Financial Instruments: Presentation" clarifying the IASB's requirements for offsetting financial instruments. As part of the same offsetting project the IASB also issued respective **amendments to IFRS 7** "Financial Instruments: Disclosures". Both amendments are not yet endorsed and will have to be applied retrospectively for annual periods beginning on 1 January 2014 respectively on 1 January 2013.

Further, EADS' accounting policies are not expected to be affected by various other pronouncements issued by the IASB during the last months.

SIGNIFICANT ACCOUNTING POLICIES

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

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

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.

In general, business combinations are accounted for under the acquisition method of accounting as at the acquisition date, which is the date on which control is transferred to EADS.

Goodwill is measured at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Before recognising a gain on a bargain purchase in the Consolidated Income Statement, the identification and measurement of the identifiable assets and liabilities is reassessed including also the non-controlling interest, if any, the consideration transferred as well as EADS' previously held equity interest in the acquiree in case of a business combination achieved in stages.

Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised separately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that EADS incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions and disposals of non-controlling interests are accounted for as transactions with owners in their capacity as equity owners of EADS and therefore no goodwill or gain/loss is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Goodwill is 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 – at EADS on segment level or one level below – that are expected to benefit from the synergies arising from the business combination.

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

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

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

The effects of intercompany transactions are eliminated.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance.

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

Foreign currency translation — The Consolidated Financial Statements are presented in euro, EADS' functional and presentation currency. The assets and liabilities of foreign entities, where the reporting currency is other than euro, are translated using period-end exchange rates, whilst the statements of income are translated using average exchange rates during the period, approximating the foreign exchange rate at the dates of the transactions. All resulting translation differences are included as a separate component of total equity ("Accumulated other comprehensive income" or "AOCI"). If a foreign entity is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

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

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

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

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When EADS disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative translation reserve is allocated to non-controlling interests. When EADS disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative translation reserve is reclassified to profit or loss.

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 12 months after the reporting period, and as current asset or liability when the item is realised or settled respectively within 12 months after the reporting period. 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 reporting period. Trade payables are equally part of the normal operating cycle and are therefore classified as current liabilities.

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

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

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

Revenue related to construction or upgrade services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with EADS' Group accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by EADS Group entities. When the Group entities provide more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable. Further, EADS recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost. EADS recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses. If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

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

Dividend income / distributions — Dividend income as well as the obligation to distribute dividends to EADS' shareholders is recognised when the shareholder´s 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 15 "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 Statement of Financial Position after the inception of the lease. Instead, a finance lease receivable representing the discounted future lease payments to be received from the lessee plus any discounted unguaranteed residual value is recorded as other long-term financial assets (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). Unearned finance income is recorded over time in "Interest result". Revenues and the related cost of sales are recognised at the inception of the finance lease.

Assets obtained under finance leases are included in property, plant and equipment at cost less accumulated depreciation and impairment if any (see Note 15 "Property, plant and equipment"), unless such assets have been further leased out to customers. In such a case, the respective asset is either qualified as an operating lease or as finance lease with EADS being the lessor (headlease-sublease-transactions) and is recorded accordingly. For the relating liability from finance leases see Note 26 "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 33 "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).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Financial instruments* —** A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. EADS' financial assets comprise mainly cash and short to medium-term deposits, trade and loan receivables, finance lease receivables, other quoted and unquoted financial instruments and derivatives with a positive fair value. The Group's financial liabilities mainly include obligations towards financial institutions, bonds, loans, refundable advances, trade liabilities, finance lease liabilities as well as derivatives with a negative fair value. EADS recognises a financial instrument on its Consolidated Statement of Financial Position when it becomes party to the contractual provision of the instrument. All purchases and sales of financial assets are recognised on settlement date according to market conventions. The settlement date is the date an asset is delivered to or by an entity. Financial instruments are initially recognised at fair value plus, in the case the financial instruments are not measured at fair value through profit or loss, directly attributable transaction costs. Financial instruments at fair value through profit or loss are initially recognised at fair value, transaction costs are recognised in the Consolidated Income Statement. Finance lease receivables are recognised at an amount equal to the net investment in the lease. Subsequent measurement of financial instruments depends on their classification into the relevant category. The Group assesses at each end of the reporting period 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

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

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

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

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

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

***Financial assets at fair value through profit or loss* —** Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at initial recognition at fair value through profit or loss. Within EADS, only derivatives not designated as hedges are categorized as held for trading. Further, financial assets may be designated at initial recognition at fair value through profit or loss if any of the following criteria is met: (i) the financial asset contains one or more embedded derivatives that otherwise had to be accounted for separately; or (ii) the designation eliminated or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or 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 a hedge funds structure also comprising foreign currency derivatives are designated "at fair value through profit or loss" in accordance with criterion (ii) and investments in accumulating Money Market Funds are designated at "fair value through profit or loss" in accordance with above criterion (iii).

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

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

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

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

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

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

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

Equity investments classified as available-for-sale are considered for impairment in addition to the indicators stated above in case of a significant or prolonged decline of their fair value below their cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Consolidated Income Statement – is removed from AOCI and recognised in the Consolidated Income Statement. Impairment losses recognised in the Consolidated Income Statement on equity instruments are not reversed through the Consolidated Income Statement; increases in their fair value are recognised directly in AOCI.

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

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

Non-current assets / disposal groups classified as held for sale— Non-current assets / disposal groups classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. Whilst classified as held for sale or part of a disposal group, EADS does not depreciate or amortise a non-current asset. In addition, equity accounting of investments in associates ceases once classified as held for sale or distribution. Liabilities directly associated with non-current assets held for sale in a disposal group are presented separately on the face of the Consolidated Statement of Financial Position. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale is continued to be recognised.

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

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

Derivative financial instruments — Within EADS derivative financial instruments are (a) used for hedging purposes in micro-hedging strategies to offset the Group's exposure to identifiable transactions or 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 / non-current other financial assets", such derivative financial instruments with negative fair values are recorded as "current / non-current other financial liabilities".

a) Hedging: The Group seeks to apply hedge accounting to all its Hedging Activities. Hedge accounting recognises symmetrically the offsetting effects on net profit or loss of changes in the fair values of the hedging instrument and the related hedged item. The conditions for such a hedging relationship to qualify for hedge accounting include: The hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, the effectiveness of the hedge can be reliably measured and there is formal designation and documentation of the hedging relationships and EADS' risk management objective and strategy for undertaking the hedge at the inception of the hedge. The Group further documents prospectively at the inception of the hedge as well as at each closing retrospectively and prospectively its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items with regard to the hedged risk.

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

i) Fair value hedge: Fair value hedge accounting is mainly applied to certain interest rate swaps hedging the exposure to changes in the fair value of recognised assets and liabilities. For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging instrument and changes in the fair value of the hedged asset or liability attributable to the hedged risk are simultaneously recognised in the Consolidated Income Statement.

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

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

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

In addition, EADS uses certain foreign currency derivatives to mitigate its foreign currency exposure arising from changes in the fair value of recognised assets and liabilities (natural hedge). To reflect the largely natural offset those derivatives provide to the remeasurement gains or losses of specific foreign currency balance sheet items, EADS accordingly presents the gains or losses of those foreign exchange rate derivatives as well as the fair value changes of the relating recognised assets and liabilities in EBIT insofar as certain formal requirements are met.

Finally, in case certain derivatives or portions of these derivatives do not qualify for hedge accounting under the specific rules of IAS 39 "Financial Instruments: Recognition and Measurement" (for example, the non-designated time value of options or de-designated derivatives in general) or do not belong to a Natural Hedge, changes in fair value of such derivative financial instruments or its portions are recognised immediately as part of the financial result.

The fair values of various derivative financial instruments used as hedging instruments are disclosed in Note 33 "Information about financial instruments". Periodical movements in the AOCI, the separate component of total equity in which the effective portion of cash flow hedges are recognised, are also disclosed in Note 34 "Information about financial instruments".

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

See Note 34 "Information about financial instruments" for a description of the Group's financial risk management strategies, the fair values of the Group's derivative financial instruments as well as the methods used to determine such fair values.

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

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

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

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

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

Provisions — Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation's amount can be made. When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to be required to settle the Group's present obligation. As discount factor, a pre-tax rate is used that reflects current market assessments of the time value of money and the risks specific to the obligation. The provision's increase in each period reflecting the passage of time is recognised as finance cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Share based compensation — **Stock options** issued by EADS up to 2006 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 (LTIP) 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 / end of the reporting period. 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 end of the reporting period through the Consolidated Income Statement.

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

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

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

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

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

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 12 months are subsequently measured at amortised cost using the effective interest rate method.

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

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

Further, EADS designates certain 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.

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

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

Litigation and claims — Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. EADS believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Group to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term “reasonably possible” is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely. Although the final resolution of any such matters could have an effect on the Group’s profit for the period for the particular reporting period in which an adjustment of the estimated reserve would be recorded, the Group believes that any such potential adjustment should not materially affect its Consolidated Financial Statements. For further details please refer to Note 32 “Litigation and claims”.

USE OF ACCOUNTING ESTIMATES

EADS’ significant accounting policies, as described in Note 2, are essential for the understanding of the Group’s results of operations, financial positions and cash flows. Certain of these accounting policies require accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such accounting estimates could change from period to period and might have a material impact on the Group’s results of operations, financial positions and cash flows. The assumptions and estimates used by EADS’ management are based on parameters which are derived from the knowledge at the time of preparing the Consolidated Financial Statements.

In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry specific environment were used to estimate the Company’s future business performance. Where these conditions develop differently than assumed, and beyond the control of the Company, the actual figures may differ from those anticipated. In such cases, the assumptions, and if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

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

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

Revenue recognition on construction contracts – EADS conducts a significant portion of its business under construction contracts with customers, for example within aerospace related governmental programmes. The Group generally accounts for construction projects using the percentage-of-completion method, recognising revenue as performance on a contract progresses measured either on a milestone or on a cost-to-cost basis depending on contract terms. This method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. Management of the operating Divisions continually review all estimates involved in such construction contracts and adjusts them as necessary. See Note 19 "Trade receivables" for further information.

Business combinations – In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant estimates relates to the determination of the fair value of these asset and liabilities. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market prices. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, EADS either consults with an independent external valuation expert or develops the fair value internally, using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. See Note 14 "Intangible assets" for further information.

Goodwill impairment test and recoverability of assets – EADS tests at least annually whether goodwill has suffered any impairment, in accordance with its accounting policies. The determination of the recoverable amount of a Cash Generating Unit (CGU) to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced by several assumptions including for example growth assumptions of CGUs, availability and composition of future defence and institutional budgets, foreign exchange fluctuations or implications arising from the volatility of capital markets. EADS generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations basically use five-year projections that are based on the operative plans approved by management. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using estimated growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital, tax rates and foreign exchange rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Likewise, whenever property, plant and equipment and other intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment. See Note 14 "Intangible assets" for further information.

Trade and other receivables – The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends including potential impacts from the EU sovereign debt crisis and analysis of historical bad debts. See Note 19 "Trade receivables" for further information.

***Foreign currency derivatives* –** Fair value measurements of foreign currency derivates are based on market assumptions relating to, among others, foreign exchange basis spreads and relevant interest rate levels. See Note 34 "Information about Financial Instruments" for further information.

Employee benefits – The Group accounts for pension and other postretirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including the discount rate, expected return on plan assets, expected salary increases and mortality rates. The discount rate assumptions are determined by reference to yields on high quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields aren't available discount rates are based on government bonds yields. Expected returns on plan assets assumptions are determined considering long-term historical returns and asset allocations. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in postretirement employee benefit obligations and the related future expense. See Note 25B) "Provisions for retirement plans" for further information.

Provisions – The determination of provisions, for example for onerous contracts, warranty costs and legal proceedings is based on best available estimates. Onerous sales contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which also requires significant judgement related to achieving certain performance standards as well as estimates involving warranty costs. Depending on the size and nature of our contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. Especially, the introduction of new commercial aircraft programmes (such as the A350 XWB) or major derivative aircraft programmes particularly involves an increased level of estimates and judgements associated with the expected development, production and certification schedules and expected cost components. A commercial aircraft contract or amendment to a contract may include option clauses for extension as well as termination of full or part of the contract. The assessment of the probability of execution of these options is based on management's best estimates. Estimates and judgements are subject to change based on new information as contracts and related programmes progress. Furthermore, the complex design and manufacturing processes of EADS' industry require challenging integration and coordination along the supply chain including an ongoing assessment of supplier´s assertions which may additionally impact the outcome of these monitoring processes. See Note 25C) "Other provisions" for further information.

Legal contingencies – EADS companies are parties to litigations related to a number of matters as described in Note 32 "Litigation and claims". The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of EADS. Management regularly analyses current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against EADS companies or the disclosure of any such suit or assertions, does not automatically indicate that a provision may be appropriate. See Note 32 "Litigation and claims" for further information.

Income taxes – EADS operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgments are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the income tax liabilities and deferred tax liabilities in the period in which such determinations are made. At each end of the reporting period, EADS assesses whether the realisation of future tax benefits is sufficiently probable to recognise deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group's ability to utilise future tax benefits. See Note 13 "Income Taxes" for further information.

3. Scope of Consolidation

Perimeter of consolidation (31 December 2011) – The Consolidated Financial Statements include, in addition to EADS NV:

- 2011: 245 (2010: 190) companies which are fully consolidated;
- 2011: 46 (2010: 41) companies which are proportionately consolidated;
- 2011: 18 (2010: 19) investments in associates accounted for using the equity method.

The number of investments in associates only comprises the respective parent company.

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

4. Acquisitions and Disposals

A) ACQUISITIONS AND OTHER M&A TRANSACTIONS

In addition to pursuing organic growth via its divisions, EADS has significantly strengthened its services and platform portfolio by several M&A transactions during 2011.

Acquisition of Vector Aerospace Group

On 30 June 2011, Eurocopter Holding S.A.S., a subsidiary of EADS N.V., acquired 98.3% of Vector Aerospace Corporation, Toronto (Canada), (hereafter referred to as “Vector”) following a CAD13.00 / share cash offer for all of the outstanding common shares of Vector, including all shares that may be issued on the exercise of options granted under Vector’s share option plan. The remaining 1.7% shares of Vector were acquired via linked squeeze out procedures finalised on 4 August 2011.

Vector is an independent global provider of Original Equipment Manufacturer (OEM) approved Maintenance, Repair and Overhaul aviation services (MRO services) for aircraft and helicopter operators. The acquisition of Vector will help to increase the growth of support and services activities for Eurocopter and EADS in both the civil and governmental markets. Vector will also strengthen EADS’ presence in North America and the UK, in alignment with the company’s strategic goals as outlined in EADS’ Vision 2020 plan.

The total consideration includes the amount paid in cash for the acquisition of 98.3% of Vector’s shares (€452 million) at the end of June 2011 as well as the amount of €8 million paid to the remaining shareholders within squeeze out procedures.

The acquired intangible assets of €158 million identified within a purchase price allocation include customer relationships, a brand name as well as supplier relationships. The goodwill of €185 million includes a control premium reflecting the expected synergies arising from the combination with the existing MRO business of Eurocopter and EADS, joint future market developments as well as the significant value of Vector’s assembled workforce. The gross amount of the trade receivables acquired of €88 million reflects their fair value. None of the trade receivables have been significantly impaired and it is expected that the full contractual amounts can be collected.

Acquisition of Satair Group

On 5 October 2011, Airbus S.A.S., a subsidiary of EADS N.V., obtained control of Satair A/S, Copenhagen, Denmark (hereafter referred to as “Satair”) via its subsidiary Airbus Denmark Holding ApS following a public voluntary conditional tender offer of DKr580 / share for all of the outstanding shares of Satair, including an offer of DKr378.66 / warrant for each warrant holder. As a result of the public voluntary offer EADS acquired 98.5% of Satair’s shares during October and November 2011, while the remaining 1.5% of Satair’s shares were acquired via linked squeeze out procedures finalised on 6 February 2012.

Satair is a Danish premier independent distributor of aircraft parts and services specialised in expendables and components. Through its worldwide supply chain network and its regional sales offices, Satair provides aviation parts and innovative services to a broad customer base around the world, supporting all major aircraft families in the commercial aviation market. The acquisition will facilitate the growth of Airbus' material management business and offers an opportunity to develop new services both in civil and governmental markets.

The total consideration of €351 million for this acquisition includes €346 million paid in cash for 98.5 % of Satair's shares and 100% of warrants during October and November 2011 as well as an amount of €5 million paid to the remaining shareholders (1.5% of Satair´s shares) within the linked squeeze out procedures finalised in February 2012.

Intangible assets of €139 million currently subject to a purchase price allocation primarily include supplier relationships and a brand name. The goodwill of €163 million reflects the assembled workforce of Satair as well as the expected business volume from the future expansion of aerospace supplier relationships.

At the acquisition date the trade and other receivables comprise gross contractual amounts due of €48 million of which €1 million were expected to be uncollectible resulting in a fair value of the trade receivables portfolio of €47 million.

Acquisition of Vizada Group

On 19 December 2011, Astrium Holding S.A.S., a subsidiary of EADS N.V., acquired 100% of MobSat Group Holding S.a.r.l., Munsbach, Luxemburg, being the ultimate parent company of Vizada group (hereafter referred to as "Vizada") from a consortium of investors led by Apax France, a French Private Equity fund and the former majority shareholder. The total consideration paid by Astrium included €413 million for the acquisition of Vizada´s equity instruments as well as €325 million due to a mandatory extinguishment of the former Vizada debt structure.

Vizada - being a world leader in commercial satellite communications services - comprises Vizada Americas, Vizada Networks, Vizada EMEA & Asia and Marlink. By serving 200.000 end-customers across all major satcom sectors such as maritime, aero, land or media, but also non governmental organisations and various governmental/defence customers, Vizada offers mobile and fixed connectivity services from multiple satellite network operators both directly and through a network of currently 400 service provider partners. This acquisition will broaden the range of services offered globally by Astrium, as such strengthening also EADS' presence across Europe, the Middle East, Asia, Africa and the United States. As Astrium´s existing satellite communications portfolio is heavily focused on governmental and secure civil satcom services, Vizada forms a perfect complement to Astrium´s current service portfolio and will enable Astrium to be more innovative and to diversify its range of satcom services.

Intangible assets of €101 million currently identified in a provisional purchase price allocation primarily include customer relationships, brand names as well as satcom licenses. The preliminary goodwill of €538 million includes a control premium reflecting expected synergies arising from the business combination as well as future customer relationships in the global satcom market. At the acquisition date the trade and other receivables comprise gross contractual amounts due of €118 million of which €4 million are expected to be uncollectible resulting in a fair value of the trade receivables portfolio of €114 million.

The following table summarises for all three significant M&A transactions described above (Vector, Satair and Vizada) as well as for all remaining individually insignificant M&A transactions mentioned below the consideration transferred, the fair value of identifiable assets acquired, liabilities assumed and any non-controlling interest as at the acquisition date. For all M&A transactions, fair values remain provisional due to ongoing purchase price allocation projects, but will be finalised within 12 months after each acquisition date.

Fair value recognised on acquisition in € million	**Acquisition of Vector Aerospace**	**Acquisition of Satair**	**Acquisition of Vizada**	**Remaining individually insignificant acquisitions**	**Total acquisitions**
Intangible assets (1)	158	139	101	124	522
Customer / supplier relationships (1)	*93*	*66*	*59*	*31*	*249*
Technologies / Licenses (1)	*16*	*5*	*1*	*86*	*108*
Trademarks (1)	*49*	*68*	*41*	*7*	*165*
Property, plant and equipment	85	8	74	54	221
Inventories	103	87	6	78	274
Trade receivables	88	47	114	143	392
Other assets	7	41	0	97	145
Cash and cash equivalents	28	4	29	35	96
	469	326	324	531	1,650
Provisions	10	0	11	104	125
Financing liabilities	19	52	0	132	203
Trade liabilities	66	35	106	81	288
Tax liabilities	53	31	7	17	108
Other liabilities	46	20	0	138	204
	194	138	124	472	928
Net assets acquired	**275**	**188**	**200**	**59**	**722**
Non-controlling interests	0	0	0	7(4)	7(4)
EADS' portion in net assets acquired	**275**	**188**	**200**	**52**	**715**
Preliminary badwill(2) arising on acquisition	0	0	0	(2)	(2)
Preliminary goodwill(3) arising on acquisition (see Note 14 "Intangible Assets")	185	163	538	82	968
Total consideration(5)	**460**	**351**	**738**	**132**	**1,681**

(1) Depending on the specific fact pattern of each M&A transaction, customer / supplier relationships, technologies / licences and trademarks are expected to be amortised over a period between 3-28 years, 5-14 years and 1-8 years respectively (the latter only regarding product and specific corporate trademarks in connection with the ND SatCom, Signalis and Grintek transaction, as most of the acquired corporate trademarks are considered to have an indefinite life).

(2) The badwill of €2 million arose in the context of the ND SatCom acquisition and has been recognised as a gain in the current year, within 'other income' in the Consolidated Income Statement.

(3) None of the goodwill portions of EADS' 2011 M&A transactions is considered to be tax deductable in the respective local tax accounts.

(4) Except for the non-controlling interest in ND SatCom, which was measured at its fair value of €2 million with reference to the acquisition price of the shares acquired by Astrium, all remaining non-controlling interest portions in Grintek and i-cubed of €5 million in total were measured at their proportional share in net assets.

(5) The total consideration (€1,681 million) exceeds total consideration paid gross of acquired cash in 2011 (€1,631 million) by €50 million due to the inclusion of €5 million paid to non-controlling shareholders of Satair in a linked-squeeze out transaction in February 2012, the recognition of previously held shares within the step-acquisitions of Grintek and i-cubed at their fair values of €27 million (resulting in an included step-up gain of €6 million), a merger gain of €14 million arisen in the Signalis transaction as well as due to impacts from the separate recognition of settlements of pre-existing relationships (€4 million). All gains related to business combinations were presented within 'other income' in the Consolidated Income Statement.

In addition to these three significant 2011' M&A transactions the following M&A activities of EADS' divisions are summarised in the column "remaining individually insignificant acquisitions" in the table above.

Additional M&A transactions of the Airbus Division

On 19 October 2011, Airbus Americas, Inc., Herndon, Virginia (USA), a subsidiary of EADS N.V., acquired 100% of the shares and voting rights of Metron Holdings, Inc., Dulles, Virginia (USA), the ultimate parent company of Metron Aviation (hereafter referred to as "Metron") from its management team and two institutional investors for a total consideration of €55 million. In general, Metron provides advanced research, Air Traffic Flow Management (ATFM), airspace design, energy and environmental solutions to Air Navigation Service Providers (ANSPs), airlines and airports worldwide. Especially, Metron is a US prime contractor on System Engineering 2020 (SE-2020), the FAA's strategic programme in connection with the US Next Generation Air Transportation System (NextGen) initiative to modernise the U.S. national airspace system. Metron also provides advanced research and development services related to SESAR - the Single European Sky ATM Research Programme of the European Commissions and EUROCONTROL. This acquisition strengthens Airbus' strategy to accelerate and support ATFM programmes that will significantly improve global air transportation capacity, efficiency and environmental sustainability. Metron reported revenues of €32 million for the full year 2011.

On 20 October 2011, Airbus Operations GmbH, a subsidiary of EADS N.V., acquired 74.9% of the shares and voting rights of PFW Aerospace AG, Speyer, Germany, the ultimate parent company of PFW Aerospace Group (hereafter referred to as "PFW") in a linked transaction for a total consideration of €4 million primarily arising from impacts due to the separate recognition of settlements of pre-existing relationships (€4 million). PFW is a specialised producer of tube and duct systems, aircraft on-board cargo loading systems as well as structural and assembly components. Airbus' investment is intended to stabilise PFW´s financial position and operational set up during its current turnaround situation. EADS and Airbus are still in the process of assessing various implications of this transaction for EADS' financial reporting. PFW reported revenues of €167 million for the full year 2011.

