AGM 2009

Report of the Board of Directors 2008

Dear Shareholders,

We are pleased to convene this Annual General Meeting of the Shareholders (the "**AGM**") of European Aeronautic Defence and Space Company EADS N.V. (hereinafter referred to as "**EADS**" or the "**Company**"). The main objectives of this AGM are:

• first, to adopt this Report of the Board of Directors (the "**Board Report**") on EADS' activities during the 2008 financial year;

• second, to present the financial statements of EADS for the 12 months ended 31st December 2008, to submit for your approval the accounts, the result allocation and the cash distribution for this period;

• third to appoint the auditors for the 2009 financial year