Additional M&A transactions of the Astrium Division

On 28 February 2011 Astrium Services GmbH, Ottobrunn, Germany, a subsidiary of EADS N.V., obtained control of ND SatCom GmbH, Immenstaad (Germany), a supplier of satellite and ground systems equipment and solutions, by acquiring 75.1% of the shares and voting interests in the company for a total consideration of €5 million from SES ASTRA. With this acquisition, Astrium and SES ASTRA will further reinforce their long-term relationship, and will also explore the potential for the two companies to work together in the development of new business opportunities in the government and institutions sector, as well as other specific satellite infrastructure projects. This acquisition also provides an opportunity to Astrium to deploy a significantly wider product range by combining Astrium's secure satcoms, networks and terminals expertise with ND SatCom's for a stronger offering to the civil, governmental and military markets. ND SatCom reported revenues of €52 million for the full year 2011.

On 10 May 2011, the GEO Information Division of Astrium Services (formerly Spot Image and Infoterra, hereafter referred to as GEO) expanded its investment in i-cubed LLC, Fort Collins, Colorado (USA), (hereafter referred to as i-cubed) from 25.6% to 77.7% by a step-acquisition of additional 52.1% for €6 million via its US subsidiary SPOT Image Corporation, Chantilly, Virginia (USA). i-cubed is a leading worldwide provider of value-added imagery and geospatial data management technologies for commercial and governmental customers, including amongst others earth imaging satellite operators, wireless telecommunications companies, geo-related internet portals and various governmental agencies. This step acquisition strengthened GEO´s longstanding relationships with i-cubed and will enable GEO to capitalise on combined resources across Astrium to assist in delivering i-cubed's innovative solutions for geospatial content management to the global market. i-cubed reported revenues of €8 million for the full year 2011.

Finally, Astrium announced on 21 December 2011, that Astrium Holding S.A.S. acquired 66.8% of Space Engineering, Rome (Italy), a specialist in digital telecommunications, RF and antenna equipment engineering for both space and ground based applications. This acquisition is expected to enhance Astrium's capability to develop and manufacture sophisticated telecommunications hardware and underlines Astrium's commitment to the Italian space market. The completion of this transaction is subject to customary conditions, including regulatory approvals.

Additional M&A transactions of the Cassidian Division

On 11 January 2011, Cassidian and Atlas Elektronik GmbH, Bremen, Germany (hereafter referred to as Atlas Elektronik), a joint venture of ThyssenKrupp AG and Cassidian, completed the merger of their maritime safety and security activities formerly carried out via their separate subsidiaries Sofrelog and Atlas Maritime Security. The new company named SIGNALIS was set up as a medium-sized corporation which will be co-owned by Cassidian (60%) and Atlas Elektronik (40%). SIGNALIS will address markets worldwide with innovative, reliable and cost effective maritime security products ranging from small-scale Vessel Traffic Service (VTS) systems to high-performance Coastal Surveillance Systems (CSS). It will also provide solutions for harbour security, port management and information systems, as well as other related radar processing applications. This merger will allow Cassidian and Atlas Elektronik to offer their customers solutions that will respond to even more complex safety and security needs covering land and sea based on SIGNALIS' proven capabilities to integrate the latest sensor systems, communications, and data processing technologies. For the full year 2011, SIGNALIS reported revenues of €39 million.

On 9 June 2011, Cassidian increased via EADS Deutschland GmbH, Ottobrunn, Germany, (hereafter referred to as Cassidian) its 45.0% shareholding in Grintek Ewation (Pty) Ltd., Pretoria, South Africa, (herafter referred to as GEW) by acquiring a 42.4% stake formerly held by Saab South Africa Ltd., Centurion, South Africa, for €21 million within a step-acquisition. A 12.6% shareholding is still held by Kunene Finance Company (Pty.) Ltd., Gauteng, South Africa, a South African private equity investor. GEW is a system engineering company for the design and production of sophisticated communication monitoring and direction finding systems, equipment for the management of frequency spectrums and related countermeasures as well as integrated security systems incorporating a wide range of surveillance and monitoring products. The new shareholding structure takes the long standing relationship between GEW and Cassidian to a new level and provides the opportunity for future growth and competitiveness on a global scale in the field of governmental intelligence and electronic protection. GEW reported revenues of €58 million for the full year 2011.

In addition, Cassidian and Rheinmetall Defence agreed on 22 December 2011 to pursue Rheinmetall's Unmanned Aerial Systems (UAS) activities within a new entity, which is expected to provide access to broader development resources and international markets for this Airborne Systems product unit. In addition, former Rheinmetall activities related to the development and production of cargo loading systems for the A380 and A400M programmes will also be carried out by this entity in the future.

For all these individually insignificant transaction mentioned, the preliminary goodwill of €82 million primarily reflects expected synergies from combining these acquired companies with the operations of the acquiring EADS' divisions as well as the expertise of their assembled workforces. At the acquisition date trade and other receivables of these acquired companies comprise gross contractual amounts due of €145 million of which €2 million are expected to be uncollectible resulting in a fair value of the trade receivables portfolio of €143 million.

The table attached summarises selected profit and loss related key figures of these 2011' M&A transactions, such as the contributions of all acquired entities to EADS Group´s revenue, EBITDA and profit for the 2011' period since their acquisition dates as well as their revenues, EBITDA and profit during the 12 months period ended 31 December 2011.

In € million(1)	Vector Aerospace	Satair	Vizada	Remaining individually insignificant acquisitions	Total acquisitions
Acquisition date	30 June 2011	5 October 2011	19 December 2011	various dates	various dates
Acquisition costs(2)	8	6	7	5	26
2011' revenue contributions since acquisition date	210	86	0	159	455
2011' contributions to the EBITDA of EADS since acquisition date	13	1	0	0	14
2011' contributions to the profit of EADS since acquisition date	(13)	0	0	(13)	(26)
Revenues during the 12 months period ended 31 December 2011	411	326	447	378	1,562
Pro-forma EBITDA during the 12 months period ended 31 December 2011(3)	40	28	61	4	133
Pro-forma profit (loss) during the 12 months period ended 31 December 2011(3)	17	7	10	(60)	(26)

(1) If not stated otherwise.

(2) All acquisition related costs mentioned have been excluded from the consideration transferred and have been recognised as an expense in the current year, within 'other expenses' in the Consolidated Income Statement.

(3) EADS considers these 'pro-forma' profit figures to represent an initial approximate measure to determine the performance of the combined group on an annualised basis and to provide an initial reference point for comparisons in future periods without considering additional impacts arising from synergies, exceptionals and one-offs that related to the acquisition or will contribute to the future efficiency of the acquired companies as well as any unwinding effects on the profit for the period from amortisation impacts of intangible assets recognised within the purchase price allocations.

Transactions with non-controlling shareholders

On 7 June 2011, EADS N.V. purchased the remaining 25% of DADC Luft- und Raumfahrt Beteiligungs AG, Munich (Germany), from Daimler Luft- and Raumfahrt Holding AG, Ottobrunn, for a total consideration of €110 million.

Acquisitions and other M&A transactions during 2010

On 3 December 2010, Astrium GmbH, Ottobrunn, Germany, acquired Jena-Optronik GmbH, Jena (Germany), one of the international leading providers of space sensors and opto-electronic instruments. The acquisition of Jena-Optronik complemented Astrium's optical expertise in Germany and enhanced its reputation in the development and production of sophisticated earth observation satellites and sub-systems for space applications. During 2011, EADS and Astrium GmbH finalised the purchase price allocation of Jena-Optronik, resulting in the recognition of intangible assets of €17 million in the form of customer relationships, technologies and a brand name as well as deferred tax liabilities of €5 million and a final goodwill of €22 million.

Apart from those mentioned, other acquisitions of EADS were not significant – neither individually nor collectively.

B) DISPOSALS

On 13 May 2011, EADS North America, Inc., Herndon, Virginia (USA), sold its subsidiary EADS North America Defense Security and Systems Solutions, Inc., San Antonio, Texas (USA), to Camber Corporation, Huntsville, Alabama (USA), for a total consideration of €18 million.

The cash flows of the disposed shares as well as the capital gain on sale were as follows:

In € million	**2011**
Consideration received in cash and cash equivalents	18
Total selling price including contingent consideration	18
Net assets disposed of	(18)
Capital gain	**0**

Cassidian Air Systems sold its shares in ASL Aircraft Services Lemwerder GmbH per 31 December 2010, to SGL Rotec GmbH & Co. KG, which intends to establish a production line for rotor blades at Lemwerder site. The programme related assets and liabilities of the Eurofighter, Tornado, A400M and C160 programmes were transferred to Premium Aerotec GmbH.

The cash flows of the disposed shares as well as the capital gain on sale were as follows:

In € million	**2010**
Consideration received in cash and cash equivalents	12
Total selling price including contingent consideration	12
Net assets disposed of	(1)
Capital gain	**11**

Overall, the ASL transactions had a negative EBIT impact of €-4 million in 2010, thereof €-15 million are related to restructuring costs.

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

NOTES TO THE CONSOLIDATED INCOME STATEMENTS (IFRS)

5. Segment Reporting

Through the end of 2011, the Group operated in five reportable segments which reflect the internal organisational and management structure according to the nature of the products and services provided.

- **AIRBUS Commercial** — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services.

- **AIRBUS Military** — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

The above mentioned reportable segments AIRBUS Commercial and AIRBUS Military form the AIRBUS Division.

- **EUROCOPTER** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.

- **ASTRIUM** — Development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services.

- **CASSIDIAN** — Development, manufacturing, marketing and sale of missiles systems, military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communications solutions and logistics; training, testing, engineering and other related services.

The following tables present information with respect to the Group's business segments. "Other Businesses" mainly comprises the development, manufacturing, marketing and sale of regional turboprop aircraft, aircraft components as well as the Group's activities managed in the US.

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

A) BUSINESS SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2011

In € million	AIRBUS Commercial	AIRBUS Military	EURO-COPTER	ASTRIUM	CASSIDIAN	Other Busi-nesses	Total Seg-ments	HQ/ Conso.	Conso-lidated
Total revenues	31,159	2,504	5,415	4,964	5,803	1,252	51,097	31	51,128
Internal revenues	(770)	(374)	(458)	(15)	(221)	(162)	(2,000)	0	(2,000)
Revenues	**30,389**	**2,130**	**4,957**	**4,949**	**5,582**	**1,090**	**49,097**	**31**	**49,128**
Segment result	**533**	**36**	**254**	**264**	**294**	**29**	**1,410**	**39**	**1,449**
- *thereof additions to other provisions (see Note 25C)*	*702*	*41*	*681*	*222*	*723*	*28*	*2,397*	*93*	*2,490*
Share of profit from associates accounted for under the equity method	(16)	12	4	(1)	18	0	17	147	164
Profit before finance costs and income taxes	**517**	**48**	**258**	**263**	**312**	**29**	**1,427**	**186**	**1,613**
Goodwill impairment/disposal	0	0	0	0	12	30	42	0	42
Exceptional depreciation/ disposal	26	1	1	4	7	0	39	2	41
EBIT pre-goodwill impairment and exceptionals (see definition in Note 5C)	**543**	**49**	**259**	**267**	**331**	**59**	**1,508**	**188**	**1,696**
Total finance costs									(220)
Income tax expense									(356)
Profit for the period									**1,037**
Attributable to: Equity owners of the parent (Net income)									1,033
Non-controlling interests									4
OTHER INFORMATION									
Identifiable segment assets (incl. goodwill)(1)	32,439	4,086	8,467	8,169	10,100	1,035	64,296	70	64,366
thereof goodwill	*6,657*	*12*	*319*	*1,171*	*2,551*	*35*	*10,745*	*15*	*10,760*
Investments in associates	0	0	4	1	117	3	125	2,552	2,677
Segment liabilities(2)	33,518	6,632	7,768	8,196	10,574	953	67,641	61	67,702
thereof provisions (see Note 25)	*5,998*	*1,994*	*2,175*	*986*	*2,748*	*120*	*14,021*	*964*	*14,985*
Capital expenditures (excl. leased assets)	1,331	110	200	344	149	49	2,183	14	2,197
Depreciation, amortisation	1,065	120	140	235	167	58	1,785	99	1,884
Research and development expenses	2,467	14	235	109	275	10	3,110	42	3,152

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

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

B) BUSINESS SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2010

In € million	AIRBUS Commercial	AIRBUS Military	EURO-COPTER	ASTRIUM	CASSIDIAN	Other Businesses	Total Segments	HQ/ Conso.	Consolidated
Total revenues	27,673	2,684	4,830	5,003	5,933	1,182	47,305	29	47,334
Internal revenues	(606)	(196)	(439)	(18)	(186)	(137)	(1,582)	0	(1,582)
Revenues	**27,067**	**2,488**	**4,391**	**4,985**	**5,747**	**1,045**	**45,723**	**29**	**45,752**
Segment result	**284**	**11**	**182**	**279**	**441**	**25**	**1,222**	**(162)**	**1,060**
- *thereof additions to other provisions (see Note 25C)*	*(310)*	*(124)*	*(512)*	*(194)*	*(631)*	*(12)*	*(1,783)*	*(125)*	*(1,908)*
Share of profit from associates accounted for under the equity method	(20)	8	0	0	9	0	(3)	130	127
Profit (loss) before finance costs and income taxes	**264**	**19**	**182**	**279**	**450**	**25**	**1,219**	**(32)**	**1,187**
Exceptional depreciation/ disposal	27	2	1	4	7	0	41	3	44
EBIT pre-goodwill impairment and exceptionals (see definition in Note 5C)	**291**	**21**	**183**	**283**	**457**	**25**	**1,260**	**(29)**	**1,231**
Total finance costs									(371)
Income tax benefit									(244)
Profit for the period									**572**
Attributable to: Equity owners of the parent (Net loss)									553
Non-controlling interests									19
OTHER INFORMATION									
Identifiable segment assets (incl. goodwill)(1)	30,930	3,649	6,934	7,459	10,064	1,067	60,103	(47)	60,056
thereof goodwill	*6,425*	*12*	*117*	*644*	*2,533*	*64*	*9,795*	*14*	*9,809*
Investments in associates	9	0	2	3	117	3	134	2,317	2,451
Segment liabilities(2)	29,692	6,774	6,609	7,978	10,812	817	62,682	144	62,826
thereof provisions (see Note 25)	*5,265*	*2,383*	*1,741*	*822*	*2,688*	*131*	*13,030*	*949*	*13,979*
Capital expenditures (excl. leased assets)	1,419	64	166	339	212	20	2,220	30	2,250
Depreciation, amortisation	959	35	91	218	141	25	1,469	113	1,582
Research and development expenses	2,311	10	189	85	251	10	2,856	83	2,939

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

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

As a rule, inter-segment transfers are carried out on an arm´s length basis. Inter-segment sales predominantly take place between AIRBUS Commercial and AIRBUS Military and between EUROCOPTER and AIRBUS Commercial as well as between CASSIDIAN and AIRBUS Military.

Capital expenditures represent the additions to property, plant and equipment and to intangible assets (excluding additions to goodwill of €968 million in 2011 and €34 million in 2010; for further details see Note 5E) “Capital expenditures”).

C) EBIT PRE-GOODWILL IMPAIRMENT AND EXCEPTIONALS

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

In € million	**2011**	**2010**	**2009**
Profit (loss) before finance costs and income taxes	**1,613**	**1,187**	**(380)**
Disposal and impairment of goodwill	42	0	0
Exceptional depreciation/ disposal	41	44	58
EBIT pre-goodwill impairment and exceptionals	**1,696**	**1,231**	**(322)**

D) REVENUES BY DESTINATION

In € million	**2011**	**2010**	**2009**
Germany	5,074	5,381	5,018
France	4,762	4,422	3,807
United Kingdom	2,757	2,280	2,983
Spain	702	1,018	1,322
Other European Countries	7,359	8,301	8,310
Asia/Pacific	14,303	11,335	8,618
North America	5,852	3,507	6,138
Middle East	5,111	6,247	3,857
Latin America	2,874	2,537	1,893
Other Countries	334	724	876
Consolidated	**49,128**	**45,752**	**42,822**

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

E) CAPITAL EXPENDITURES

In € million	**2011**	**2010**	**2009**
France	951	882	1,001
Germany	576	693	509
United Kingdom	333	385	228
Spain	255	228	133
Other Countries	82	62	86
Capital expenditures excluding leased assets	**2,197**	**2,250**	**1,957**
Leased assets	**243**	**270**	**9**
Capital expenditures	**2,440**	**2,520**	**1,966**

F) PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHICAL AREA

In € million	**2011**	**2010**	**2009**
France	4,992	4,698	4,448
Germany	3,963	3,846	3,635
United Kingdom	2,728	2,535	2,376
Spain	1,273	1,210	1,071
Other Countries	629	379	275
Property, plant and equipment by geographical area	**13,585**	**12,668**	**11,805**

Property, plant and equipment split by geographical area excludes leased assets (2011: €574 million, 2010: €759 million and 2009: €703 million).

6. Revenues

Revenues in 2011 reach €49,128 million compared to €45,752 million in 2010 and €42,822 million in 2009.

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 2011, the revenues comprise revenues from services including the sale of spare parts of €6,027 million compared to €5,113 million in 2010.

For a breakdown of revenues by business segment and geographical area, refer to Note 5 "Segment Reporting".

Detail of **Revenues:**

In € million	**2011**	**2010**	**2009**
Total revenues	49,128	45,752	42,822
Revenues from sale of goods according to IAS 18	35,313	31,930	30,430
Revenues from rendering of services according to IAS 18	4,656	3,906	3,820
Revenues from construction contracts	8,808	9,716	8,377
Other revenues	351	200	195

Revenues of €49,128 million (2010: €45,752 million) increase by 7%. AIRBUS Commercial delivered more aircraft (534, but 536 with revenue recognition versus 510 in the previous year, thereof 508 with revenue recognition) and EUROCOPTER contributed also positively. AIRBUS Military includes revenues related to the A400M programme of €758 million (in 2010: €1,043 million). CASSIDIAN and ASTRIUM revenues decrease slightly.

7. Functional Costs

Inventories recognised as an expense during the period amount to €35,036 million (2010: €32,840 million; 2009: €30,274 million).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of €40 million (2010: €44 million; 2009: €56 million); these are related to the EADS merger, the AIRBUS Combination.

Personnel expenses are:

In € million	**2011**	**2010**	**2009**
Wages, salaries and social contributions	10,286	9,625	9,094
Net periodic pension cost (see Note 25b)	424	452	424
Total	**10,710**	**10,077**	**9,518**

The **Gross Margin** increases by €619 million to €6,843 million compared to €6,224 million in 2010. This improvement is mainly related to better performance of legacy programmes at Airbus Commercial. The operational improvement at Airbus (including better pricing and positive volume/ mix effects) and EUROCOPTER is partly compensated by unfavourable foreign exchange rate effects at AIRBUS Commercial and onerous contract charges for the A350XWB.

8. Research and Development Expenses

Research and development expenses in 2011 amount to €3,152 million compared to €2,939 million in 2010 and €2,825 million in 2009, primarily reflecting R&D activities at AIRBUS Commercial. Most of the increase was attributable to higher expenses at AIRBUS Commercial and EUROCOPTER, due to the development of the A350 XWB programme and various helicopter programmes.

9. Other Income

In € million	2011	2010	2009
Other income	359	171	170
Thereof badwill and other gains related to business combinations	26	0	0
Thereof rental income	16	13	22
Thereof income from sale of fixed assets	9	33	42
Thereof release of allowances	2	1	3

The increase in **other income** in 2011 is mainly due to a release of refundable advances of €192 million at Airbus (see Note 27 "Other Liabilities").

10. Other Expense

In € million	2011	2010	2009
Other expense	221	102	102
Thereof goodwill impairment charge	20	0	0
Thereof loss from disposal of fixed assets	18	7	19

Regarding the goodwill impairment charge please refer to Note 14 "Intangible assets".

11. Share of Profit from Associates Accounted for under the equity method and other income from investments

In € million	2011	2010	2009
Share of profit from associates	164	127	115
Other income from investments	28	18	19
Total	**192**	**145**	**134**

The **share of profit from associates accounted for under the equity method** in 2011 is mainly derived from the result of the equity investment in Dassault Aviation of €146 million (2010: €130 million; 2009: €120 million). For the first semester 2011, Dassault Aviation published a net income of €88 million which has been recognised by EADS in its half year financial statements 2011 with its share of 46.32% amounting to €41 million. Since for the second half-year 2011 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of the 2011 Consolidated Financial Statements, EADS uses a best estimate for the net income of Dassault Aviation. Furthermore, EADS' net income includes an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

For the first semester 2010, Dassault Aviation published a net income of €141 million which has been recognised by EADS in its half year financial statements 2010 with its share of 46.32% amounting to €65 million. Since for the second half-year 2010 no published financial information was available from Dassault Aviation at the date of authorisation for issue of the 2010 Consolidated Financial Statements, EADS used a best estimate for the net income of Dassault Aviation. Furthermore, EADS' net income included an IFRS catch-up adjustment for its equity investment in Dassault Aviation.

12. Total Finance Costs

Interest result in 2011 comprises interest income of €377 million (2010: €316 million; 2009: €356 million) and interest expense of €-364 million (2010: €-415 million; 2009: €-503 million). Included in interest income is the return on cash and cash equivalents, securities and financial assets such as loans and finance leases. Interest expense includes interests on financing liabilities and on European Government refundable advances of €-92 million (2010: €-132 million; 2009: €-235 million) which are positively impacted by the release of €120 million following the termination of the A340 programme (see Note 27 "Other Financial Liabilities"). A similar positive impact was recorded in the previous year.

Other financial result in 2011 amounts to €-233 million (in 2010: €-272 million and in 2009: €-445 million) and mainly includes charges from the negative revaluation of financial instruments (€-94 million, 2010: €-184 million; 2009: €-147 million) and the unwinding of discounts by €-172 million (2010: €-176 million; 2009: €-307 million), partly compensated by the positive impact from foreign exchange translation of monetary items of €+109 million (2010: €+71 million; 2009: €+54 million).

As a result from the refinement of its hedging policy in 2010, EADS presents the fair value gains or losses of certain foreign exchange rate derivatives, which are not part of a formal hedge accounting relationship, in EBIT to better reflect the natural offset these derivatives provide to the remeasurement gains or losses of specific foreign currency balance sheet items ('natural hedge'). The foreign currency remeasurement impact of these derivatives recorded in EBIT instead of in financial result amounts to €+89 million as of 31 December 2011 (2010: €+125 million).

13. Income Taxes

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

In € million	**2011**	**2010**	**2009**
Current tax expense	(253)	(259)	(208)
Deferred tax benefit/ (expense)	(103)	15	428
Total	**(356)**	**(244)**	**220**

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 Group's parent company, EADS NV, legally seated in Amsterdam, The Netherlands, applies Dutch tax law using an income tax rate of 25.0% for 31 December 2011 and 25.5% for 31 December 2010 and 2009. In 2010, a new tax law was enacted reducing the income tax rates from 2011 onwards to 25.0%.

On 19 December 2011 a new tax law has been enacted in France increasing the income tax rate from previously 34.43% (in 2009 and 2010) to 36.10% for the years 2011 and 2012. For the years 2013 and following the previous rate of 34.43% will be applicable.

Regarding German subsidiaries, the German federal corporate tax rate amounts to 15%. In addition, there is a surcharge ("Solidaritätszuschlag") of 5.5% on the amount of federal corporate taxes. In addition to corporate taxation, the trade taxes amount to 14.2%. In aggregate, the enacted tax rate which has been applied to German deferred taxes amounts to 30% in 2011, 2010 and 2009.

With respect to the Spanish subsidiaries, the corporate income tax rate amounts to 30% in 2011, 2010 and 2009.

All other foreign subsidiaries apply their national tax rates.

The following table shows a reconciliation from the theoretical income tax benefit (expense) – using the Dutch corporate tax rate of 25.0% to the reported tax benefit (expense). The reconciling items represent, besides the impact of tax rate differentials and tax rate changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported Consolidated Financial Statements according to IFRS rules.

In € million	**2011**	**2010**	**2009**
Profit (loss) before income taxes	1,393	816	(972)
·· Corporate income tax rate	25.0%	25.5%	25.5%
Expected benefit (expense) for income taxes	(348)	(208)	248
Effects from tax rate differentials	(103)	(53)	122
Income from investments/ associates	58	42	48
Tax credit for R&D expenses	68	59	54
Change of tax rate	(45)	(1)	0
Change in valuation allowances	(12)	(73)	(236)
Non-deductible expenses and tax-free income	(10)	(5)	(12)
Other	36	(5)	(4)
Reported tax benefit (expense)	**(356)**	**(244)**	**220**

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. The amount of change in valuation allowances of €-12 million in 2011 excludes a positive impact of €22 million from a change in tax rates which is presented in the line “change of tax rate”. Changes of tax rates mainly relates to changes in the tax laws in France and United Kingdom. In 2011, the line “Other” mainly reflects a release of an income tax provision related to a reassessment of tax audit proceedings.

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

Deferred income taxes as of 31 December 2011 are related to the following assets and liabilities:

	31 December 2010		**Movement through equity**		**Movement through income statement**		**31 December 2011**	
In € million	**Tax assets**	**Tax liabilities**	**OCI / IAS 19**	**Others[(1)]**	**R&D tax credits**	**Deferred tax benefit (expense)**	**Tax assets**	**Tax liabilities**
Intangible assets	10	(281)	0	(89)	0	34	27	(353)
Property, plant and equipment	228	(937)	0	(26)	0	(34)	242	(1,011)
Investments and other long-term financial assets	331	(83)	17	0	0	173	541	(103)
Inventories	1,108	(140)	0	14	0	136	1,192	(74)
Receivables and other assets	740	(1,639)	(604)	32	0	(200)	229	(1,900)
Prepaid expenses	8	0	0	0	0	(11)	2	(5)
Provision for retirement plans	877	(172)	167	1	0	(274)	883	(284)
Other provisions	1,888	(162)	0	(1)	0	151	2,052	(176)
Liabilities	613	(641)	751	2	0	(227)	1,058	(560)
Deferred income	181	0	0	3	0	(26)	161	(3)
Net operating loss and tax credit carry forwards	2,058	0	0	29	28	165	2,280	0
Deferred tax assets / (liabilities) before offsetting	**8,042**	**(4,055)**	**331**	**(35)**	**28**	**(113)**	**8,667**	**(4,469)**
Valuation allowances on deferred tax assets	(932)	0	0	(17)	0	10	(939)	0
Set-off	(2,860)	2,860	0	0	0	0	(3,419)	3,419
Net Deferred tax assets / (liabilities)	**4,250**	**(1,195)**	**331**	**(52)**	**28**	**(103)**	**4,309**	**(1,050)**

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

Deferred income taxes as of 31 December 2010 are related to the following assets and liabilities:

In € million	31 December 2009		Movement through equity		Movement through income statement		31 December 2010	
	Tax assets	Tax liabilities	OCI / IAS 19	Others[(1)]	R&D tax credits	Deferred tax benefit (expense)	Tax assets	Tax liabilities
Intangible assets	16	(207)	0	0	0	(80)	10	(281)
Property, plant and equipment	220	(982)	0	24	0	29	228	(937)
Investments and other long-term financial assets	237	(37)	9	0	0	39	331	(83)
Inventories	912	(171)	0	1	0	226	1,108	(140)
Receivables and other assets	116	(1,501)	189	2	0	295	740	(1,639)
Prepaid expenses	15	(3)	0	0	0	(4)	8	0
Provision for retirement plans	653	0	97	0	0	(45)	877	(172)
Other provisions	1,801	(106)	0	0	0	31	1,888	(162)
Liabilities	648	(733)	801	11	0	(755)	613	(641)
Deferred income	319	0	0	6	0	(144)	181	0
Net operating loss and tax credit carry forwards	1,521	0	0	33	8	496	2,058	0
Deferred tax assets / (liabilities) before offsetting	**6,458**	**(3,740)**	**1,096**	**77**	**8**	**88**	**8,042**	**(4,055)**
Valuation allowances on deferred tax assets	(813)	0	0	(46)	0	(73)	(932)	0
Set-off	(2,989)	2,989					(2,860)	2,860
Net Deferred tax assets / (liabilities)	**2,656**	**(751)**	**1,096**	**31**	**8**	**15**	**4,250**	**(1,195)**

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

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 €867 million (in 2010: €811 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 € million	France	Germany	Spain	UK	Nether-lands	Other countries	31 December 2011	31 December 2010
Net Operating Losses (NOL)	1,667	1,821	190	2,875	2	90	6,645	5,800
Trade tax loss carry forwards	0	2,048	0	0	0	0	2,048	1,490
Tax credit carry forwards	0	0	319	0	0	4	323	315
Tax effect	**575**	**578**	**376**	**719**	**0**	**32**	**2,280**	**2,058**
Valuation allowances	(12)	(79)	(119)	(444)	0	(3)	(657)	(653)
Deferred tax assets on NOL's and tax credit carry forwards	**563**	**499**	**257**	**275**	**0**	**29**	**1,623**	**1,405**

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 18 years and 15 years respectively. The first tranche of tax credit carry forwards (€13 million) will expire in 2017. In the Netherlands, NOLs and tax credit carry forwards expire after 9 years.

Roll forward of deferred taxes:

In € million	2011	2010
Net deferred tax asset beginning of the year	**3,055**	**1,905**
Deferred tax (expense) benefit in income statement	(103)	15
Deferred tax recognised directly in AOCI (IAS 39)	164	999
Variation of Defined benefit plan actuarial gains	167	97
Others	(24)	39
Net deferred tax asset at year end	**3,259**	**3,055**

Details of deferred taxes recognised cumulatively in equity are as follows:

In € million	2011	2010
Available-for-sale investments	(1)	(18)
Cash flow hedges	776	629
Defined benefit plan actuarial losses	635	468
Total	**1,410**	**1,079**

NOTES TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (IFRS)

14. Intangible Assets

A schedule detailing gross values, accumulated depreciation and net values of intangible assets as of 31 December 2011 is as follows:

Cost

In € million	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Goodwill	10,934	33	0	968	0	(22)	11,913
Capitalised development costs	1,234	8	97	0	26	0	1,365
Other intangible assets	1,855	22	198	522	25	(70)	2,552
Total	**14,023**	**63**	**295**	**1,490**	**51**	**(92)**	**15,830**

Amortisation

In € million	Balance at 1 January 2011	Exchange differences	Amortisation charge	Changes in consolidation scope	Reclassification	Disposals	Balance at 31 December 2011
Goodwill	(1,125)	(8)	(20)	0	0	0	(1,153)
Capitalised development costs	(288)	(1)	(116)	0	(13)	0	(418)
Other intangible assets	(1,311)	(5)	(241)	0	(21)	64	(1,514)
Total	**(2,724)**	**(14)**	**(377)**	**0**	**(34)**	**64**	**(3,085)**

Net Book Value

In € million	Balance at 1 January 2011		Balance at 31 December 2011
Goodwill	9,809		10,760
Capitalised development costs	946		947
Other intangible assets	544		1,038
Total	**11,299**		**12,745**

A schedule detailing gross values, accumulated depreciation and net values of intangible assets as of 31 December 2010 is as follows:

Cost

In € million	Balance at 1 January 2010	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2010
Goodwill	10,859	41	0	34	0	0	10,934
Capitalised development costs	1,052	6	145	0	32	(1)	1,234
Other intangible assets	1,694	12	192	1	18	(62)	1,855
Total	**13,605**	**59**	**337**	**35**	**50**	**(63)**	**14,023**

Amortisation

In € million	Balance at 1 January 2010	Exchange differences	Amorti-sation charge	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2010
Goodwill	(1,118)	(7)	0	0	0	0	(1,125)
Capitalised development costs	(255)	(1)	(34)	0	1	1	(288)
Other intangible assets	(1,172)	(4)	(185)	(1)	(2)	53	(1,311)
Total	**(2,545)**	**(12)**	**(219)**	**(1)**	**(1)**	**54**	**(2,724)**

Net Book Value

In € million	Balance at 1 January 2010		Balance at 31 December 2010
Goodwill	9,741		9,809
Capitalised development costs	797		946
Other intangible assets	522		544
Total	**11,060**		**11,299**

The regular amortisation charge and impairments (if any) of capitalised development costs and other intangible assets are mainly accounted for in cost of sales.

GOODWILL IMPAIRMENT TESTS

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

As of 31 December 2011 and 2010, goodwill was allocated to CGUs, which is summarized in the following schedule on segment level:

In € million	AIRBUS Commercial	AIRBUS Military	EURO-COPTER	ASTRIUM	CASSI-DIAN	Other Businesses	HQ/ Conso.	Conso-lidated
Goodwill as of 31 December 2011	6,657	12	319	1,171	2,551	35	15	10,760
Goodwill as of 31 December 2010	6,425	12	117	644	2,533	64	14	9,809

Due to internal reorganisations in 2011 the former CGUs CASSIDIAN Air Systems, CASSIDIAN Systems and CASSIDIAN Electronics have been combined and a goodwill in the amount of €1,895 million has been allocated to this new CGU. For MBDA the allocation of goodwill in the amount of €656 million remains unchanged. The Astrium CGUs consist of Astrium Satellites, Astrium Space Transportation and Astrium Services. The increase in the goodwill of Astrium is mainly caused by the acquisition of Vizada (€538 million) in the CGU Astrium Services (€612 million). Furthermore, the increase in Airbus Commercial and EUROCOPTER mainly relates to the acquisition of Satair Group and Vector (for further details please refer to Note 4 Acquisition and Disposals).

GENERAL ASSUMPTIONS APPLIED IN THE PLANNING PROCESS

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

The operative planning - approved by the Board of Directors on 8 December 2011 - 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 2 to 3% 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 31 December 2011, the total hedge portfolio with maturities up to 2017 amounts to US$75 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2012 to 2016). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2017 amounts to 1.37 US$/€ and for the US$/GBP hedge portfolio until 2017 amounts to 1.59 US$/GBP. For the determination of the operative planning in the CGUs management assumed future exchange rates of 1.35 US$/€ from 2012 onwards to convert in € the portion of future US$ which are not hedged. Foreign exchange exposure arises mostly from AIRBUS and to a lesser extent from the other EADS divisions.

The assumption for the perpetuity growth rate used to calculate the terminal values as of 31 December 2011 has been determined with 1% (previous year: 1%). This assumption is lower than experienced in past economic cycles in order to reflect current uncertainty regarding market developments in the long-term.

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

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

AIRBUS COMMERCIAL

The goodwill allocated to AIRBUS Commercial relates to the creation of EADS in 2000 and the Airbus Combination in 2001. In 2011 the goodwill increased mainly due to the acquisitions of Satair, PFW and Metron.

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

- projected cash flows for the next five years were presented to EADS Board of Directors in the frame of the operative plan. This planning scenario takes into account the decision to ramp-up in 2012 the production of the A320 programme to 42 a/c, of the Long Range-programme to 9.5 a/c and of the A380 - programme to 2.7 a/c . In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value. The terminal value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade;
- Long-term commercial assumptions are based on General Market Forecast updated in 2011. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities. Cash flow projections include all of the estimated cost savings of the Power8/Power8 Plus programme as well as non-recurring cost improvement plan and benefits from initiatives already launched in the frame of "Future EADS";
- cash flows are discounted using a euro weighted average cost of capital pre-tax (WACC) of 10.4% (in 2010: 11.2%);
- carrying value as well as planned cash flows include impacts from the existing hedge portfolio as per end December 2011.

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

The recoverable amount is particularly sensitive to the following areas:

- change of the euro against the US$ (reference scenario at 1.35 US$/€): A change by 10 cents, + or - would however not imply an impairment charge in the EADS accounts;
- change of the WACC: An increase of 50 basis points in the WACC would not imply an impairment charge in the EADS accounts.

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

AIRBUS MILITARY

For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 8.7% (in 2010: 9.1%).

A400M launch order from OCCAR is included as per assumptions used for the preparation of these Consolidated Financial Statements. A400M is based on the contract amendment negotiations with OCCAR and the seven A400M launch customer nations finalised on 7 April 2011.

This adjusted plan is the reference for projected cash flows for the next five years. Expected cash flows generated beyond the planning horizon are considered through a terminal value. The terminal value reflects management's assessment of a normative operating year.

Value in use of the CGU Airbus Military is above carrying value, indicating no goodwill impairment for 2011 and 2010.

OTHER SEGMENTS

In order to reflect the different underlying business risks, a segment specific WACC factor has been applied. For EUROCOPTER the cash flows were discounted using a weighted average cost of capital pre-tax (WACC) of 9.6% (in 2010: 9.1%), whereas CASSIDIAN applied a weighted average cost of capital pre-tax (WACC) of 8.8% (in 2010: 8.8%) and ASTRIUM applied a pre-tax WACC of 9.8% (in 2010: 8.8%). Cash flow projections are based on operative planning covering a five-year planning period.

For the CASSIDIAN Division, a slight growth in revenues is assumed in the operative planning. This is driven by a strong order backlog and further key orders expected in the next years in the domestic market as well as in global markets, as for example Eurofighter contracts, ramp-up in Unmanned Aerial Vehicles (“UAV”), orders for Missile export, Security and Communication Solutions, Integrated Systems, Electronic Warfare and Radar business. In spite of additional efforts for globalisation and product renewal, the Division continuously expects a strong performance over the operative planning period thanks to the investment in new products and the transformation of the Division into a new global business model.

The strong order book of the ASTRIUM Division as of 31 December 2011 (including satellites, launchers, ballistic missiles and military telecom services) supports the positive revenue development which is assumed for this Division over the operative planning period. Based on key achievements in 2011, like the successful launch of 13 Astrium-built satellites, including 5 telecommunication satellites and the first two Galileo In-Orbit-Validation satellites, as well as 5 successful Ariane 5 launches and the successful mission of the second Automated Transfer Vehicle spacecraft, the planning period is characterised by business development in telecom services and Earth observation services and further order intake in established key areas (e.g. M51, Ariane 5, telecom and Earth observation satellites). The operating margin and the Free Cash Flow are planned to increase continuously, supported by existing process improvement programmes.

The recoverable amounts of all CGU’s in CASSIDIAN, ASTRIUM and EUROCOPTER have exceeded their carrying amounts, indicating no goodwill impairment for 2011 and 2010.

Due to the divestment of EADS NA Defense Security Systems Solutions Inc. a goodwill of €10 million was disposed in Other Businesses. For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 8.9% (in 2010: 8.8%). The annual impairment test within Other Businesses resulted in an impairment charge of €20 million in 2011.

DEVELOPMENT COSTS

EADS has capitalised development costs in the amount of €947 million as of 31 December 2011 (€946 million as of 31 December 2010) as internally generated intangible assets mainly for the AIRBUS A380 programme. The amortisation for the A380 programme development costs is performed on a unit of production basis.

15. Property, Plant and Equipment

Schedules detailing gross values, accumulated depreciation and net values of property, plant and equipment show the following as of 31 December 2011:

Cost

In € million	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication	Disposals	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	7,364	23	88	79	490	0	8,044
Technical equipment and machinery	12,517	130	222	68	565	(115)	13,387
Other equipment, factory and office equipment	3,712	42	428	42	103	(443)	3,884
Construction in progress	2,517	29	1,404	32	(969)	(2)	3,011
Total	**26,110**	**224**	**2,142**	**221**	**189**	**(560)**	**28,326**

Depreciation

In € million	Balance at 1 January 2011	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication	Disposals	Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	(3,192)	(7)	(266)	0	(82)	0	(3,547)
Technical equipment and machinery	(7,299)	(79)	(803)	0	(2)	38	(8,145)
Other equipment, factory and office equipment	(2,192)	(27)	(297)	0	(14)	55	(2,475)
Construction in progress	0	0	0	0	0	0	0
Total	**(12,683)**	**(113)**	**(1,366)**	**0**	**(98)**	**93**	**(14,167)**

Net Book Value

In € million	Balance at 1 January 2011		Balance at 31 December 2011
Land, leasehold improvements and buildings including buildings on land owned by others	4,172		4,497
Technical equipment and machinery	5,218		5,242
Other equipment, factory and office equipment	1,520		1,409
Construction in progress	2,517		3,011
Total	**13,427**		**14,159**

Schedules detailing gross values, accumulated depreciation and net values of property, plant and equipment show the following as of 31 December 2010:

Cost

In € million	Balance at 1 January 2010	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication	Disposals	Balance at 31 December 2010
Land, leasehold improvements and buildings including buildings on land owned by others	6,838	28	173	(1)	326	0	7,364
Technical equipment and machinery	11,868	155	210	(4)	451	(163)	12,517
Other equipment, factory and office equipment	3,521	72	437	(1)	(28)	(289)	3,712
Construction in progress	1,877	37	1,385	0	(775)	(7)	2,517
Total	**24,104**	**292**	**2,205**	**(6)**	**(26)**	**(459)**	**26,110**

Depreciation

In € million	Balance at 1 January 2010	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication	Disposals	Balance at 31 December 2010
Land, leasehold improvements and buildings including buildings on land owned by others	(2,835)	(9)	(286)	0	(62)	0	(3,192)
Technical equipment and machinery	(6,668)	(72)	(723)	1	10	153	(7,299)
Other equipment, factory and office equipment	(2,049)	(39)	(215)	2	34	75	(2,192)
Construction in progress	(44)	0	4	0	40	0	0
Total	**(11,596)**	**(120)**	**(1,220)**	**3**	**22**	**228**	**(12,683)**

Net Book Value

In € million	Balance at 1 January 2010		Balance at 31 December 2010
Land, leasehold improvements and buildings including buildings on land owned by others	4,003		4,172
Technical equipment and machinery	5,200		5,218
Other equipment, factory and office equipment	1,472		1,520
Construction in progress	1,833		2,517
Total	**12,508**		**13,427**

Property, plant and equipment include at 31 December 2011 and 2010, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of €141 million and €146 million, net of accumulated depreciation of €60 million and €49 million. The related depreciation expense for 2011 was €11 million (2010: €10 million; 2009: €8 million).

Other equipment, factory and office equipment include the net book value of "aircraft under operating lease" for €574 million and €759 million as of 31 December 2011 and 2010, respectively; related accumulated depreciation is €746 million and €687 million. Depreciation expense for 2011 amounts to €59 million (2010: €31 million; 2009: €49 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 33 "Commitments and contingencies" for details on sales financing transactions).

The corresponding non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at 31 December 2011 are as follows:

In € million	
not later than 2012	46
later than 2012 and not later than 2016	103
later than 2016	2
Total	**151**

ii) Aircraft which have been accounted as "operating lease" because they were sold under terms that include asset value guarantee commitments with the present value of the guarantee being more than 10% of the aircraft's sales price (assumed to be the fair value). Upon the initial sale of these aircraft to the customer, their total cost previously recognised in inventory is transferred to "Other equipment, factory and office equipment" and depreciated over its estimated useful economic life, with the proceeds received from the customer being recorded as deferred income (see Note 30 "Deferred income").

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

	31 December	
In € million	**2011**	**2010**
(i) Net book value of aircraft under operating lease before impairment charge	497	579
Accumulated impairment	(127)	(75)
Net book value of aircraft under operating lease	370	504
(ii) Aircraft under operating lease with the present value of the guarantee being more than 10%	204	255
Total Net Book value of aircraft under operating lease	**574**	**759**

For details please refer to Note 33 "Commitment and contingencies".

Contractual commitments for purchases of "Land, leasehold improvements and buildings including buildings on land owned by others" amount to €161 million as of 31 December 2011.

16. Investment Property

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

In € million	Historical cost	Accumulated depreciation 31 December 2010	Book value 31 December 2010	Disposals Historical cost	Depreciation/ Amortisation	Accumulated depreciation 31 December 2011	Book value 31 December 2011
Book value of Investment Property	213	(136)	77	(2)	(1)	(137)	74

As of 31 December 2011, the fair value of the Group's investment property amounts to €80 million (in 2010: €81 million). For the purposes of IAS 40 "Investment property", the fair values have been determined by using external appraisal reports or using discounted cash flow projections for estimated rental income less rental expenses. Related rental income in 2011 is €9 million (in 2010: €8million) with direct operating expenses amounting to €1 million (in 2010: €2 million).

17. Investments in Associates Accounted for Under the Equity Method, Other Investments and Other Long-Term Financial Assets

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

In € million	31 December 2011	31 December 2010
Investments in associates accounted for under the equity method	**2,677**	**2,451**
Non-current other investments and other long-term financial assets		
Other investments	466	415
Other long-term financial assets	1,912	1,971
Total	**2,378**	**2,386**
Current portion of other long-term financial assets	**172**	**111**

Investments in associates accounted for under the equity method as of 31 December 2011 and 2010, mainly comprise EADS' interest in Dassault Aviation (46.32% at 31 December 2011 and 2010) of €2,552 million and €2,318 million. Since for the second half-year 2011 no published financial information is available yet from Dassault Aviation at the date of authorisation for issue of 2011 financial statements, EADS used a best estimate for the net income of the second half year 2011 of Dassault Aviation. In addition the equity investment income from Dassault Aviation includes an IFRS catch-up adjustment. The 30 June 2011 equity components have been used to estimate the 2011 year-end consolidated equity position of Dassault Aviation.

Since for the second half-year 2010 no financial information was available from Dassault Aviation at the date of authorisation for issue of 2010 financial statements, EADS used a best estimate for the net income of the second half year 2010 of Dassault Aviation. In addition the equity investment income from Dassault Aviation included an IFRS catch-up adjustment. The 30 June 2010 equity components have been used to estimate the 2010 year-end consolidated equity position of Dassault Aviation.

EADS' 46.32% interest in Dassault Aviation's market capitalisation, derived from an observable free float of 3.5%, amounts to €2,673 million as of 31 December 2011 (as of 31 December 2010: €2,819 million).

The following table reflects summarised most recent published proportionate financial information of Dassault Aviation in which EADS holds 46.32%:

In € million	**30 June 2011**	**31 December 2010**
Share of the associate's financial position:		
Non-current assets	2,490	2,938
Current assets	2,250	2,148
Non-current liabilities	132	120
Current liabilities	2,548	2,923
Total equity	**2,060**	**2,043**
Share of the associate's revenues and profit:	**6 months**	**12 months**
Revenues	610	1,939
Net Income	41	124

In € million	**31 December 2011**	**31 December 2010**
Carrying amount of the investment at 31 December	**2,552**	**2,318**

Further significant associates, being accounted for under the equity method (like Air Tanker, Daher-Socata SA, Patria Oyi, United Monolithic Semiconductors and ESG), are stated in aggregate in the following table:

In € million	**31 December 2011**	**31 December 2010**
Share of the associate's financial position:		
Non-current assets	1,079	697
Current assets	248	188
Non-current liabilities	1,165	735
Current liabilities	279	155
Total equity	**(117)**	**(5)**
Share of the associate's revenues and profit:	**12 months**	**12 months**
Revenues	571	396
Net Income	24	9

In € million	**31 December 2011**	**31 December 2010**
Carrying amount of the investments at 31 December	**109**	**59**

The cumulative unrecognized comprehensive loss in 2011 amounts to €-221 million (thereof €-158 million for the period).

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

Other investments mainly comprise EADS' participations, the most significant being at 31 December 2011 the participations in CARMAT SAS (EADS share: 30.7%) amounting to €106 million (2010: €35 million) and AviChina (EADS share: 5.0%) amounting to €80 million (2010: €88 million).

Other long-term financial assets of €1,912 million (2010: €1,971 million) and the **current portion of other long-term financial assets** of €172 million (in 2010: €111 million) encompass other loans in the amount of €1,135 million and €969 million as of 31 December 2011 and 2010 and 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 33 "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:

	31 December	
In € million	**2011**	**2010**
Outstanding gross amount of loans to customers	503	558
Accumulated impairment	(82)	(72)
Total net book value of loans	**421**	**486**

Finance lease receivables from aircraft financing are as follows:

	31 December	
In € million	**2011**	**2010**
Minimum lease payments receivables	697	809
Unearned finance income	(79)	(78)
Accumulated impairment	(90)	(104)
Total net book value of finance lease receivables	**528**	**627**

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

In € million	
not later than 2012	124
later than 2012 and not later than 2016	402
later than 2016	171
Total	**697**

18. Inventories

Inventories at 31 December 2011 and 2010 consist of the following:

	31 December	
In € million	**2011**	**2010**
Raw materials and manufacturing supplies	1,980	1,654
Work in progress	14,803	13,631
Finished goods and parts for resale	1,719	1,618
Advance payments to suppliers	4,061	3,959
Total	**22,563**	**20,862**

The increase in work in progress of €+1,172 million is mainly driven by EUROCOPTER, AIRBUS Commercial and ASTRIUM programmes. Raw materials were built-up at AIRBUS and at EUROCOPTER. Advance payments provided to suppliers mainly increase at AIRBUS and at ASTRIUM partly compensated by lower advance payments made at CASSIDIAN and EUROCOPTER.

The finished goods and parts for resale before write down to net realisable value amount to €2,220 million in 2011 (2010: €2,091 million) and work in progress before write down to net realisable value amounts to €16,270 million (2010: €14,766 million). Write downs for finished goods and services are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2011, write downs of inventories in the amount of €-194 million (2010: €-249 million) are recognised in Cost of Sales, whereas reversal of write downs amounts to €132 million (2010: €81 million). At 31 December 2011 €4,888 million of work in progress and €1,239 million of finished goods and parts for resale were carried at net realisable value.

19. Trade Receivables

Trade receivables at 31 December 2011 and 2010 consist of the following:

	31 December	
In € million	**2011**	**2010**
Receivables from sales of goods and services	6,765	6,953
Allowance for doubtful accounts	(366)	(321)
Total	**6,399**	**6,632**

The **trade receivables** decrease by €-233 million mainly caused by ASTRIUM (€-669 million) and AIRBUS (€-179 million), partly compensated by an increase at EUROCOPTER (€+527 million) and CASSIDIAN (€+76 million).

Trade receivables are classified as current assets. As of 31 December 2011 and 2010, respectively, €668 million and €383 million of trade receivables are not expected to be collected within one year.

In application of the **percentage of completion** (PoC) method, as of 31 December 2011 an amount of €2,170 million (in 2010: €2,829 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses) to date** amounts to €55,858 million comparable to €50,305 million at year-end 2010.

The **gross amount due from customers** for construction work amounts to €4,204 million (in 2010: €3,973 million) and relates to construction contracts where incurred contract costs plus recognised profits less the sum of recognised losses exceed progress billings.

The **gross amount due to customers** amounts to €1,688 million (in 2010: €2,500 million) and corresponds to the construction contracts whose total of incurred contract costs plus recognised profits less the sum of recognised losses and progress billings is negative.

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

In € million	**2011**	**2010**
Allowance balance at 1 January	(321)	(364)
Utilisations / disposals	11	3
(Additions) / release	(56)	41
Foreign exchange rate differences	0	(1)
31 December	**(366)**	**(321)**

Based on historic default rates, the Group believes that no allowance for doubtful accounts is necessary in respect of trade receivables not past due in the amount of €4,125 million (in 2010: €5,081 million).

20. Other Financial Assets

Other financial assets at 31 December 2011 and 2010 consist of the following:

	31 December	
In € million	**2011**	**2010**
Non-current other financial assets		
Positive fair values of derivative financial instruments	486	602
Option premiums	12	99
Others	133	170
Total	**631**	**871**
Current other financial assets		
Positive fair values of derivative financial instruments	404	364
Receivables from related companies	871	790
Loans	78	54
Others	386	367
Total	**1,739**	**1,575**

21. Other Assets

Other assets at 31 December 2011 and 2010 consist of the following:

	31 December	
In € million	**2011**	**2010**
Non-current other assets		
Prepaid expenses	1,050	887
Capitalised settlement payments to German Government	35	70
Others	168	147
Total	**1,253**	**1,104**
Current other assets		
Value added tax claims	1,130	805
Prepaid expenses	591	521
Others	532	386
Total	**2,253**	**1,712**

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

22. Securities

The Group's security portfolio amounts to €11,501 million and €11,166 million as of 31 December 2011 and 2010, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of €7,212 million (in 2010: €5,035 million) and securities designated at fair value through profit and loss of €17 million (in 2010: €297 million) as well as a **current portion** of available-for-sale-securities of €4,222 million (in 2010: €5,834 million) and securities designated at fair value through profit and loss of €50 million (in 2010: €0 million).

Included in the securities portfolio as of 31 December 2011 and 2010, respectively, are corporate and government bonds bearing either fixed rate coupons (€10,075 million nominal value; comparably in 2010: €9,307 million) or floating rate coupons (€1,057 million nominal value; comparably in 2010: €1,138 million) as well as Structured Rate Notes (€175 million nominal value; 2010: €265 million) and foreign currency Funds of Hedge Funds (€19 million nominal value; 2010: €275 million).

With regard to the Consolidated Statements of Cash Flows, in 2011 the change of securities presented in cash used for investing activities comprises additions of €-11,091 million (2010: €-10,751 million) and disposals of €+ 10,713 million (2010: €+7,604 million) reflecting the investment in long-term securities.

23. Total Equity

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

Number of shares	2011	2010
Issued as at 1 January	**816,402,722**	**816,105,061**
Issued for ESOP	2,445,527	0
Issued for exercised options	1,712,892	297,661
Cancelled	(78,850)	0
Issued as at 31 December	**820,482,291**	**816,402,722**
Treasury shares as at 31 December	(5,585,780)	(5,341,084)
Outstanding as at 31 December	**814,896,511**	**811,061,638**

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 26 May 2011, 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 0.15% of the Company’s authorised capital from time to time and to limit or exclude preferential subscription rights, in both cases for a period expiring at the Shareholders’ General Meeting to be held in 2012. The mentioned powers include without limitation the approval of share-related long-term incentive plans (such as stock option, performance and restricted share plans) and employee share ownership plans. They may also include the granting of rights to subscribe for shares which can be exercised at a time that may be specified in or pursuant to such plans and the issue of shares to be paid up from freely distributable reserves.

The Shareholders’ General Meeting on 26 May 2011 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 1 June 2010.

Furthermore, the Shareholders’ General Meeting authorised both the Board of Directors and the Chief Executive Officer, with powers of substitution, to cancel up a maximum of 78,850 shares. As per decision of the Chief Executive Officer, on 9 August 2011, 78,850 shares have been cancelled.

On 26 May 2011, the Shareholders’ General Meeting decided to add the net profit of the fiscal year 2010 of €553 million to retained earnings. It also decided to distribute a gross amount of €0.22 per share, which was paid on 6 June 2011. For the fiscal year 2011, the EADS Board of Directors proposes a cash distribution payment of €0.45 per share.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of €1,712,892 (in 2010: €297,661) in compliance with the implemented stock option plans and by employees of €2,445,527 (in 2010: €0) under the Employee Stock Ownership Plans. In 2010 the usual Employee Stock Ownership Plan was replaced by a Free Share Plan, which did not lead to an issuance of new shares (see Note 35 B) “Employee Stock Ownership Plan (ESOP)”).

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 NV shareholders. In 2011, €21 million are reclassified from currency translation adjustments to profit or loss. Treasury shares represent the amount paid for own shares held in treasury.

24. 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. Consequently, operating liquidity is of great importance.

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, cash flow ratios, profitability and liquidity ratios. EADS focuses on keeping them in a preferable range.

Standard & Poor's upgraded the outlook of EADS' long-term rating to A- positive outlook on 20 September 2011 and Moody's Investors Services reconfirmed the A1 long-term rating of EADS to A1 stable outlook on 24 August 2011. In accordance with its conservative financial policy it is essential for EADS to maintain a strong investment grade rating.

EADS' management uses a Value Based Management approach in order to guide the Company towards management for sustainable value creation. The key elements of the Value Based Management concept are:

- the measurement of value creation;
- prioritisation of actions based on the financial value drivers and operational business drivers; and
- the assessment of value creation with reference to the competition and the industry in total.

EADS developed the following guiding principles with regard to this value based management approach:
Financial value is created if profits exceed the cost of the capital. The Value Creation is measured through Economic Profit (EP) as the residual of: net operating profit after tax (NOPAT) after deducting the cost of capital employed (with the cost of the capital employed being derived from the Average Capital Employed multiplied with the weighted average cost of capital (WACC)).

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

EADS generally 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. 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.

25. Provisions

Provisions are comprised of the following:

In € million	31 December 2011	2010
Provision for retirement plans (see Note 25B)	5,463	4,938
Provision for deferred compensation (see Note 25A)	358	283
Retirement plans and similar obligations	**5,821**	**5,221**
Other provisions (see Note 25C)	9,164	8,758
Total	**14,985**	**13,979**
Thereof non-current portion	9,125	8,213
Thereof current portion	5,860	5,766

As of 31 December 2011 and 2010, respectively, €5,628 million and €5,037 million of retirement plans and similar obligations and €3,497 million and €3,176 million of other provisions mature after more than one year.

A) PROVISIONS FOR DEFERRED COMPENSATION

This amount represents obligations that arise if employees elect to convert part of their remuneration or bonus into an equivalent commitment for deferred compensation which is treated as a defined benefit post-employment plan. The development in 2011 is as follows:

In € million	Balance at 1 January 2011	Utilization	Transfer to other liabilities	Change in consolidated group	Actuarial gains and losses	Additions	Increase from passage of time	Balance at 31 December 2011
Deferred Compensation	283	(1)	(6)	2	19	48	13	358

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. EADS implemented a Contractual Trust Arrangement (CTA) for EADS' pension obligation. The CTA structure is that of a bilateral trust arrangement. Assets that are transferred to the CTA qualify as plan assets under IAS 19.

In the UK, the EADS Astrium Pension Scheme was implemented by Astrium Ltd., Stevenage (UK). This plan comprises all eligible employees of Astrium Ltd. as well as all personnel, who is newly recruited by one of the EADS companies located in the UK. The majority of the Scheme's liabilities relates to Astrium Ltd. Moreover, EADS participates in the UK in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. These plans qualify as multi-employer defined benefit plans under IAS 19 “Employee Benefits”. EADS’ most significant investments in terms of employees participating in these BAE Systems UK pension plans are AIRBUS Operations Ltd., UK and MBDA UK Ltd., UK. Participating AIRBUS Operations Ltd., UK employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between EADS and BAE Systems and a change in UK pensions legislation enacted in April 2006.

Generally, based on the funding situation of the respective pension schemes, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the schemes. The different UK pension plans in which EADS investments participate are currently underfunded. BAE Systems has agreed with the trustees various measures designed to make good the underfunding. These include i) regular contribution payments for active employees well above such which would prevail for funded plans and ii) extra employers’ contributions.

Due to the contractual arrangements between EADS and BAE Systems, EADS’ contributions in respect of its investments for the most significant pension scheme (Main Scheme) were capped until July 2011 for AIRBUS Operations Ltd., UK. Contributions exceeding the respective capped amounts were paid by BAE Systems. Even after the expiry of the contribution cap the unique funding arrangements between BAE Systems and EADS create a situation for EADS different from common UK multi-employer plans with special regulations limiting regular contributions that have to be paid by AIRBUS Operations Ltd., UK to rates applicable to all participating employers.

Based on detailed information about the different multi-employer pension schemes provided by BAE Systems. EADS is able to appropriately and reliably estimate the share of its participation in the schemes, *i.e.* its share in plan assets, defined benefit obligations (DBO) and pension costs. The information enables EADS to derive keys per plan to allocate for accounting purposes an appropriate proportion in plan assets, defined benefit obligations and pension costs to its UK investments as of 31 December 2011 and 2010, taking into account the impact of the capped contributions as well as future extra contributions agreed by BAE Systems with the Trustees. Therefore, EADS accounts for its participation in BAE Systems’ UK defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

In 2011, the share of AIRBUS in BAE Systems’ main schemes amounts to 17.76% (in 2010: 17.88%). The impact of this change is mainly reflected in actuarial gains and losses of the period.

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

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

	Germany			**France**			**UK**			**BAE Systems UK**		
	31 December			**31 December**			**31 December**			**31 December**		
Assumptions in %	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Discount rate	4.5	4.7	5.3	4.75	4.75	5.25	4.8	5.4	5.7	4.8	5.5	5.7
Rate of compensation increase	3.0	3.0	2.75	3.1	3.0-3.5	3.0-3.5	3.6	4.0	4.1	3.4	4.4	4.5
Inflation rate	2.0	1.75	1.75	2.0	2.0	2.0	2.9	3.3	3.5	2.9	3.4	3.5
Expected return on plan assets as of 1 January	6.5	6.5	6.5	6.5	6.5	6.5	5.8	5.8	5.8	6.9	7.1	7.1

The amount recorded as provision in the Consolidated Statement of Financial Position can be derived as follows:

Change in defined benefit obligations **In € million**	**2011**	**2010**	**2009**
Defined benefit obligations at beginning of year	9,645	8,845	7,777
Service cost	265	237	189
Interest cost	472	483	450
Actuarial (gains) and losses	506	387	634
Acquisitions, curtailments and other	46	(19)	(21)
Benefits paid	(408)	(382)	(352)
Foreign currency translation adjustment	113	94	168
Defined benefit obligations at end of year	**10,639**	**9,645**	**8,845**

Included in the line "acquisitions, curtailments and others" are €61 million from acquisitions in 2011.

Actuarial losses which are related to the BAE Systems UK pension plans amount to €213 million (2010: €16 million) and foreign currency translation adjustment amounts to €99 million (2010: €84 million).

Change in plan assets **In € million**	**2011**	**2010**	**2009**
Fair value of plan assets at beginning of year	4,662	3,706	3,335
Expected return on plan assets	317	272	221
Actuarial gains and losses on plan assets	(222)	283	49
Contributions	489	553	173
Acquisitions and other	47	13	0
Benefits paid	(244)	(230)	(202)
Foreign currency translation adjustments	86	65	130
Fair value of plan assets at end of year	**5,135**	**4,662**	**3,706**

The actuarial gains and losses on plan assets includes among others, also €-10 million (2010: €251 million; 2009: €42 million) relating to the BAE Systems' UK pension plans. Furthermore, €-136 million (2010: €-123 million; 2009: €-102 million) of benefits paid and €71 million (2010: €57 million; 2009: €116 million) of foreign currency translation adjustments relate to BAE Systems' UK pension plans.

In 2011, EADS companies contributed in total €489 million (2010: €553 million; 2009: €173 million) in cash. Main contributions were made into the CTA with €300 million (2010: €300 million; 2009: €0 million), into the relief fund in Germany with €94 million (2010: €125 million; 2009: €70 million) and the BAE Systems UK pension plans with €78 million (2010: €66 million; 2009: €66 million). In 2012, further contributions are intended.

Based on past experience, EADS expects for 2012 a rate of return for plan assets of 5.5% for Euro-countries.

In 2011, 38% (in 2010: 43%) of plan assets are invested in equity securities and 47% (in 2010: 40%) in debt securities. The remaining plan assets are mainly invested in cash and other securities.

Recognised Provision **In € million**	**2011**	**2010**	**2009**	**2008**	**2007**
Funded status[(1)]	5,504	4,983	5,139	4,442	4,542
Unrecognised past service cost	(41)	(45)	(49)	(55)	(25)
Provision recognised in the statements of financial position	**5,463**	**4,938**	**5,090**	**4,387**	**4,517**

(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 € million	**2011**	**2010**	**2009**
Service cost	265	237	189
Interest cost	472	483	450
Expected return on plan assets	(317)	(272)	(221)
Past service cost	4	4	6
Net periodic pension cost	**424**	**452**	**424**

The expected return on plan assets for BAE Systems' UK pension plans amounts to €-151 million (in 2010: €-141 million).

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

Actuarial gains and losses recognised directly in total equity (cumulative) **In € million**	**2011**	**2010**	**2009**
Cumulative amount at 1 January	(2,277)	(2,140))	(1,545)
Recognised during the period	(746)	(137)	(595)
Cumulative value at 31 December	**(3,023)**	**(2,277)**	**(2,140)**
Deferred Tax Asset at 31 December	635	468	371
Actuarial gains and losses recognised directly in equity, net	**(2,388)**	**(1,809)**	**(1,769)**

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2011 amount to €643 million (in 2010: €633 million).

C) OTHER PROVISIONS

Movements in provisions during the year were as follows:

In € million	Balance at 1 January 2011	Exchange differences	Increase from passage of time	Additions	Reclassi-fication/Change in consolidated group	Used	Released	Balance at 31 December 2011
Contract losses	3,429	1	80	458	(482)	(165)	(69)	3,252
Outstanding costs	1,718	2	0	854	(90)	(350)	(63)	2,071
Aircraft financing risks	976	18	60	49	0	(124)	(20)	959
Personnel charges	520	1	4	286	8	(227)	(22)	570
Obligation from services and maintenance agreements	424	0	23	117	(15)	(93)	(76)	380
Warranties	235	0	0	214	1	(54)	(23)	373
Restructuring measures/pre-retirement part-time work	229	0	2	97	1	(78)	(27)	224
Litigations and claims	194	(1)	0	38	0	(12)	(34)	185
Asset retirement	100	0	3	1	0	0	0	104
Other risks and charges	933	0	5	376	143	(260)	(151)	1,046
Total	**8,758**	**21**	**177**	**2,490**	**(434)**	**(1,363)**	**(485)**	**9,164**

The provision for contract losses mainly relates to AIRBUS Military in conjunction with the A400M and to the A350 programme in AIRBUS Commercial.

The addition to provisions for outstanding costs mainly relates to EUROCOPTER and CASSIDIAN and mainly corresponds to tasks to complete on construction contracts.

The provision for aircraft financing risks fully covers, in line with the Group's policy for sales financing risk, the net exposure to aircraft financing of €224 million (€293 million at 31 December 2010) and asset value risks of €735 million (€683 million at 31 December 2010) related to AIRBUS, EUROCOPTER and ATR (see Note 33 "Commitments and contingencies").

The provision for restructuring measures/pre-retirement part-time work mainly relates to CASSIDIAN, EUROCOPTER and AIRBUS.

"Reclassification/Change in consolidated group" mainly relates to offsetting of contract provisions to respective inventories.

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

The majority of the company's other provisions are generally expected to result in cash outflows during the next 1 to 13 years.

26. Financing Liabilities

In 2011, EADS entered into US$721 million long term credit agreement with EIB (European Investment Bank) maturing in 2021 under which EADS pays variable interest rate of 3 month USD Libor + 0.849%. Concurrently, EADS swapped the variable interest rate into fixed rate of 3.2%. In 2004, the EIB (European Investment Bank) granted a long term loan to EADS in the amount of US$421 million maturing in 2014 and bearing a fixed interest rate of 5.1% (effective interest rate 5.1%). In 2011, EADS entered into a US$300 million credit facility maturing in 2021with the Development Bank of Japan under which EADS drew the full amount and pays a variable interest rate of 3 month USD Libor + 1.15%. Concurrently, EADS swapped the variable interest rate into fixed rate of 4.8%.

EADS issued under its EMTN Programme (Euro Medium Term Note Programme) two currently outstanding euro denominated bonds. The first issue of €0.5 billion maturing in 2018 carries a coupon of 5.5% (effective interest rate 5.6%) which was swapped during 2005 into variable rate of 3M-Euribor +1.72%. The second issue of €1 billion in 2009 maturing 2016 carries a coupon of 4.625% (effective interest rate 4.7%) which was swapped into variable rate of 3M-Euribor +1.57%. Furthermore, AIRBUS received in 1999 a Reinvestment Note from Deutsche Bank AG in the amount of US$800 million, bearing a fixed interest rate of 9.88% with an outstanding debt of €224 million (2010: €275 million).

EADS can issue commercial paper under the so called “billet de trésorerie” programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The issued volume at 31 December 2011 amounted to €0 million (2010: €0 million). The programme has been set up in 2003 with a maximum volume of €2 billion.

Financing liabilities include liabilities connected with sales financing transactions amounting to €532 million (2010: €631 million), mainly at variable interest rates.

Non recourse AIRBUS financing liabilities (risk is supported by external parties) amount to €455 million (2010: €532 million).

	31 December	
In € million	**2011**	**2010**
Bonds	1,605	1,535
thereof due in more than five years: 549 (31 December 2010: 1,535)		
Liabilities to financial institutions	1,480	783
thereof due in more than five years: 679 (31 December 2010: 135)		
Loans	372	375
thereof due in more than five years: 185 (31 December 2010: 161)		
Liabilities from finance leases	171	177
thereof due in more than five years: 112 (31 December 2010: 119)		
Long-term financing liabilities	**3,628**	**2,870**
Bonds	0	0
Liabilities to financial institutions	74	39
Loans	279	200
Liabilities from finance leases	13	13
Others	1,110	1,156
Short-term financing liabilities (due within one year)	**1,476**	**1,408**
Total	**5,104**	**4,278**

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

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2011 as follows:

In € million	Financing liabilities
2012	1,476
2013	139
2014	482
2015	209
2016	1,273
Thereafter	1,525
Total	**5,104**

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2010 as follows:

In € million	Financing liabilities
2011	1,408
2012	166
2013	134
2014	473
2015	147
Thereafter	1,950
Total	**4,278**

27. Other Financial Liabilities

	31 December	
In € million	**2011**	**2010**
Non-current other financial liabilities		
Thereof European Governments refundable advances	5,526	5,968
Thereof liabilities for derivative financial instruments	2,140	2,109
Others	527	547
Total	**8,193**	**8,624**
Current other financial liabilities		
Thereof liabilities to related companies	10	11
Thereof liabilities for derivative financial instruments	995	821
Others	682	402
Total	**1,687**	**1,234**

European Governments refundable advances including interest accretion for the total amount of €406 million representing obligations arising out of contracts associated with the long-range program in Airbus Commercial have been settled as a result of actions taken by Airbus in the third quarter 2011, due to the termination of the A340 program. The release of the liabilities has positively affected the consolidated income statement before taxes by €192 million in other operating income and by €120 million in interest result. The settlement has further resulted in an associated operating cash outflow of €94 million in the fourth quarter 2011.

Regarding the interest expenses on European Governments refundable advances see Note 12 "Total finance costs". Due to their specific nature, namely their risk-sharing features and the fact that such advances are generally granted to EADS on the basis of significant development projects, European Governments refundable advances are accounted for by EADS within "Non-current/ current other financial liabilities" on the statement of financial position including accrued interests and presented within "cash provided by operating activities" in the Consolidated Statements of Cash Flows.

Included in "Other financial liabilities" are €1,753 million (2010: €1,228 million) due within one year and €4,526 million (2010: €4,697 million) maturing after more than five years.

28. Other Liabilities

	31 December	
In € million	**2011**	**2010**
Non-current other liabilities		
Thereof customer advance payments	9,256	8,817
Others	558	447
Total	**9,814**	**9,264**
Current other liabilities		
Thereof customer advance payments	25,006	23,285
Thereof tax liabilities (excluding income tax)	595	545
Others	2,069	1,942
Total	**27,670**	**25,772**

Included in "Other liabilities" are €23,617 million (2010: €20,608 million) due within one year and €3,493 million (2010: €5,512 million) maturing after more than five years.

Advance payments received relating to construction contracts amount to €9,586 million (2010: €8,403 million) mainly resulting from AIRBUS Military (€3,668 million), ASTRIUM (€2,834 million) and CASSIDIAN (€2,119 million).

29. Trade Liabilities

As of 31 December 2011, trade liabilities amounting to €74 million (€118 million as of 31 December 2010) mature after more than one year.

30. Deferred Income

	31 December	
In € million	**2011**	**2010**
Non-current deferred income	290	315
Current deferred income	875	790
Total	**1,165**	**1,105**

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 (€198 million and €227 million as of 31 December 2011 and 2010, respectively).

NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (IFRS)

31. Consolidated Statement of Cash Flows

For 2011' Consolidated Financial Statements, EADS has changed the presentation of contributions to plan assets for pension obligations in the Consolidated Statement of Cash Flows and presents these contributions within the cash flow from operating activities rather than within the cash flow from investing activities. Given prevailing practice's presentation of contributions to plan assets in the operating section of the cash flow statement, this change in presentation seeks to provide more relevant financial information to investors as it will improve comparability with financial information of other users. In accordance with IAS 8, EADS has applied this change in accounting policies retrospectively.

As of 31 December 2011, EADS' cash position (stated as cash and cash equivalents in the Consolidated Statements of Cash Flows) includes €710 million (€735 million and €751 million as of 31 December 2010 and 2009, respectively) which represent EADS' share in MBDA's cash and cash equivalents, deposited at BAE Systems and Finmeccanica and which are available upon demand.

The following chart provides details on cash flow for **acquisitions** (resulting in additional assets and liabilities acquired) of subsidiaries, joint ventures and businesses:

	31 December		
In € million	**2011**	**2010**	**2009**
Total purchase price	(1,631)	(45)	(21)
thereof paid in cash and cash equivalents	(1,631)	(45)	(21)
Cash and cash equivalents included in the acquired subsidiaries, joint ventures and businesses	96	7	0
Cash Flow for acquisitions, net of cash	**(1,535)**	**(38)**	**(21)**

In 2011, the aggregate cash flow for acquisitions, net of cash of €-1.535 million includes mainly the acquisition of Vizada (€-709 million), Vector (€-432 million) and Satair (€-342 million).

In 2010, the aggregate cash flow for acquisitions, net of cash results from the acquisition of Jena-Optronik GmbH amounted to €-38 million.

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

	31 December		
In € million	**2011**	**2010**	**2009**
Intangible assets; property, plant and equipment	743	3	0
Inventories	274	9	1
Trade receivables	392	13	4
Other assets	145	1	0
Cash and cash equivalents	96	7	0
Assets	**1,650**	**33**	**5**
Provisions	(125)	(3)	(3)
Trade liabilities	(288)	(5)	(1)
Financing liabilities	(203)	0	0
Tax liabilities and other liabilities	(312)	(14)	0
Liabilities	**(928)**	**(22)**	**(4)**

Fair value of total net assets	**722**	**11**	**1**
Increase in non-controlling interests due to acquisitions	(7)	0	0
Fair value of net assets acquired	**715**	**11**	**1**
Goodwill arising on acquisitions	968	34	14
Badwill	(2)	0	0
Other gains related to business combinations	(24)	0	0
Non-cash effective consideration of investments held prior to the acquisitions	(21)	0	0
Linked non-controlling interests squeeze out transactions settled after the balance sheet date	(5)	0	0
Reduction in non-controlling interests	0	0	6
Less cash and cash equivalents of acquired subsidiaries, joint ventures and businesses	(96)	(7)	0
Acquisitions, net of cash	**1,535**	**38**	**21**

The following chart provides details on cash flow from **disposals** (resulting in assets and liabilities disposed) of subsidiaries:

	31 December		
In € million	**2011**	**2010**	**2009**
Total selling price	18	12	15
thereof received by cash and cash equivalents	18	12	15
Cash and cash equivalents included in the (disposed) subsidiaries	0	0	(2)
Cash Flow from disposals, net of cash	**18**	**12**	**13**

The aggregate cash flow from disposals, net of cash, in 2011 of €18 million results from the sale of EADS NA Defense Security Systems Solutions Inc.

The aggregate cash flow from disposals, net of cash, in 2010 of €12 million results from the sale of ASL Aircraft Services Lemwerder GmbH.

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

	31 December		
In € million	**2011**	**2010**	**2009**
Intangible assets; property, plant and equipment	(8)	(4)	(50)
Inventories	0	0	(78)
Trade receivables	(4)	(3)	(26)
Other assets	0	(14)	(37)
Cash and cash equivalents	0	0	(2)
Assets	**(12)**	**(21)**	**(193)**
Provisions	2	8	26
Trade liabilities	0	0	83
Financing liabilities	0	0	26
Other liabilities	2	12	43
Liabilities	**4**	**20**	**178**
Book value of net assets	**(8)**	**(1)**	**(15)**
Related disposal of Goodwill	(10)	0	0
Result from disposal of subsidiaries	0	(11)	0
Less cash and cash equivalents of disposed subsidiaries	0	0	2
Disposals, net of cash	**(18)**	**(12)**	**(13)**

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

32. Litigation and Claims

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

WTO

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing. On 31 March 2011, the final report was published in the case brought by the EU concerning subsidies to Boeing and has been appealed. On 1 June 2011, the WTO adopted the final report in the case brought by the US assessing funding to Airbus from European governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the US did not agree, the matter has now been referred to arbitration under WTO rules. Exact timing of further steps in the WTO litigation process is subject to further rulings and to negotiations between the US and the EU. Unless a settlement, which is currently not under discussion, is reached between the parties, the litigation is expected to continue for several years.

Securities Litigation

Following the dismissal of charges brought by the French *Autorité des marchés financiers* for alleged breaches of market regulations and insider trading rules with respect primarily to the A380 delays announced in 2006, proceedings initiated in other jurisdictions have also been terminated. Nevertheless, following criminal complaints filed by several shareholders in 2006 (including civil claims for damages), a French investigating judge is still carrying out an investigation based on the same facts.

CNIM

On 30 July 2010, Constructions Industrielles de la Méditerrannée ("**CNIM**") brought an action against EADS and certain of its subsidiaries before the commercial court of Paris, alleging anti-competitive practices, breach of long term contractual relationships and improper termination of pre-contractual discussions. CNIM is seeking approximately €115 million in damages on a joint and several basis. On 12 January 2012, the court rejected all of CNIM's claims, following which CNIM has filed for appeal.

GPT

EADS has commissioned an independent investigation into compliance allegations made in connection with one of its subsidiaries, GPT Special Project Management Ltd. The independent investigation remains ongoing.

Regarding EADS' provisions policy, EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks. For the amount of provisions for litigation and claims, see "Notes to the Consolidated Financial Statements (IFRS) — Note 25C) Other provisions".

33. Commitments and Contingencies

Commitments and contingent liabilities

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

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for **on the statement of financial position** either as (i) an operating lease (see Note 15 "Property, plant and equipment") or (ii) a loan from aircraft financing or (iii) a finance lease receivable (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). As of 31 December 2011, related accumulated impairment amounts to €127 million (2010: €75 million) for operating lease and to €172 million (2010: €176 million) for loans and finance lease receivables. As part of provisions for aircraft financing risks €45 million (2010: €37 million) are recorded (see Note 25C) "Other provisions").

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

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2011 as follows:

In € million	
Not later than 2012	103
Later than 2012 and not later than 2016	404
Later than 2016	82
Total	**589**
Of which commitments where the transaction has been sold to third parties	(336)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**253**

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2010 as follows:

In € million	
Not later than 2011	146
Later than 2011 and not later than 2015	474
Later than 2015	162
Total	**782**
Of which commitments where the transaction has been sold to third parties	(403)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**379**

Total aircraft lease commitments of €589 million as of 31 December 2011 (2010: €782 million) arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of €443 million (2010: €515 million). A large part of these lease commitments (€336 million and €403 million as of 31 December 2011 and 2010) arises from transactions that were sold down to third parties, which assume liability for the payments. EADS determines its gross exposure to such operating leases as the present value of the related payment streams. The difference between gross exposure and the estimated value of underlying aircraft used as collateral, the net exposure, is provided for in full with an amount of €179 million as of 31 December 2011 (2010: €256 million), as part of the provision for aircraft financing risks (see Note 25C) "Other provisions").

As of 31 December 2011 and 2010, the total consolidated **– on and off balance sheet –** Commercial Aviation Sales Financing Exposure is as follows (AIRBUS Commercial, EUROCOPTER and 50% for ATR):

	31 December	
In € million	**2011**	**2010**
Total gross exposure	1,289	1,470
Estimated fair value of collateral (aircraft)	(766)	(926)
Net exposure (fully provided for)	**523**	**544**

Details of provisions / accumulated impairments are as follows:

	31 December	
In € million	**2011**	**2010**
Accumulated impairment on operating leases (see Note 15 "Property, plant and equipment")	127	75
Accumulated impairment on loans from aircraft financing and finance leases (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets")	172	176
Provisions for aircraft financing risk (on balance sheet) (see Note 25C) "Other provisions")	45	37
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 25C) "Other provisions")	179	256
Total provisions / accumulated impairments for sales financing exposure	**523**	**544**

Asset value guarantees – Certain sales contracts may include the obligation of an asset value guarantee whereby AIRBUS Commercial, EUROCOPTER or ATR guarantee a portion of the value of an aircraft at a specific date after its delivery. Management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2022. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease (see Note 15 "Property, plant and equipment" and Note 30 "Deferred income"). In addition, EADS is contingently liable in case asset value guarantees with less than 10% are provided to customers as part of aircraft sales. Counter guarantees are negotiated with third parties and reduce the risk to which the Group is exposed. As of 31 December 2011, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to €1,117 million (2010: €1,095 million), excluding €354 million (2010: €406 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 €735 million (2010: €683 million) (see Note 25C) "Other provisions"). This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter guarantees into account.

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

While ***backstop commitments*** to provide financing related to orders on AIRBUS Commercial's 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 Commercial 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 Commercial and ATR credit risks, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

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

Future nominal operating lease payments (for EADS as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to €968 million (2010: €986 million) as of 31 December 2011, and relate mainly to procurement operations (*e.g.* facility leases, car rentals).

Maturities as of 31 December 2011 are as follows:

In € million	
Not later than 2012	131
Later than 2012 and not later than 2016	362
Later than 2016	475
Total	**968**

The respective maturities as of 31 December 2010 are as follows:

In € million	
Not later than 2011	130
Later than 2011 and not later than 2015	364
Later than 2015	492
Total	**986**

34. 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, interest rate risks, equity price risks and commodity price risks, ii) liquidity risk and iii) credit risk. EADS' overall financial risk management programme focuses on mitigating unpredictable financial market risks and their potential adverse effects on the Group's operational and financial performance. The Group uses derivative financial instruments and, to a minor extent, non-derivative financial liabilities to hedge certain risk exposures.

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

Market Risk

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

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

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

For financial reporting purposes, EADS mostly designates a portion of the total firm future cash flows as the hedged position to cover its expected foreign currency exposure. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. As hedging instruments, EADS primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and at AIRBUS Commercial 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 US dollar. The hedged items are defined as first forecasted highly probable future cash inflows for a given month based upon final payments at delivery. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. For EADS, a forecasted transaction is regarded as highly probable if the future delivery is included in the internally audited order book or is very likely to materialise in view of contractual evidence. The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot rates and interest rates as well as the robustness of the commercial cycle. For the non-aircraft business EADS hedges in- and outflows in foreign currencies from sales and purchase contracts following the same logic which are typically contracted in lower volumes.

The Company also has foreign currency derivative instruments which are embedded in certain purchase and lease contracts denominated in a currency other than the functional currency of the significant parties to the contract, principally USD and GBP. Gains or losses relating to such embedded foreign currency derivatives are reported in other financial result if not designated as hedging instrument. In addition, EADS hedges currency risk arising from financial transactions in other currencies than euro, such as funding transactions or securities.

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

The cash and cash equivalents and securities portfolio of the Group is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposits, overnight deposits, commercial papers, other money market instruments and bonds. For this portfolio, EADS holds on a regular basis an asset management committee which aims at limiting the interest rate risk on a fair value basis through a value-at-risk approach. EADS is investing in short-term instruments as well as in mid-term bonds in order to manage any interest rate risk in this portfolio. Any related interest rate hedges qualify for hedge accounting as either fair value hedges or cash flow hedges.

Commodity price risk – EADS is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. EADS manages these risks in the procurement process and to a minor extent uses derivative financial instruments in order to mitigate the risks associated with the purchase of raw materials.

Equity 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 percent confidence level and assumes a 5-day holding period. The VaR model used is mainly based on the so called "Monte-Carlo-Simulation" method. Deriving the statistical behavior of the markets relevant for the portfolio out of market data from the previous two years and observed interdependencies between different markets and prices, the model generates a wide range of potential future scenarios for market price movements.

EADS VaR computation includes the Group's financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, commodity contracts, 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 five-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 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a five percent statistical probability that losses could exceed the calculated VaR.
- The use of historical data as a basis for estimating the statistical behavior of the relevant markets and finally determining the possible range of future outcomes out of this statistical behavior may not always cover all possible scenarios, especially those of an exceptional nature.

The Group uses VaR amongst other key figures in order to determine the riskiness of its financial instrument portfolio and in order to optimise the risk-return ratio of its financial asset portfolio. Further, the Group's investment policy defines a VaR limit for the total portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the Asset Management Committee.

A summary of the VaR position of EADS' financial instruments portfolio at 31 December 2011 and 31 December 2010 is as follows:

In € million	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2011					
FX hedges for forecast transactions or firm commitments	1,249	0	1,264	0	128
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	192	164	71	0	37
Finance lease receivables and liabilities, foreign currency trade payables and receivables	61	0	10	0	56
Commodity contracts	8	0	1	7	0
Diversification effect	(219)	0	(27)	0	(44)
All financial instruments	**1,291**	**164**	**1,319**	**7**	**177**
31 December 2010					
FX hedges for forecast transactions or firm commitments	1,203	0	1,230	0	160
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	102	85	53	0	25
Finance lease receivables and liabilities, foreign currency trade payables and receivables	49	0	9	0	48
Diversification effect	(186)	0	(106)	0	(41)
All financial instruments	**1,168**	**85**	**1,186**	**0**	**192**

The increase of total VaR compared to 31 December 2010 is mainly attributed to an increase of the foreign exchange portfolio and an increase of the investment portfolio in comparison to year end 2010. 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 €1,249 million (2010: €1,203 million) cannot be considered as a risk indicator for the Group in the economic sense. Beginning with 2011, EADS started to use financial instruments to mitigate its exposure to commodity risk.

Further, EADS also measures VaR of the Group-internal transaction risk arising on Group entities contracting in a currency different from its functional currency affecting Group profit and loss. However, these currency risks arise purely EADS internally and are in economic terms 100% compensated by the corresponding currency fluctuations recognised in a separate component of equity when translating the foreign entity into EADS functional currency. At 31 December 2011 the related total VaR amounts to €70 million (2010: €91 million).

Liquidity Risk

The Group's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. EADS manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion and €3.0 billion as of 31 December 2011 and 2010, respectively) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, EADS may issue bonds, notes and commercial papers. EADS continues to keep within the asset portfolio the focus on low counterparty risk, however, adverse changes in the capital markets 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 € million	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
Dec 31, 2011								
Non-derivative financial liabilities	(15,742)	(16,512)	(11,513)	(314)	(610)	(340)	(1,567)	(2,168)
Derivative financial liabilities	(3,135)	(3,556)	(919)	(1,052)	(769)	(597)	(144)	(75)
Total	**(18,877)**	**(20,068)**	**(12,432)**	**(1,366)**	**(1,379)**	**(937)**	**(1,711)**	**(2,243)**
Dec 31, 2010								
Non-derivative financial liabilities	(13,732)	(14,567)	(10,197)	(365)	(271)	(690)	(424)	(2,620)
Derivative financial liabilities	(2,930)	(2,517)	(781)	(695)	(527)	(314)	(226)	26
Total	**(16,662)**	**(17,084)**	**(10,978)**	**(1,060)**	**(798)**	**(1,004)**	**(650)**	**(2,594)**

The above table analyses EADS financial liabilities by relevant maturity groups based on the period they are remaining on EADS Consolidated Statement of Financial Position 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 34B) "Carrying amounts and fair values of financial instruments". 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 €5,737 million (2010: €6,020 million).

Credit Risk

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

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed on Group level. Counterparts for transactions on cash, cash equivalents and securities as well as for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. For such financial transactions EADS has set up a credit limit system to actively manage and limit its credit risk exposure. This limit system assigns maximum exposure lines to counterparts of financial transactions, taking into account the lowest of their credit ratings as published by Standard & Poors, Moody's and Fitch IBCA. Besides the credit rating, the limit system takes into consideration fundamental counterparty data, as well as sectoral and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of EADS is reviewed on a regular basis and the respective limits are regularly monitored and updated. Further, EADS constantly aims for maintaining a certain level of diversification in its portfolio between individual counterparts as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparts.

The Group is monitoring the performance of the individual financial instruments and the impact of the credit markets on their performance. EADS has procedures in place that allow to hedge, to divest from or to restructure financial instruments having undergone a downgrade of the counterparts' credit rating or showing an unsatisfactory performance. These measures aim to protect EADS to a certain extent against credit risks from individual counterparts. Nevertheless, a potential negative impact resulting from a market-driven increase of systematic credit risks cannot be excluded.

European financial markets have recently experienced significant disruptions. Such disruptions affected the credit markets and created uncertainty regarding the near-term economic prospects of countries in the EU as well as the quality of loans to sovereign debtors and banks in the EU. There has also been an indirect impact on financial markets worldwide. If economic conditions in the relevant European countries or in Europe more generally were to deteriorate or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity and extreme volatility in credit, currency and equity markets. This could have a number of effects on EADS' business, including:

- Continued de-leveraging as well as mergers and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by EADS for its businesses or restrict its ability to implement desired foreign currency hedges; and
- Default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations.

EADS' financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments, impairment charges resulting from revaluations of debt and equity securities and other investments, interest rates, cash balances and changes in fair value of derivative instruments.

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

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' (e.g. airlines') creditworthiness by way of internal risk pricing methods.

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

In € million	**2011**	**2010**
Receivables, neither past due nor impaired	4,984	6,011
Not past due due to negotiations and not impaired	52	48
Receivables impaired individually	18	3
Receivables not impaired and past due ≤ 3 months	1,139	788
Receivables not impaired and past due >3 and ≤ 6 months	314	343
Receivables not impaired and past due >6 and ≤ 9 months	331	86
Receivables not impaired and past due >9 and ≤ 12 months	233	144
Receivables not impaired and past due > 12 months	835	531
Total	**7,906**	**7,954**

B) CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party. Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could realise in a current market environment.

The following tables present the carrying amounts and fair values of financial instruments according to IAS 39 measurement categories as of 31 December 2011 and 2010 respectively:

31 December 2011 **In € million**	**Fair Value through profit or loss**		**Fair Value for hedge relations**	**Available for Sale**		**Loans and Receivables and Financial liabilities at amortised cost**		**Other(3)**	**Financial Instruments Total**	
Assets	Held for trading	Desi-gnated	Fair value	Book value	Fair Value	Amorti-sed Cost	Fair Value		Book Value	Fair Value
Other investments and other long-term financial assets										
thereof at amortised cost	-	-	-	-	-	1,296	1,296	432	1,728	1,728
thereof at cost	-	-	-	279	(1)	-	-	-	279	(1)
thereof Fair value via OCI	-	-	-	371	371	-	-	-	371	371
Current portion of other long-term financial assets	-	-	-	-	-	76	76	96	172	172
Non-current and current other financial assets	412	-	490	-	-	1,468	1,468	-	2,370	2,370
Trade receivables	-	-	-	-	-	6,399	6,399	-	6,399	6,399
Non-current and current securities	-	67	-	11,434	11,434	-	-	-	11,501	11,501
Cash and Cash Equivalents	-	365	-	2,842	2,842	2,077	2,077	-	5,284	5,284
Total	**412**	**432**	**490**	**14,926**	**14,647**	**11,316**	**11,316**	**528**	**28,104**	**27,825**
Liabilities										
Long-term and short-term financing liabilities	-	-	-	-	-	(4,920)	(5,180)	(184)	(5,104)	(5,364)
Non-current and current other financial liabilities	(131)	-	(3,060)	-	-	(6,689)	(6,689)(2)	-	(9,880)	(9,880)
Trade liabilities	-	-	-	-	-	(9,630)	(9,630)	-	(9,630)	(9,630)
Total	**(131)**	**-**	**(3,060)**	**-**	**-**	**(21,239)**	**(21,499)**	**(184)**	**(24,614)**	**(24,874)**

(1) Fair value is not reliably measurable.

(2) The European Governments refundable advances of €5,737 million are measured at amortised cost; a fair value cannot be measured reliably due to their risk sharing nature and uncertainty about the repayment dates. They may be reassessed as relating programmes approach the end of production.

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

31 December 2010 In € million	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities at amortised cost		Other [3]	Financial Instruments Total	
Assets	Held for trading	Desi-gnated	Fair value	Book value	Fair Value	Amorti-sed Cost	Fair Value		Book Value	Fair Value
Other investments and other long-term financial assets										
thereof at amortised cost	-	-	-	-	-	1,265	1,265	554	1,819	1,819
thereof at cost	-	-	-	291	[1]	-	-	-	291	[1]
thereof Fair value via OCI	-	-	-	276	276	-	-	-	276	276
Current portion of other long-term financial assets	-	-	-	-	-	38	38	73	111	111
Non-current and current other financial assets	313	-	752	-	-	1,381	1,381	-	2,446	2,446
Trade receivables	-	-	-	-	-	6,632	6,632	-	6,632	6,632
Non-current and current securities	-	297	-	10,869	10,869	-	-	-	11,166	11,166
Cash and Cash Equivalents	-	376	-	2,725	2,725	1,929	1,929	-	5,030	5,030
Total	**313**	**673**	**752**	**14,161**	**13,870**	**11,245**	**11,245**	**627**	**27,771**	**27,480**
Liabilities	Held for trading	Desi-gnated	Fair value	FV via OCI	At cost	Amorti-sed Cost	Fair Value		Book Value	Fair Value
Long-term and short-term financing liabilities	-	-	-	-	-	(4,088)	(4,314)	(190)	(4,278)	(4,504)
Non-current and current other financial liabilities	(69)	-	(2,962)	-	-	(6,827)	(6,827)[2]	-	(9,858)	(9,858)
Trade liabilities	-	-	-	-	-	(8,546)	(8,546)	-	(8,546)	(8,546)
Total	**(69)**	**-**	**(2,962)**	**-**	**-**	**(19,461)**	**(19,687)**	**(190)**	**(22,682)**	**(22,908)**

(1) Fair value is not reliably measurable.

(2) The European Governments refundable advances of €6,020 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. They may be reassessed as relating programmes approach the end of production.

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

The following tables allocate the financial assets and liabilities measured at fair value to the three levels of the **fair value hierarchy** as of 31 December 2011 and 2010 respectively:

31 December 2011 **In € million**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Financial assets measured at fair value through profit or loss	365	440	39	844
Derivative financial instruments for hedge relations	-	490	-	490
Available for Sale financial assets	11,649	2,998	-	14,647
Total	**12,014**	**3,928**	**39**	**15,981**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit or loss	-	(131)	-	(131)
Financial instruments for hedge relations	-	(3,004)	(56)	(3,060)
Total	**-**	**(3,135)**	**(56)**	**(3,191)**

The development of financial instruments of Level 3 is as follows:

Financial assets and liabilities on Level 3	**Balance at 1 January 2011**	**Total gains or losses in**		**Purchases**	**Issues**	**Settle-ments**	**Transfer to liabilities**	**Balance at 31 December 2011**
		profit or loss	**other comprehensive income**					
Financial assets								
Financial assets measured at fair value through profit or loss	-	39	-	-	-	-	-	39
Financial liabilities								
Financial instruments for hedge relations	(101)	(5)	(1)	-	-	51	-	(56)

31 December 2010 **In € million**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Financial assets measured at fair value through profit and loss	376	610	-	986
Derivative financial instruments for hedge relations	-	752	-	752
Available for Sale financial assets	9,189	4,681	-	13,870
Total	**9,565**	**6,043**	**-**	**15,608**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit and loss	-	(69)	-	(69)
Financial instruments for hedge relations	-	(2,861)	(101)	(2,962)
Total	**-**	**(2,930)**	**(101)**	**(3,031)**

The fair value hierarchy consists of the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (*i.e.* as prices) or indirectly (*i.e.* derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data.

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

By applying a valuation technique, such as present value of future cash flows, fair values are based on estimates. However, methods and assumptions followed to disclose data presented herein are inherently judgmental and involve various limitations like estimates as of 31 December 2011 and 2010, 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 determined by reference to their quoted market price at the end of the reporting period. 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 end of the reporting period.

Currency, Interest Rate and Commodity Contracts – The fair value of these instruments is the estimated amount that the Company would receive or pay to settle the related agreements as of 31 December 2011 and 2010. EADS determines the fair values of derivative financial instruments using recognised valuation techniques such as option-pricing models and discounted cash flow models. The valuation is based on market data such as currency rates, interest rates and credit spreads as well as price and rate volatilities obtained from recognized vendors of market data.

Financial markets disruptions witnessed in recent years have been accompanied with dissolving of no-arbitrage relations, which impact the fair values of the financial instruments held by EADS. For this reason per year-end 2011, the Group changed the approach for the estimate of fair values of currency forwards and swaps from the zero coupon method towards the currency forward rate based par method. This represents a change of accounting estimate as defined in IAS 8.5. The zero coupon method derives forward exchange rates from differences in the relevant interest yield curves of the currencies involved and was used as a proxy for the forward rate based par method that uses quoted forward points, rather than interest rate quotes, to obtain forward exchange rates. In effect, had the Group applied the interest-rate differential method as of year-end 2011, total unrealised loss recognised in AOCI, net of tax, would have increased by €0.6 billion. The effect from using a refined fair value measure will reverse in AOCI over the life of the currency forwards and swaps outstanding at year end 2011.

The fair value of ***financing liabilities*** as of 31 December 2011 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 31 December 2011 and 2010 respectively are designated at fair value through profit or loss:

In € million	Nominal amount at initial recognition as of 31 December 2011	Fair value as of 31 December 2011	Nominal amount at initial recognition as of 31 December 2010	Fair value as of 31 December 2010
Designated at fair value through profit or loss at recognition:				
- Money Market Funds (accumulating)	365	365	376	376
- Foreign currency Funds of Hedge Funds	19	17	275	247
- Uncapped Structured Interest Rate Notes	50	50	50	50
Total	**434**	**432**	**701**	**673**

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 €2,609 million (2010: €2,281 million).

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

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

C) NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Year ended 31 December 2011	**Remaining period**								
In € million	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019+**	**Total**
Foreign Exchange Contracts:									
Net forward sales contracts	13,457	14,707	12,916	8,567	2,359	(92)	(235)	(275)	**51,404**
Foreign Exchange Options:									
- Purchased USD call options	1,525	415	0	0	0	0	0	0	**1,940**
- Purchased USD put options	2,814	1,222	0	0	0	0	0	0	**4,036**
- Written USD call options	2,723	1,236	0	0	0	0	0	0	**3,959**
FX swap contracts	4,821	130	225	0	228	0	0	0	**5,404**

Year ended 31 December 2010 In € million	Remaining period 2011	2012	2013	2014	2015	2016	2017	2018+	Total
Foreign Exchange Contracts:									
Net forward sales contracts	12,054	12,166	10,353	7,003	4,057	125	49	(365)	**45,442**
Foreign Exchange Options:									
- Purchased USD call options	728	1,230	402	0	0	0	0	0	**2,360**
- Purchased USD put options	2,122	2,585	402	0	0	0	0	0	**5,109**
- Written USD call options	2,122	2,585	402	0	0	0	0	0	**5,109**
FX swap contracts	2,679	35	130	225	0	0	0	0	**3,069**

The notional amounts of interest rate contracts are as follows:

Year ended 31 December 2011 In € million	Remaining period 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 +	Total
Interest Rate Contracts	230	1,073	1,330	983	1,507	142	610	1,157	0	922	**7,954**

Please also refer to Note 26 “Financing Liabilities”.

Year ended 31 December 2010 In € million	Remaining period 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 +	Total
Interest Rate Contracts	431	188	516	373	163	1,090	109	606	1,229	58	**4,763**

Notional amounts of commodity contracts:

Year ended 31 December 2011 In € million	Remaining period 2012	2013	2014	Total
Commodity contracts	283	104	6	**393**

D) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING DISCLOSURE

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2011 and 2010:

31 December 2011 Interest rate in %	EUR	USD	GBP
6 months	1.82	0.93	1.45
1 year	2.15	1.35	1.96
5 years	1.73	1.21	1.57
10 years	2.37	2.03	2.31

31 December 2010 Interest rate in %	EUR	USD	GBP
6 months	1.20	0.54	1.23
1 year	1.48	0.85	1.53
5 years	2.48	2.17	2.65
10 years	3.31	3.35	3.57

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2011 and 2010 is as follows:

In € million	Equity attributable to equity owners of the parent	Non-controlling interests	Total
1 January 2010	**828**	**2**	**830**
Unrealised gains and losses from valuations, net of tax	(2,090)	(1)	(2,091)
Transferred to profit or loss for the period, net of tax	(111)	0	(111)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	(2,201)	(1)	(2,202)
31 December 2010 / 1 January 2011	**(1,373)**	**1**	**(1,372)**
Unrealised gains and losses from valuations, net of tax	(276)	1	(275)
Transferred to profit or loss for the period, net of tax	(124)	0	(124)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	(400)	1	(399)
31 December 2011	**(1,773)**	**2**	**(1,771)**

In the year 2011 an amount of €171 million (in 2010: €201 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges. No material ineffectiveness arising from hedging relationship has been determined.

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

	31 December			
	2011		2010	
In € million	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – Cash Flow Hedges	233	(2,742)	603	(2,617)
Foreign currency contracts – not designated in a hedge relationship	361	(55)	202	(64)
Interest rate contracts – Cash Flow Hedges	0	(61)	0	(15)
Interest rate contracts – Fair Value Hedges	257	(116)	149	(138)
Interest rate contracts – not designated in a hedge relationship	0	(19)	0	0
Commodity contracts – not designated in a hedge relationship	39	(28)	0	0
Embedded foreign currency derivatives – Cash Flow Hedges	0	(85)	0	(91)
Embedded foreign currency derivatives – not designated in a hedge relationship	0	(29)	12	(5)
Total	**890**	**(3,135)**	**966**	**(2,930)**

E) NET GAINS OR LOSSES

EADS net gains or (losses) recognised in profit or loss in 2011 and 2010 respectively are as follows:

In € million	2011	2010
Financial assets or financial liabilities at fair value through profit or loss:		
- Held for trading	71	35
- Designated on initial recognition	4	22
Loans and receivables	19	(123)
Financial liabilities measured at amortised cost	105	97

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

Net gains or (losses) of loans and receivables contain among others impairment losses.

Net gains or (losses) of €-20 million (2010: €+12 million) are recognised directly in equity relating to available-for-sale financial assets.

In 2011, the net gains or (losses) of financial liabilities measured at amortised cost include among others the gains from the release of European government refundable advances due to the termination of the A340 programme (see Note 27 "Other financial liabilities").

F) TOTAL INTEREST INCOME AND TOTAL INTEREST EXPENSES

In 2011, the total interest income amounts to €372 million (in 2010: €309 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss €-364 million (in 2010: €-415 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

G) IMPAIRMENT LOSSES

The following impairment losses on financial assets are recognised in profit or loss in 2011 and 2010 respectively:

In € million	2011	2010
Available-for-sale financial assets	(12)	(39)
Loans and receivables	(156)	(60)
Other[1]	(2)	(6)
Total	**(170)**	**(105)**

(1) Concerns finance lease receivables.

35. Share-Based Payment

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

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

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

In 2011, 2010, 2009, 2008 and 2007, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company. The grant of so called "units" will not physically be settled in shares but represents a cash settled plan in accordance with IFRS 2.

In 2011, compensation expense for Long-Term Incentive Plans was recognised for an amount of €99 million (in 2010 for Long-Term Incentive Plan and Stock Option: €47 million). The fair value of units granted per vesting date is as follows (LTIP plan 2011):

In € (per unit granted) Expected vesting date	FV of restricted and performance units to be settled in cash
May 2015	23.25
November 2015	23.12
May 2016	23.00
November 2016	22.87

As of 31 December 2011 provisions of €160 million (2010: €61 million) relating to LTIP have been recognised.

The lifetime of the performance and restricted units (2011) is contractually fixed (see within the description of the "thirteenth tranche"). The measurement is based on an Option Pricing Model which is, next to other market data, mainly affected by the share price as of the end of the reporting period (€24.15 as of 31 December 2011) and the lifetime of the units.

The principal characteristics of the options as well as performance and restricted units as at 31 December 2011 are summarized in the various tables below:

	Third tranche	**Fourth tranche**
Date of Shareholders' Meeting	10 May 2001	10 May 2001
Date of Board of Directors Meeting (grant date)	12 July 2001	9 August 2002
Number of options granted	8,524,250	7,276,700
Number of options outstanding	-	1,593,543
Total number of eligible employees	1,650	1,562
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations").	
Expiry date	12 July 2011	8 August 2012
Conversion right	One option for one share	
Vested	100%	100%
Exercise price	€24.66	€16.96
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	3,492,831	5,058,674

	Fifth tranche	**Sixth tranche**
Date of Shareholders' Meeting	6 May 2003	6 May 2003
Date of Board of Directors Meeting (grant date)	10 October 2003	8 October 2004
Number of options granted	7,563,980	7,777,280
Number of options outstanding	3,165,988	5,269,000
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 Law — Dutch Regulations").	
Expiry date	9 October 2013	7 October 2014
Conversion right	One option for one share	
Vested	100%	100%(1)
Exercise price	€15.65	€24.32
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	3,771,068	5,900

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

	Seventh tranche
Date of Shareholders' Meeting	11 May 2005
Date of Board of Directors Meeting (grant date)	9 December 2005
Number of options granted	7,981,760
Number of options outstanding	5,800,678
Total number of eligible beneficiaries	1,608
Exercise date	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations"). As regards to the seventh tranche, part of the options granted to the top EADS Executives are performance related.
Expiry date	8 December 2015
Conversion right	One option for one share
Vested	100%(1)
Exercise price	€33.91
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	0

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

	Eighth tranche
Date of Shareholders' Meeting	4 May 2006
Date of Board of Directors Meeting (grant date)	18 December 2006
	Stock option plan
Number of options granted	1,747,500
Number of options outstanding	1,639,500
Total number of eligible beneficiaries	221
Date from which the options may be exercised	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law — Dutch Regulations").
Date of expiration	16 December 2016
Conversion right	One option for one share
Vested	100%
Exercise price	€25.65
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	0

	Ninth tranche	
Date of Board of Directors Meeting (grant date)	7 December 2007	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted	1,693,940	506,060
Number of units outstanding	0	234,508
Total number of eligible beneficiaries	1,617	
Vesting dates	The restricted units will vest if the participant is still employed by an EADS company at the	

	respective vesting dates. Vesting schedule is made up of 4 payments over two years: 25% in May 2011; 25% in November 2011; 25% expected in May 2012; 25% expected in November 2012.	
Number of vested units	4,240	241,352

	Tenth tranche	
Date of Board of Directors Meeting (grant date)	13 November 2008	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted*)	2,192,740	801,860
Number of units outstanding	2,104,820	761,420
Total number of eligible beneficiaries	1,684	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: 25% expected in May 2012; 25% expected in November 2012; 25% expected in May 2013; 25% expected in November 2013.	
Number of vested units	5,600	3,780

*) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT of EADS) during the performance period, the Board can decide to review the vesting of the Performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

	Eleventh tranche	
Date of Board of Directors Meeting (grant date)	13 November 2009	
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted*)	2,697,740	928,660
Number of units outstanding	2,612,380	910,360
Total number of eligible beneficiaries	1,749	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over two years: 25% expected in May 2013; 25% expected in November 2013; 25% expected in May 2014; 25% expected in November 2014.	
Number of vested units	7,850	3,400

*) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT of EADS) during the performance period, the Board can decide to review the vesting of the Performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

	Twelfth tranche	
Date of Board of Directors Meeting (grant date)	10 November 2010	
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted*)	2,891,540	977,780
Number of units outstanding	2,843,440	956,400
Total number of eligible beneficiaries	1,711	
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 two years: 25% expected in May 2014; 25% expected in November 2014; 25% expected in May 2015; 25% expected in November 2015.	
Number of vested units	0	0

*) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT of EADS) during the performance period, the Board can decide to review the vesting of the Performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

	Thirteenth tranche	
Date of Board of Directors Meeting (grant date)	9 November 2011	
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted*)	2,588,950	877,750
Number of units outstanding	2,588,950	877,750
Total number of eligible beneficiaries	1,771	
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 two years: 25% expected in May 2015; 25% expected in November 2015; 25% expected in May 2016; 25% expected in November 2016.	
Number of vested units	0	0

*) Based on 100% target performance achievement. A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT of EADS) during the performance period, the Board can decide to review the vesting of the Performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

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

Third Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2001	8,524,250	-	-	(597,825)	7,926,425
2002	-	7,926,425	-	-	7,926,425
2003	-	7,926,425	-	(107,700)	7,818,725
2004	-	7,818,725	-	(328,500)	7,490,225
2005	-	7,490,225	(2,069,027)	(132,475)	5,288,723
2006	-	5,288,723	(1,421,804)	(10,400)	3,856,519
2007	-	3,856,519	(2,000)	(81,350)	3,773,169
2008	-	3,773,169	-	(273,250)	3,499,919
2009	-	3,499,919	-	(200,260)	3,299,659
2010	-	3,299,659	-	(267,900)	3,031,759
2011		3,031,759	-	(3,031,759)	0

Fourth Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2002	7,276,700	-	-	(600)	7,276,100
2003	-	7,276,100	-	(70,125)	7,205,975
2004	-	7,205,975	(262,647)	(165,500)	6,777,828
2005	-	6,777,828	(2,409,389)	(9,250)	4,359,189
2006	-	4,359,189	(1,443,498)	(3,775)	2,911,916
2007	-	2,911,916	(189,532)	(15,950)	2,706,434
2008	-	2,706,434	-	(159,313)	2,547,121
2009	-	2,547,121	-	(87,845)	2,459,276
2010	-	2,459,276	(88,881)	(86,925)	2,283,470
2011		2,283,470	(664,727)	(25,200)	1,593,543

Fifth Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2003	7,563,980	-	-	-	7,563,980
2004	-	7,563,980	(9,600)	(97,940)	7,456,440
2005	-	7,456,440	(875,525)	(87,910)	6,493,005
2006	-	6,493,005	(1,231,420)	(31,620)	5,229,965
2007	-	5,229,965	(386,878)	(24,214)	4,818,873
2008	-	4,818,873	(14,200)	(75,080)	4,729,593
2009	-	4,729,593	-	(113,740)	4,615,853
2010	-	4,615,853	(208,780)	(168,120)	4,238,953
2011		4,238,953	(1,044,665)	(28,300)	3,165,988

Sixth Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2004	7,777,280	-	-	-	7,777,280
2005	-	7,777,280	-	(78,220)	7,699,060
2006		7,699,060	(2,400)	(96,960)	7,599,700
2007	-	7,599,700	-	(1,358,714)	6,240,986
2008	-	6,240,986	-	(183,220)	6,057,766
2009	-	6,057,766	-	(41,060)	6,016,706
2010	-	6,016,706	-	(419,680)	5,597,026
2011		5,597,026	(3,500)	(324,526)	5,269,000

Seventh Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2005	7,981,760	-	-	-	7,981,760
2006	-	7,981,760	-	(74,160)	7,907,600
2007	-	7,907,600	-	(142,660)	7,764,940
2008	-	7,764,940	-	(1,469,989)	6,294,951
2009	-	6,294,951	-	(49,520)	6,245,431
2010	-	6,245,431	-	(149,040)	6,096,391
2011		6,096,391	-	(295,713)	5,800,678

Eighth Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2006	1,747,500	-	-	-	1,747,500
2007	-	1,747,500	-	(5,500)	1,742,000
2008	-	1,742,000	-	(64,000)	1,678,000
2009	-	1,678,000	-	(11,000)	1,667,000
2010	-	1,667,000	-	(16,500)	1,650,500
2011		1,650,500	-	(11,000)	1,639,500

Total options for all Tranches	**40,871,470**	**22,898,099**	**(12,328,473)**	**(11,074,288)**	**17,468,709**

Ninth Tranche	Number of Units				
	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2007	1,693,940	-	-	-	1,693,940
Performance units in 2008	-	1,693,940	(1,680)	(38,760)	1,653,500
Performance units in 2009	-	1,653,500	(840)	(18,560)	1,634,100
Performance units in 2010	-	1,634,100	(1,720)	(29,100)	1,603,280
Performance units in 2011		1,603,280	-	(1,603,280)	0
Restricted units in 2007	506,060	-	-	-	506,060
Restricted units in 2008	-	506,060	-	(9,800)	496,260
Restricted units in 2009	-	496,260	-	(2,940)	493,320
Restricted units in 2010	-	493,320	(640)	(5,960)	486,720
Restricted units in 2011		486,720	(240,712)	(11,500)	234,508
Total units	**2,200,000**	**2,090,000**	**(245,592)**	**(1,719,900)**	**234,508**

Tenth Tranche	Number of Units				
	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2008	2,192,740	-	-	-	2,192,740
Performance units in 2009	-	2,192,740	(1,120)	(21,280)	2,170,340
Performance units in 2010	-	2,170,340	(2,520)	(29,120)	2,138,700
Performance units in 2011		2,138,700	(1,960)	(31,920)	2,104,820
Restricted units in 2008	801,860	-	-	-	801,860
Restricted units in 2009	-	801,860	-	(6,480)	795,380
Restricted units in 2010	-	795,380	(2,940)	(10,480)	781,960
Restricted units in 2011		781,960	(840)	(19,700)	761,420
Total units	**2,994,600**	**2,920,660**	**(9,380)**	**(118,980)**	**2,866,240**

Eleventh Tranche	**Number of Units**				
	Units granted	**Balance at 1 January**	**Vested**	**Forfeited**	**Balance at 31 December**
Performance units in 2009	2,697,740	-	-	-	2,697,740
Performance units in 2010	-	2,697,740	(4,250)	(29,400)	2,664,090
Performance units in 2011		2,664,090	(3,600)	(48,110)	2,612,380
Restricted units in 2009	928,660	-	-	-	928,660
Restricted units in 2010	-	928,660	(400)	(1,400)	926,860
Restricted units in 2011		926,860	(3,000)	(13,500)	910,360
Total units	**3,626,400**	**3,590,950**	**(11,250)**	**(92,410)**	**3,522,740**

Twelfth Tranche	**Number of Units**				
	Units granted	**Balance at 1 January**	**Vested**	**Forfeited**	**Balance at 31 December**
Performance units in 2010	2,891,540	-	-	(1,400)	2,890,140
Performance units in 2011		2,890,140	-	(46,700)	2,843,440
Restricted units in 2010	977,780	-	-	(460)	977,320
Restricted units in 2011		977,320	-	(20,920)	956,400
Total units	**3,869,320**	**3,867,460**	**-**	**(69,480)**	**3,799,840**

Thirteenth Tranche	**Number of Units**				
	Units granted	**Balance at 1 January**	**Vested**	**Forfeited**	**Balance at 31 December**
Performance units in 2011	2,588,950		-	-	2,588,950
Restricted units in 2011	877,750		-	-	877,750
Total units	**3,466,700**		**-**	**-**	**3,466,700**

B) EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

In 2011, the Board of Directors approved an additional ESOP as in previous years. For the 2011 ESOP, eligible employees were able to purchase a fixed number of previously unissued shares at fair value (10, 30, 50, 100, 200 or 400 shares). EADS matched each fixed number of shares with a number of free EADS shares based on a determining ratio (10, 20, 30, 43, 67 and 107 free shares, respectively). During a lockup period of at least one year or, provided the purchase took place in the context of a mutual fund (regular saving plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who purchased directly EADS shares have in addition the ability to vote at the annual Shareholder Meetings. The subscription price was equal to the opening price at the Paris stock exchange on 3 June 2011 and amounted to €21.49. Investing through the mutual fund led to a price which was the higher of the subscription price or the average opening price at the Paris stock during the 20 trading days immediately preceding 3 June 2011, resulting in a price of €22.15. EADS issued and sold 2,445,527 ordinary shares with a nominal value of €1.00 in total. Compensation expense of €15 million (in 2010: €21 million) was recognised in connection with ESOP.

In 2010, the normal ESOP plan was replaced through a worldwide 10 Years EADS – Special Anniversary Free Share Plan for about 118,000 employees in 29 countries. Each eligible employee was granted 10 free shares in EADS, resulting in the distribution of 1,184,220 shares in total. Such shares were bought from the capital market and therefore had no impact on the issued share capital. This exceptional free share grant was implemented in order to celebrate the initial public offering of EADS ten years ago and to strengthen each employee’s sense of belonging to EADS.

36. Related Party Transactions

Related parties – The Group has entered into various transactions with related companies in 2011 and 2010 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 government and its related entities, Daimler AG, Lagardère and the Spanish government (SEPI). Except for the transactions with the French and Spanish government and the transaction with the Daimler AG mentioned below, the transactions are not considered material to the Group either individually or in the aggregate. The transactions with the French government include mainly sales from EUROCOPTER, ASTRIUM, CASSIDIAN and AIRBUS Military for programmes like Tiger, M51 / M45 ballistic missiles, SCALP naval cruise missiles and A400M. The transactions with the Spanish government include mainly sales from AIRBUS Military and CASSIDIAN for military programmes. The transactions with the joint ventures mainly concern the Eurofighter programme.

The following table discloses the related party transactions on a full EADS’ share as of 31 December 2011:

In € million	**Sales of goods and services and other income in 2011**	**Purchases of goods and services and other expense in 2011**	**Receivables due as of 31 December 2011**	**Payables due as of 31 December 2011**	**Other Liabilities/ Loans received as of 31 December 2011(1)**
French government	1,252	139	1,484	0	2,351
Spanish government (SEPI)	63	0	67	0	535
Daimler AG	2	16	1	3	0
Lagardère group	0	6	0	0	0
Total transactions with shareholder	**1,317**	**161**	**1,552**	**3**	**2,886**
Total transactions with French government related entities	**714**	**509**	**92**	**151**	**0**
Total transactions with joint ventures	**2,110**	**39**	**723**	**18**	**1,526**
Total transactions with associates	**1,005**	**25**	**339**	**14**	**0**

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

As of 31 December 2011, EADS granted guarantees to the Spanish State in the amount of €181 million mainly relating to advance payments received and performance bonds and in the amount of €334 million to Air Tanker group in the UK, a loan to Daher-Socata SA in the amount of €24 million and as well as a loan to OnAIR B.V. in the amount of €23 million.

Regarding the acquisition of 25% in DADC Luft- und Raumfahrt Beteiligungs AG, Munich (Germany) from Daimler AG, please refer to Note 4 "Acquisitions and Disposals".

The following table discloses the related party transactions on a full EADS' share as of 31 December 2010:

In € million	Sales of goods and services and other income in 2010	Purchases of goods and services and other expense in 2010	Receivables due as of 31 December 2010	Payables due as of 31 December 2010	Other Liabilities/ Loans received as of 31 December 2010(1)
French government	1,365	102	1,021	6	2,665
Spanish government (SEPI)	53	0	24	0	221
Daimler AG	3	14	1	3	0
Lagardère group	0	0	0	0	15
Total transactions with shareholder	**1,421**	**116**	**1,046**	**9**	**2,901**
Total transactions with joint ventures	**2,002**	**21**	**816**	**14**	**1,394**
Total transactions with associates	**815**	**30**	**330**	**11**	**0**

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

As of 31 December 2010, EADS granted guarantees to the Spanish government in the amount of €211 million mainly relating to advance payments received and performance bonds and in the amount of €325 million to Air Tanker group in the UK as well as a loan to Daher-Socata SA in the amount of €24 million.

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:

2011		**Pension**	
In € million	**Compensation expense**	**Defined benefit obligation(1)**	**Pension expense(2)**
Non Executive Board Members(3)	1.6	-	-
Executive Board Member(4)	3.0	2.9	0.6
Other Executive Committee Members(5)	17.0	32.0	3.1

(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 2011.

(3) Non Executive Board Members in office as at 31 December 2011.

(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2011.

(5) Executive Board Members in office as at 31 December 2011, including specific exceptional bonus if any and EADS NV compensation.

2010 **In € million**	**Compensation expense**	**Pension** **Defined benefit obligation**(1)	**Pension expense**(2)
Non Executive Board Members(3)	1.7	-	-
Executive Board Member(4)	2.6	2.3	0.6
Other Executive Committee Members(5)	15.7	27.0	2.7

(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 2010.

(3) Non-Executive Board Members in office as at 31 December 2010.

(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2010.

(5) Executive Board Members in office as at 31 December 2010, including specific exceptional bonus if any and EADS NV compensation.

Additionally, performance units granted in 2011 to the Chief Executive Officer and to the other Executive Committee Members represented 356,350 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 except for salary and reimbursement advances and an undertaking to potentially assume certain legal defence costs for certain of its Executive Committee Members in relation with certain regulatory or judicial proceedings.

The Executive Committee Members are furthermore entitled to a termination indemnity when the departure results from a decision by the Company. The maximum termination indemnity comprises 18 months of an annual total target salary.

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

Under the LTIP 2011, the Chief Executive Officer, as well as all Executive Committee Members will have to own EADS shares equal to a minimum of 20% of the number of vested units until the end of their mandate.

The Company grants the Members of the Executive Committee appropriate insurance coverage, in particular D&O insurance.

Executive Committee Members are also entitled to a company car.

37. 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, ATR and since 2011 also including Signalis and Emiraje Systems) in aggregate:

In € million	2011	2010
Non-current assets	564	528
Current assets	3,049	2,989
Non-current liabilities	490	437
Current liabilities	2,607	2,608
Revenues	1,876	1,783
Profit for the period	154	144

The Group's proportional share in contingent liabilities of these joint ventures as of 31 December 2011 amounts in aggregate to €391 million (2010: €333 million).

38. Earnings per Share

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

	2011	2010	2009
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))	€1,033 million	€553 million	€(763) million
Weighted average number of ordinary shares	812,507,288	810,693,339	809,698,631
Basic earnings (losses) per share	€1.27	€0.68	€(0.94)

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. After the end of the vesting period of the performance and restricted shares granted under the 8th tranche, the Group's only remaining category of dilutive potential ordinary shares is stock options. In 2011, the average share price of EADS exceeded the exercise price of the 4th and the 5th stock option plan (in 2010: the 5th stock option plan, in 2009: none of the stock option plans). Hence, 1,194,624 shares related to stock options (in 2010: 242,591 shares, in 2009: no shares) were considered in the calculation of diluted earnings per share. Since the average price of EADS shares during 2009 exceeded the price for performance and restricted shares, 1,491,482 shares related to performance and restricted shares granted under the 8th tranche were considered in the calculation of the year 2009.

	2011	2010	2009
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))	€1,033 million	€553 million	€(763) million
Weighted average number of ordinary shares (diluted)	813,701,912	810,935,930	811,190,113
Diluted earnings (losses) per share	€1.27	€0.68	€(0.94)

39. Number of Employees

The number of employees at 31 December 2011 is 133,115 as compared to 121,691 at 31 December 2010.

40. Events after the Reporting Date

On 15 February 2012, Airbus, EADS EFW and ST Aerospace, a subsidiary of ST Engineering based in Singapore (Singapore), signed a Heads of Agreement for a strategic partnership to develop the A330 Passenger-to-Freighter (P2F) conversion programme. For this conversion programme, ST Aerospace is expected to lead the A330P2F engineering development, while EADS EFW will subsequently be responsible for this conversion programme during the industrial phase and will undertake most of the conversions at its facilities in Dresden, Germany. Under the agreement it is also planned that EADS EFW will become the European center for ST Aerospace's global maintenance, repair and overhaul operations.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 7 March 2012.

Appendix

"Information on principal investments"-

Consolidation Scope

Appendix "Information on principal investments"- Consolidation Scope

2011	%	2010	%	Company	Head office
Airbus Commercial					
F	100.00	F	100.00	AD Grundstückgesellschaft mbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Aerolia S.A.S.	Toulouse (France)
F	100.00	F	100.00	AFS Cayman 11 Ltd.	Cayman Islands
F	100.00	F	100.00	AIFS (Cayman) Ltd.	Cayman Islands
F	100.00	F	100.00	AIFS Cayman Liquidity Ltd.	Cayman Islands
F	100.00	F	100.00	AIFS Leasing Company Ltd.	Dublin (Ireland)
F	70.00	F	70.00	Airbus (Beijing) Engineering Centre Company Limited	Beijing (China)
F	100.00			Airbus (China) Enterprise Management & Services Company Ltd.	Beijing (China)
F	100.00	F	100.00	Airbus (TIANJIN) Delivery Center Ltd.	Tianjin (China)
P	51.00	P	51.00	Airbus (TIANJIN) Final Assembly Company Ltd.	Tianjin (China)
P	51.00	P	51.00	Airbus (TIANJIN) Jigs & Tools Company Ltd.	Tianjin (China)
F	100.00	F	100.00	Airbus Americas Sales, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Customer Services, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas Engineering, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus Americas, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Airbus China Ltd.	Hong Kong (China)
F	100.00	F	100.00	Airbus Corporate Jet Centre S.A.S. (ACJC)	Toulouse (France)
F	100.00			Airbus Denmark Holdings ApS	Copenhagen (Denmark)
F	100.00	F	100.00	Airbus Financial Service Unlimited	Dublin (Ireland)
E	50.00	E	50.00	Airbus Freighter Conversion GmbH	Dresden (Germany)
F	100.00	F	100.00	Airbus Invest	Blagnac (France)
F	100.00			Airbus Invest II S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Operations GmbH	Hamburg (Germany)
F	100.00	F	100.00	Airbus Operations Ltd.	Filton (United Kingdom)
F	100.00	F	100.00	Airbus Operations S.A.S.	Toulouse (France)
F	100.00	F	100.00	Airbus Operations S.L.	Madrid (Spain)
F	100.00			Airbus Prosky S.A.S.	Blagnac (France)
F	100.00	F	100.00	Airbus Real Estate Premium AEROTEC Nord GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Airbus S.A.S	Blagnac (France)
F	100.00	F	100.00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
E	18.18	E	18.18	Aviateur Capital Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Aviateur Finance Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Aviateur International Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Aviateur Leasing Ltd.	Dublin (Ireland)
E	33.33			Blue Sky Alliance GmbH	Kaltenkirchen (Germany)
F	100.00	F	100.00	CIMPA GmbH	Hamburg (Germany)
F	100.00	F	100.00	CIMPA Ltd.	Bristol (United Kingdom)
F	100.00	F	100.00	CIMPA S.A.S.	Blagnac (France)
F	100.00	F	100.00	CTC GmbH	Stade (Germany)
F	100.00	F	100.00	EADS Real Estate Premium AEROTEC Augsburg GmbH & Co. KG	Augsburg (Germany)
F	100.00	F	100.00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
P	50.00	P	50.00	Hua-Ou Aviation Support Centre Limited	Beijing (China)
P	50.00	P	50.00	Hua-Ou Aviation Training Centre Limited	Beijing (China)
F	100.00			IFR France S.A.S.	Colomiers (France)
F	100.00			Metron Aviation, Inc.	Dulles, VA (USA)
F	100.00			Metron Holdings, Inc.	Dulles, VA (USA)
E	30.05	E	30.04	OnAIR N.V.	Amsterdam (Netherlands)
F	74.90			PFW Aerospace AG	Speyer (Germany)
F	100.00	F	100.00	Premium AEROTEC GmbH	Augsburg (Germany)
F	100.00			Satair A/S	Kastrup (Denmark)
F	100.00			Satair China	Beijing (China)
F	100.00			Satair Pte Ltd	Singapore
F	100.00			Satair UK Ltd.	Heston (United Kingdom)
F	100.00			Satair USA, Inc.	Atlanta, GA (USA)
F	100.00	F	100.00	Star Real Estate S.A.S.	Toulouse (France)
E	29.50			Telair International Services Pte Ltd.	Singapore (Singapore)
		F	100.00	Total Airline Service Company	Dubai (United Arab Emirates)

Additionally consolidated are 28 SPEs.

2011	%	2010	%	Company	Head office
Airbus Military					
F	90.00	F	90.00	Airbus Military S.L.	Madrid (Spain)
E	40.00	E	40.00	AirTanker Holdings Ltd.*	London (United Kingdom)
F	100.00	F	100.00	EADS CASA North America, Inc	Chantilly, VA (USA)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Airbus Military)	Madrid (Spain)
F	78.54	F	78.54	EADS PZL "WARSZAWA-OKECIE" S.A.	Warsaw (Poland)

Appendix "Information on principal investments"- Consolidation Scope

	2011	%	2010	%	Company	Head office
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, TX (USA)
			F	60.00	American Eurocopter LLC	Dallas, TX (USA)
	F	100.00			Australian Aerospace Composites Pty Ltd.	Sydney (Australia)
	F	100.00	F	100.00	Australian Aerospace Ltd.	Bankstown (Australia)
	F	100.00			EADS Seca S.A.S.	Le Bourget (France)
	F	90.00	F	90.00	Eurocopter Japan Co. Ltd.	Tokyo (Japan)
	F	90.00	F	90.00	Eurocopter Japan RG Co.Ltd.	Tokyo (Japan)
	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			Eurocopter de Mexico Planta Queretaro S.A. de C.V.	Queretaro (Mexico)
	F	100.00	F	100.00	Eurocopter de Mexico S.A.	Mexico D.F. (Mexico)
	F	100.00	F	100.00	Eurocopter Deutschland GmbH	Donauwörth (Germany)
	F	100.00			Eurocopter Deutschland Real Estate GmbH & Co. KG	Pullach i. Isartal (Germany)
	F	100.00	F	100.00	Eurocopter España S.A.	Madrid (Spain)
	F	100.00	F	100.00	Eurocopter Financial Services Ltd.	Dublin (Ireland)
	F	100.00	F	100.00	Eurocopter Holding S.A.	Paris (France)
	F	100.00			Eurocopter International Services Ltd.	Dublin (Ireland)
	F	90.00	F	54.00	Eurocopter Japan T&E Co. Ltd.	Osaka (Japan)
	F	100.00			Eurocopter Malaysia Sdn Bhd	Subang Selongor (Malaysia)
	F	95.00	F	100.00	Eurocopter S.A.S.	Marignane (France)
	F	100.00	F	100.00	Eurocopter South Africa Pty. Ltd.	Lanseria (South Africa)
	F	100.00	F	100.00	Eurocopter Training Services S.A.S	Marignane (France)
	F	100.00			Eurocopter UK Ltd.	Oxford (United Kingdom)
	F	85.66	F	85.66	Helibras - Helicopteros do Brasil S.A.	Itajuba (Brazil)
	F	50.00			Heliescuela S.A.P.I. de C.V.	Mexico D.F. (Mexico)
	E	25.00	E	25.00	HFTS Helicopter Flight Training Services GmbH	Hallbergmoos (Germany)
	F	100.00	F	100.00	Korean Helicopter Development Support Ltd.	Sacheon-si (South Korea)
	F	100.00			The Sigma Aerospace Pension Trustee Ltd.	Croydon (United Kingdom)
	F	100.00			Vector Aerospace (UK-Holdings) Ltd.	Aberdeen (United Kingdom)
	F	100.00			Vector Aerospace Africa (PTY) Ltd.	Lanseria (South Africa)
	F	100.00			Vector Aerospace Corporation	Toronto (Canada)
	F	100.00			Vector Aerospace Engine Services UK Ltd.	Croydon (United Kingdom)
	F	100.00			Vector Aerospace Engine Services-Atlantic, Inc.	Toronto (Canada)
	F	67.70			Vector Aerospace Helicopter Services California, Inc.	Sacramento, CA (USA)
	F	100.00			Vector Aerospace Helicopter Services, Inc.	Toronto (Canada)
	F	100.00			Vector Aerospace Holdings Ltd.	Toronto (Canada)
	F	100.00			Vector Aerospace International Ltd.	Gosport (United Kingdom)
	F	100.00			Vector Aerospace USA Holdings, Inc.	Las Vegas, NV (USA)
	F	100.00			Vector Aerospace USA, Inc.	Montgomery, AL (USA)
	F	100.00			Vector Holding S.A.S.	Marignane (France)
	F	25.00			Vector-Hawk Aerospace LLC	Sacramento, CA (USA)
Cassidian						
	E	24.01			Advanced Lithium Systems Europe S.A.	Athens (Greece)
	F	100.00	F	100.00	Apsys S.A.	Suresnes (France)
	E	14.70	E	14.70	Atlas Defence Technology SDN.BHD	Kuala Lumpur (Malaysia)
	P	49.00	P	49.00	Atlas Elektronik Finland Oy	Helsinki (Finland)
	P	49.00	P	49.00	Atlas Elektronik GmbH	Bremen (Germany)
	P	49.00	P	49.00	Atlas Elektronik Pty. Ltd.	St. Leonards (Australia)
	P	49.00	P	49.00	Atlas Elektronik UK (Holdings) Ltd.	Newport, Wales (United Kingdom)
	P	49.00	P	49.00	Atlas Elektronik UK Ltd.	Newport, Wales (United Kingdom)
	P	49.00	P	49.00	Atlas Hydrographic GmbH	Bremen (Germany)
	P	49.00	P	49.00	Atlas Maridan ApS	Horsholm (Denmark)
	P	49.00	P	49.00	Atlas Naval Engineering Company	Kyungnam (South Korea)
	P	49.00	P	49.00	Atlas Naval Systems Malaysia SDN.BHD.	Kuala Lumpur (Malaysia)
	P	49.00	P	49.00	Atlas North America LLC	Virginia Beach, VA (USA)
	F	43.89	F	43.89	Aviation Defense Service S.A.	Saint-Gilles (France)
	P	37.50	P	37.50	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
	F	100.00	F	100.00	Cassidian Aviation Training Services S.A.S.	Paris (France)
	F	100.00	F	100.00	Cassidian Belgium N.V.	Oostkamp (Belgium)

Appendix "Information on principal investments"- Consolidation Scope

2011	%	2010	%	Company	Head office
F	100.00	F	100.00	Cassidian Communications GmbH	Ulm (Germany)
F	100.00	F	100.00	Cassidian Communications, Inc.	Temecula, CA (USA)
F	100.00	F	100.00	Cassidian Finland Oy	Helsinki (Finland)
F	100.00	F	100.00	Cassidian Ltd.	Newport, Wales (United Kingdom)
F	100.00	F	100.00	Cassidian Ltd. - Holding	Newport, Wales (United Kingdom)
F	100.00	F	100.00	Cassidian Real Estate Manching GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Cassidian Real Estate Ulm/Unterschleissheim GmbH & Co. KG	Pullach i. Isartal (Germany)
F	100.00	F	100.00	Cassidian S.A.S.	Elancourt (France)
F	100.00	F	100.00	Cassidian Solutions S.A.U.	Madrid (Spain)
F	100.00	F	100.00	Cassidian Test & Services Ltd.	Wimborne, Dorset (United Kingdom)
F	100.00	F	100.00	Cassidian Test & Services S.A.S.	Velizy (France)
E	19.60	E	19.60	CybiCOM Atlas Defence Pty. Ltd.	Umhlanga Rocks (South Africa)
F	100.00	F	100.00	Dornier Consulting GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Military Aircraft)	Madrid (Spain)
F	100.00	F	100.00	EADS Defence and Security Saudi Ltd.	Riyadh Olaya District (Saudi Arabia)
F	100.00	F	100.00	EADS Deutschland GmbH (Unit: Cassidian)	Ottobrunn (Germany)
F	100.00	F	100.00	EADS Operations & Services UK Ltd.	Newport, Wales (United Kingdom)
F	100.00	F	100.00	EADS Secure Networks S.A.S.	Elancourt (France)
F	100.00	F	100.00	EADS Telecom Mexico SA de CV	Mexico D.F. (Mexico)
P	49.00			Emiraje Systems LLC	Abu Dhabi (United Arab Emirates)
E	30.00	E	30.00	ESG Elektroniksystem- und Logistikgesellschaft GmbH	Munich (Germany)
E	24.50	E	24.50	ET Marinesysteme GmbH	Wilhelmshaven (Germany)
F	100.00	F	100.00	Fairchild Controls Corporation	Frederick, MD (USA)
F	100.00	F	100.00	FmElo Elektronik- und Luftfahrtgeräte GmbH	Ulm (Germany)
F	100.00	F	100.00	Gesellschaft für Flugzieldarstellung mbH	Hohn (Germany)
F	100.00	F	100.00	Get Electronique S.A.S.	Castres (France)
F	87.40	E	45.00	Grintek Ewation Pty. Ltd.	Pretoria (South Africa)
P	49.00	P	49.00	Hagenuk Marinekommunikation GmbH	Flintbek (Germany)
		F	100.00	IFR France S.A.	Blagnac (France)
P	37.50	P	37.50	LFK – Lenkflugkörpersysteme GmbH	Schrobenhausen (Germany)
P	50.00	P	50.00	Maîtrise d'Oeuvre Système S.A.S.	Issy les Moulineaux (France)
P	37.50	P	37.50	Matra Electronique S.A.S.	Le Plessis Robinson (France)
E	49.00	E	49.00	Matrium GmbH	Karlsruhe (Germany)
P	37.50			MBDA España S.L.	Madrid (Spain)
P	37.50	P	37.50	MBDA France S.A.S.	Velizy (France)
P	75.00	P	75.00	MBDA Holding S.A.S.	Velizy (France)
P	37.50	P	37.50	MBDA International Ltd.	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA Italy SpA	Roma (Italy)
P	37.50	P	37.50	MBDA Reinsurance Ltd.	Dublin (Ireland)
P	37.50	P	37.50	MBDA S.A.S.	Velizy (France)
P	37.50	P	37.50	MBDA Services S.A.	Velizy (France)
P	37.50	P	37.50	MBDA Treasury Ltd.	Jersey (United Kingdom)
P	37.50	P	37.50	MBDA UK Ltd.	Stevenage (United Kingdom)
P	37.50	P	37.50	MBDA, Inc.	Westlack, CA (USA)
E	26.80	E	26.80	Patria Oyj	Helsinki (Finland)
F	80.00	F	80.00	Pentastar S.A.	Paris (France)
E	18.75	E	18.75	Roxel S.A.	Saint-Médard-en-Jalles (France)
P	79.60	P	49.00	Signalis GmbH	Bremen (Germany)
P	79.60			Signalis Holding GmbH	Unterschleißheim (Germany)
P	79.60	F	100.00	Signalis S.A.S.	Bozons (France)
P	49.00	P	49.00	Sonartech Atlas Pty. Ltd.	St. Leonards (Australia)
P	25.13	P	25.13	TAURUS Systems GmbH	Schrobenhausen (Germany)
P	37.50	P	37.50	TDW- Ges. für verteidigungstechnische Wirksysteme GmbH	Schrobenhausen (Germany)
E	50.00	E	50.00	United Monolithic Semiconductors Holding*	Orsay (France)
F	90.00	F	90.00	UTE CASA y Aeronautica industrial S.A.	Madrid (Spain)

Astrium

2011	%	2010	%	Company	Head office
F	100.00	F	100.00	Astrium GmbH (Unit: Satellites)	Munich (Germany)
F	100.00	F	100.00	Astrium GmbH (Unit: 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. (Unit: Satellites)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium Ltd. (Unit: Services)	Stevenage (United Kingdom)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Satellites)	Toulouse (France)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Services)	Paris (France)
F	100.00	F	100.00	Astrium S.A.S. (Unit: Space Transportation)	Les Muraux (France)

Appendix "Information on principal investments"- Consolidation Scope

2011	%	2010	%	Company	Head office
F	100.00	F	100.00	Astrium Services GmbH	Ottobrunn (Germany)
F	100.00	F	100.00	Astrium Services UK Ltd.	Stevenage (United Kingdom)
F	98.86	F	98.86	Axio-Net GmbH	Hannover (Germany)
F	54.40	F	54.40	Beijing Spot Image Co Ltd.	Beijing (China)
F	100.00	F	100.00	Computadoras, Redes e Ingenieria SA (CRISA)	Madrid (Spain)
F	99.99	F	99.99	DMC International Imaging Ltd.	Surrey (United Kingdom)
F	100.00	F	100.00	Dutch Space B.V.	Leiden (Netherlands)
F	100.00	F	100.00	EADS Astrium N.V.	The Hague (Netherlands)
F	100.00	F	100.00	EADS Astrium S.L.	Madrid (Spain)
F	100.00	F	100.00	EADS CASA Espacio S.L.	Madrid (Spain)
F	100.00	F	100.00	GPT Special Project Management Ltd.	Riyadh (Saudi Arabia)
F	77.70	E	25.58	I-Cubed (I3C)	Fort Collins, CL (USA)
F	100.00	F	100.00	Imass Holding Limited Group	Newcastle (United Kingdom)
F	100.00	F	100.00	Imass Ltd.	Newcastle (United Kingdom)
F	100.00	F	100.00	Infoterra GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	Infoterra Ltd.	Leicester (United Kingdom)
		F	100.00	Infoterra S.A.S.	Toulouse (France)
F	100.00	F	100.00	Jena-Optronik GmbH	Jena (Germany)
F	100.00			Marlink AS	Lysaker (Norway)
F	100.00			Marlink FZ LLC (Dubai)	Dubai (United Arab Emirates)
F	100.00			Marlink Hellas MEPE	Athen (Greece)
F	100.00			Marlink KK Ltd. (Japan)	Tokyo (Japan)
F	100.00			Marlink Pte Ltd. (Singapore)	Singapore (Singapore)
F	100.00			Marlink S.A.	Brussel (Belgium)
F	100.00			Marlink, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Matra Marconi Space UK Ltd.	Stevenage (United Kingdom)
F	100.00			MCG Marlink Comm Gmbh	Hamburg (Germany)
F	74.90	F	74.90	MilSat Services GmbH	Bremen (Germany)
F	100.00			Mobsat Holding 1BV	Amsterdam (Netherlands)
F	100.00			Mobsat Holding 2BV	Amsterdam (Netherlands)
F	100.00			Mobsat Holding Norway AS	Lysaker (Norway)
F	100.00			Mobsat Holding US Corp.	Rockville, MD (USA)
F	100.00			Mobsat Group Holding S.A.R.L.	Munsbach (Luxembourg)
F	100.00			MobSat S.A.S.	Paris (France)
		E	57.10	Nahuelsat S.A.	Buenos Aires (Argentina)
F	75.10			ND SatCom Defence GmbH	Immenstaad (Germany)
F	75.10			ND Satcom GmbH	Immenstaad (Germany)
F	75.10			ND SatCom Products GmbH	Immenstaad (Germany)
F	75.10			ND SatCom Satellite Commuication Systems (Beijing) Co. Ltd.	Beijing (China)
F	75.10			ND SatCom ZFE	Dubai (United Arab Emirates)
F	75.10			ND Satcom, Inc.	Richardson, TX (USA)
F	100.00	F	100.00	Paradigm Secure Communications Ltd.	Stevenage (United Kingdom)
F	100.00	F	100.00	Paradigm Services Ltd.	Stevenage (United Kingdom)
F	89.98	F	89.98	Sodern S.A.	Limeil Brevannes (France)
F	69.23	F	69.23	Spot Asia Pte Ltd.	Singapore (Singapore)
F	98.91	F	98.91	Spot Image Brasil Servicios en Image	Sao Paulo (Brazil)
F	98.91	F	98.91	Spot Image Corporation, Inc.	Chantilly, VA (USA)
F	98.91	F	98.91	Spot Image S.A.S.	Toulouse (France)
F	98.90	F	98.90	Spot Imaging Services Pty. Ltd.	Weston Creek (Australia)
F	99.99	F	99.99	Surrey Satellite Investments Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Services Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Technology Holdings, Inc.	Delaware (USA)
F	99.99	F	99.99	Surrey Satellite Technology Ltd.	Surrey (United Kingdom)
F	99.99	F	99.99	Surrey Satellite Technology US LLC	Delaware (USA)
F	100.00			TD Com S.A.S.	Choisy Le Roi (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)
F	98.91	F	50.44	Tokyo Spot Image	Tokyo (Japan)
F	100.00			Vizada AS	Lysaker (Norway)
F	100.00			Vizada B.V.	's-Gravenhage (Netherlands)
F	100.00			Vizada GmbH	Köln (Germany)
F	100.00			Vizada, Inc.	Rockville, MD (USA)
F	100.00			Vizada Network Slovakia S.r.o.	Bratislava (Slovakia)
F	100.00			Vizada Networks AS	Holmestrand (Norway)
F	100.00			Vizada Networks B.V.	Hoofddorp (Netherlands)
F	65.00			Vizada Networks Ltd.	Dar es Salaam (Tansania)

Appendix "Information on principal investments"- Consolidation Scope

2011	%	2010	%	Company	Head office
F	100.00			Vizada S.A.S.	Paris (France)
F	100.00			Vizada Services LLC	Rockville, MD (USA)
Other Businesses					
P	50.00	P	50.00	ATR Eastern Support Pte. Ltd.	Singapore (Singapore)
P	50.00	P	50.00	ATR G.I.E.	Blagnac (France)
P	50.00	P	50.00	ATR India Customer Support Pte. Ltd.	Bangalore (India)
P	50.00	P	50.00	ATR International S.A.S.	Blagnac (France)
P	50.00	P	50.00	ATR North America, Inc.	Dulles, VA (USA)
P	50.00			ATR North American Training Center, Inc.	Montreal (Canada)
P	50.00			ATR South African Training Center (Proprietary) Ltd.	Illovo (South Africa)
P	50.00	P	50.00	ATR Training Center S.A.R.L.	Blagnac (France)
P	50.00	P	50.00	ATRiam Capital Ltd.	Dublin (Ireland)
F	100.00	F	100.00	Composites Aquitaine S.A.	Salaunes (France)
F	100.00	F	100.00	Composites Atlantic Ltd.	Halifax (Canada)
E	30.00	E	30.00	Daher - Socata S.A.*	Louey (France)
F	100.00	F	100.00	EADS ATR S.A.	Colomiers (France)
		F	100.00	EADS North America Defense Security Systems Solutions, Inc.	San Antonio, TX (USA)
F	100.00	F	100.00	EADS North America, Inc.	Arlington, VA (USA)
		F	100.00	EADS Seca S.A.S.	Le Bourget (France)
F	100.00	F	100.00	EADS Sogerma S.A.	Mérignac (France)
F	100.00			EADS Supply Services, Inc.	Rockville, MD (USA)
F	100.00	F	100.00	Maroc Aviation S.A.	Casablanca (Morocco)
		F	100.00	Noise Reduction Engineering B.C.	Washington, D.C. (USA)
Headquarters					
F	100.00	F	100.00	Aero Reassurance	Luxembourg (Luxembourg)
F	100.00	F	100.00	Aeroassurance	Paris (France)
F	99.73	F	99.73	AL Objekt Taufkirchen Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald (Germany)
F	100.00	F	75.00	DADC Luft- und Raumfahrt Beteiligungs AG	Munich (Germany)
E	46.32	E	46.32	Dassault Aviation*	Paris (France)
F	100.00	F	99.12	Dornier GmbH – Zentrale	Friedrichshafen (Germany)
F	100.00	F	100.00	EADS CASA France	Paris (France)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Headquarters)	Madrid (Spain)
F	100.00	F	100.00	EADS Deutschland GmbH (Unit: Headquarters)	Munich (Germany)
F	100.00	F	100.00	EADS Finance B.V.	Amsterdam (Netherlands)
F	100.00	F	100.00	EADS France Headquarters	Paris (France)
F	100.00	F	100.00	EADS Management Service GmbH	Munich (Germany)
F	100.00	F	100.00	EADS North America Holdings, Inc.	Herndon, VA (USA)
F	100.00	F	99.12	EADS Real Estate Dornier Grundstücke GmbH & Co. KG	Taufkirchen (Germany)
F	100.00	F	100.00	EADS Real Estate Taufkirchen GmbH & Co. KG	Pullach (Germany)
F	100.00	F	100.00	EADS UK Ltd.	London (United Kingdom)
F	100.00	F	100.00	Manhattan Beach Holding Company	Herndon, VA (USA)
F	100.00	F	100.00	Matra Aerospace, Inc.	Herndon, VA (USA)
F	100.00	F	100.00	Matra Défense	Velizy (France)
F	100.00	F	100.00	Matra Holding GmbH	Kehl (Germany)
F	100.00	F	100.00	OBRA Grundstücks-Verwaltungsgesellschaft mbH	Grünwald (Germany)
F	100.00	F	100.00	OOO "EADS"	Moscow (Russia)

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

The stated percentage of ownership is related to EADS N.V.
**Regarding associated investments, only the parent company is stated in this list.*

Auditors' Report on the Consolidated Financial Statements (IFRS)

*

To: The EADS N.V. Shareholders:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements 2011 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of income, comprehensive income, cash flow and changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

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. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2011 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 requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report of the Board of Directors, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, March 7, 2012	Rotterdam, March 7, 2012
KPMG Accountants N.V. J.C.M. van Rooijen RA	Ernst & Young Accountants LLP C.T. Reckers RA

Company Financial Statements and Notes

Company Financial Statements

Balance Sheet of the Company Financial Statements

in €m		At December 31,	
Assets	Note	**2011**	**2010**
Fixed assets			
Goodwill	2	4,354	4,354
Financial fixed assets	2	9,802	7,960
Non-current securities	4	7,103	5,172
		21,259	**17,486**
Non-fixed assets			
Receivables and other assets	3	6,362	4,874
Current securities	4	4,140	5,756
Cash and cash equivalents	4	3,394	3,199
		13,896	**13,829**
Total assets		**35,155**	**31,315**
Liabilities and stockholders` equity			
Stockholders` equity [1])	5		
Issued and paid up capital		820	816
Share premium		7,519	7,645
Revaluation reserves		(1,207)	(989)
Legal reserves		3,544	3,532
Treasury shares		(113)	(112)
Retained earnings		(2,746)	(2,604)
Result of the year		1,033	553
		8,850	**8,841**
Non current liabilities			
Financing liabilities	6	3,090	2,194
		3,090	**2,194**
Current liabilities			
Financing liabilities	7	0	29
Other current liabilities	7	23,215	20,251
		23,215	**20,280**
Total liabilities and stockholders` equity		**35,155**	**31,315**

[1]) The balance sheet is prepared before appropriation of the net result

Income Statement of the Company Financial Statements

in €m		**2011**	**2010**
Income from investments		1,010	463
Other results		23	90
Net result	8	**1,033**	**553**

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 2011 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 (herein referred to as EU-IFRS). Please see Note 2 of the consolidated financial statements for a description of these principles.

Subsidiaries, over which significant influence is exercised, are stated on the basis of the Net Asset Value.

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

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

2. Fixed assets

At the end of 2011, goodwill acquisition cost amounts to € 5,676 million (2010: € 5,676 million) and the cumulative amortization and impairments to € 1,322 million (2010: € 1,322 million).

The movements in financial fixed assets are detailed as follows:

in €m	Subsidiaries	Participations	Loans	Total
Balance at 31 December 2009	**7,805**	**127**	**1,646**	**9,578**
Additions			305	305
Redemptions			(102)	(102)
Share based payments	43			43
Net income from investments	462	1		463
Actuarial gains/losses IAS 19	(32)			(32)
Dividends received	(182)			(182)
Translation differences/other changes	(2,194)	21	60	(2,113)
Balance at 31 December 2010	**5,902**	**149**	**1,909**	**7,960**
Additions	110		1,625	1,735
Redemptions			(109)	(109)
Share based payments	16			16
Net income from investments	1,004	6		1,010
Actuarial gains/losses IAS 19	(579)			(579)
Dividends received	(75)			(75)
Translation differences/other changes	(252)	(6)	102	(156)
Balance at 31 December 2011	**6,126**	**149**	**3,527**	**9,802**

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

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

Significant subsidiaries, associates and joint ventures are listed in the appendix “Information on principal investments” to the consolidated financial statements.

The loans provided to subsidiaries increased to € 2,981million (2010: € 1,476 million) and the loans provided to participations increased to € 63 million (2010: € 44 million). The increase of loans is mainly driven by loans provided to the subsidiaries Airbus SAS, EADS Astrium NV and Astrium Holding SAS. The item redemptions mainly reflects the repayment of a loan provided to EADS Astrium NV. An amount of € 2,916 million has a maturity between five and ten years and an amount of € 361 million matures after ten years. On average, the interest rate of the loans is 3.5%.

3. Receivables and other assets

in €m	2011	2010
Receivables from subsidiaries	5,907	4,619
Other assets	455	255
Total receivables and other assets	**6,362**	**4,874**

The receivables from subsidiaries include mainly receivables in connection with the cash pooling in EADS N.V. Other assets include deferred tax assets amounting to € 20 million (2010: nil).

The receivables and other assets in the current year and in the previous year are due within one year.

4. Securities, Cash and cash equivalents

The securities comprise mainly available-for-sale securities. The available-for-sale security portfolio contains a non-current portion of € 7,103 million (2010: € 5,172 million). For further information please see Note 22 of the consolidated financial statements.

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

5. Stockholders' equity

in €m	Capital stock	Share premiums	Revaluation reserves	Legal reserves	Treasury shares	Retained earnings	Result of the year	Total equity
Balance at 31 December 2009	**816**	**7,683**	**1,389**	**3,116**	**(109)**	**(1,597)**	**(763)**	**10,535**
Capital increase		5						5
Net income							553	553
Share based payments		(43)				23		(20)
Transfer to legal reserves				239		(239)		
Purchase of treasury shares					(3)			(3)
Others			(2,378)	177		(28)		(2,229)
Appropriation of result						(763)	763	
Balance at 31 December 2010	**816**	**7,645**	**(989)**	**3,532**	**(112)**	**(2,604)**	**553**	**8,841**
Capital increase	4	59						63
Net income							1,033	1,033
Cash distribution		(178)						(178)
Share based payments						15		15
Transfer to legal reserves				86		(86)		
Purchase/sale of treasury shares		(7)			(1)			(8)
Others			(218)	(74)		(624)		(916)
Appropriation of result						553	(553)	
Balance at 31 December 2011	**820**	**7,519**	**(1,207)**	**3,544**	**(113)**	**(2,746)**	**1,033**	**8,850**

For further information to the Stockholders' equity, please see Note 23 of the consolidated financial statements.

As of 31 December 2011, the item 'Revaluation reserves' relates to € 566 million (2010: € 384 million) resulting from unrealized positive fair values of securities classified as available for sale and fair values of cash flow hedges, recognised directly in equity with an negative amount of € 1,773 million (2010: € 1,373 million negative fair values). The cash flow hedges are included in "Subsidiaries".

The legal reserves are related to EADS' share in the undistributed results from investments for € 1,237 million (2010: € 1,152 million), internally generated capitalized development costs of € 947 million (2010: € 946 million) and € 1,360 million (2010: € 1,434 million) resulting from currency translation effects of affiliated companies.

The internally generated development costs reflect capitalised development costs in the consolidated subsidiaries and are allocated to other legal reserves in accordance with Article 2:389 paragraph 6 of the Dutch Civil Code.

The retained earnings include actuarial losses arising from defined benefit plans, recognised in equity, with an amount of € 2,388 million (2010: € 1,781 million).

Pursuant to Dutch law, limitation exist relating to the distribution of stockholders' equity with an amount of € 4,930 million (2010: € 4,732 million). The limitations relate to capital stock of € 820 million (2010: € 816 million) and to legal reserves of € 3,544 million (2010: € 3,532 million). In 2011, unrealized gains related to revaluation reserves with an amount of € 566 million (2010: 384 million) were not distributable. In general, gains related to available for sale securities, fair values of cash flow hedges, currency translation effects of affiliated companies and capitalized development costs reduce the distributable stockholders' equity.

6. Non current financing liabilities

The non current financing liabilities include a long term loan, granted by the European Investment Bank to EADS with an amount of US$ 1,142 million, a loan granted by EADS Finance B.V. with an amount of € 1,493 million and an US$ 300 million loan granted in 2011 by the Bank of Japan. In 2011, the loan granted by the European Investment Bank increased by US$ 721 million. For further details, please see Note 26 of the consolidated financial statements.

7. Current liabilities

in €m	**2011**	**2010**
Financing Liabilities	0	29
Liabilities to subsidiaries	21,609	18,651
Liabilities to participations	1,392	1,437
Other liabilities	214	163
Total	**23,215**	**20,280**

The financing liability in 2010 of € 29 million related to a shareholder loan granted by SOGEADE. The loan was repaid in 2011.

The liabilities to subsidiaries comprise mainly liabilities in connection with the cash pooling in EADS N.V.

8. Net income

The net income in 2011 amounts to € 1,033 million (2010: net income of € 553 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 34 of the consolidated financial statements.

10. Commitments and contingent liabilities

EADS N.V. issues guarantees on behalf of consolidated companies with an amount of € 1,348 million. The commitments of these companies to third parties mainly relate to their operating business as described in Note 33 and Note 36 to the consolidated financial statements. The company is heading a fiscal unity, which also includes EADS Finance B.V., EADS Astrium N.V. and Dutch Space B.V. and therefore the company is several and jointly liable for income tax liabilities of the fiscal unity as a whole.

11. Remuneration

The total **remuneration** of the Non Executive and the Executive members of the Board of Directors and former directors related to the reporting periods 2011 and 2010 can be summarized as follows:

Non-Executive members of the Board:

	2011 in Euro	2010 in Euro
Fixum	1,170,000	1,170,000
Fees	425.000	520.000

Executive members of the Board:

	2011 in Euro	2010 in Euro
Base Salary	990,000	900,000
Annual Variable Pay	1,993,475	1,732,500

The remuneration of the Non Executive members of the Board of Directors was as follows:

Summary table of the remuneration of the Non Executive Directors				
Current Non Executive Board members (*)	**Directors' remuneration related to 2011 (*)**		**Directors' remuneration related to 2010 (*)**	
	Fixum (in €)	**Attendance Fees (in €)**	**Fixum (in €)**	**Attendance Fees (in €)**
Bodo Uebber	210,000	90,000	210,000	120,000
Rolf Bartke	100,000	45,000	100,000	50,000
Dominique D'Hinnin	120,000	45,000	120,000	60,000
Juan Manuel Eguiagaray Ucelay	80,000	40,000	80,000	60,000
Arnaud Lagardère	100,000	30,000	100,000	20,000
Hermann-Josef Lamberti	130,000	35,000	130,000	45,000
Lakshmi N. Mittal	80,000	30,000	80,000	40,000
Sir John Parker	130,000	35,000	130,000	45,000
Michel Pébereau	100,000	35,000	100,000	35,000
Wilfried Porth	120,000	40,000	120,000	45,000
TOTAL	**1,170,000**	**425,000**	**1,170,000**	**520.000**

(*) The Fixum related to 2010 was paid in 2011; the Fixum related to 2011 will be paid in 2012

The remuneration of the Executive member of the Board of Directors was as follows:

Summary table of the remuneration of the current and former Executive Directors				
Executive Board members	**Directors' remuneration in respect of 2011**		**Directors' remuneration in respect of 2010**	
	Base Salary (in €)	**Annual Variable Pay (in €)**	**Base Salary (in €)**	**Annual Variable Pay (in €)**
Louis Gallois	990.000	1,993,475	900 000 €	1,732,500

The bonus conditions are disclosed in the Board Report, chapter 4.3.1.2

The table below gives an overview of the interests of the current Executive Board Directors under the various **long term incentive plans** of EADS:

Stock option plans

Number of options

year of plan	initially granted	as at 1 Jan 2011	granted in 2011	exercised during 2011	as at 31 Dec 2011	exercise price in Euro	expiry date
Louis Gallois							
2006	67,500	67,500	-	-	67,500	25.65	Dec. 16, 2016

Performance units plan

Number of performance units (**):

	granted in 2007	forfeited in 2011
Louis Gallois	33,700	33,700 Performance conditions were not met. Consequently, the units are forfeited.

	granted in 2008	vesting date
Louis Gallois	40,000	Vesting schedule is made up of 4 payments over 2 years: 25% expected in May 2012 25% expected in November 2012 25% expected in May 2013 25% expected in November 2013

	granted in 2009	vesting date
Louis Gallois	46,000	Vesting schedule is made up of 4 payments over 2 years: 25% expected in May 2013 25% expected in November 2013 25% expected in May 2014 25% expected in November 2014

	granted in 2010	vesting date
Louis Gallois	54,400	Vesting schedule is made up of 4 payments over 2 years 25% expected in May 2014 25% expected in November 2014 25% expected in May 2015 25% expected in November 2015

	granted in 2011	vesting date
Louis Gallois	51,400	Vesting schedule is made up of 4 payments over 2 years: 25% expected in May 2015 25% expected in November 2015 25% expected in May 2016 25% expected in November 2016

(**) Vesting of all performance units granted to the Chief Executive Officer is subject to performance conditions

Stock option plans

To the other current members of the Executive Committee and to the Group's senior management, the number of outstanding stock options amounted to 17,468.709 at December 31, 2011 (2010: 22,898,099).

During the year 2011, none of the Executive Committee members, have exercised options granted under the various EADS stock option plans. 18,000 options were exercised by former Executive Board Directors. Exercises of options by the EADS Executive Committee members are disclosed on the EADS internet website in accordance with the applicable regulations

Performance and Restricted unit plans

To the current members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted units amounted to 13,890.028 at December 31, 2011 (2010: 12,458.890).

The expense accounted for in 2011 for, performance shares and performance units granted to the Chief Executive Officer was € 1.1 million (2010: € 0.9 million for long term incentive plans and stock options).

For further information on these various plans, please see Note 35 of the consolidated IFRS financial statements.

The **pension benefit** obligation for the Executive Committee members is as follows:

The members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS once they reach retirement age.

These rights can gradually increase to 60% after a second term, usually after ten years of service in the EADS Executive Committee. However, in order to reach the replacement ratio of 60% as mentioned before, the respective member of the Executive Committee must also have 12 years of Seniority within the Group.

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 (i.e. the book cash value) amounted to € 2.9 million as of December 31, 2011, while the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2011 represented an expense of € 0.6 million. This obligation has been accrued in the financial statements.

Other benefits

All amounts reported above for the Executive Board Directors (current and former) are free of benefits in kind, as explained below, they are entitled to, as well as all national social and income tax impacts. The company grants to the members of the Executive Committee appropriate insurance coverage, in particular a Directors and Officers liability insurance.

The Chief Executive Officer is entitled to a company car. The value of his company car is 24,120 € (excluding VAT).

EADS has not provided any loans to / advances to / guarantees on behalf of Directors.

For further information on the remuneration, please see Note 36 of the consolidated financial statements.

12. Employees

The number of persons employed by the company at year end 2011 was 2 (2010: 2)

13. Related party transactions

An interest free loan was granted by Lagardère and the French State to EADS in 2007. The amount of € 29 million was repaid in 2011.

14. Auditor Fees

Services of Statutory Auditors and Members of their Network rendered to the Group for the financial years 2011 and 2010:

	KPMG Accountants N.V.				Ernst & Young Accountants LLP			
	2011		2010		2011		2010	
	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%
Audit								
Audit process, certification, examination of individual and consolidated accounts	5,675	70.0	5,710	81.1	5,851	69.2	4,493	70.8
Additional tasks	1,678	20.7	516	7.4	2,338	27.6	1,607	25.4
Sub-total	**7,353**	**90.7**	**6,226**	**88.5**	**8,189**	**96.8**	**6,100**	**96.2**
Other services as relevant								
Legal, tax, employment	715	8.8	628	8.9	201	2.4	123	1.9
Information Technology	37	0.5	12	0.2	70	0.8	121	1.9
Other (to be specified if >10% of the fees for the audit)	6	0.1	172	2.4	0		0	
Sub-total	**758**	**9.3**	**812**	**11.5**	**271**	**3.2**	**244**	**3.8**
Total	**8,111**	**100.0**	**7,038**	**100.0**	**8,460**	**100.0**	**6,344**	**100.0**

Supplementary Information

Independent auditors' report

To: The EADS N.V. Shareholders:

Report on the Company Financial Statements

We have audited the accompanying company financial statements 2011 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the company balance sheet as at 31 December 2011, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

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. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these company financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company financial statements.

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

Opinion

In our opinion, the company financial statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2011 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 requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report of the Board of Directors, to the extent we can assess, is consistent with the company financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, March 7, 2012

KPMG Accountants N.V.
J.C.M. van Rooijen RA

Rotterdam, March 7, 2012

Ernst & Young Accountants LLP
C.T. Reckers RA

Other Supplementary Information

1. Appropriation of result

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The general meeting of shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the net income of € 1,033 million as shown in the income statements for the financial year 2011 is to be added to retained earnings and that a payment of a gross amount of € 0.45 per share shall be made to the shareholders.

2. Subsequent events

For further information please see Note 40 of the consolidated financial statements.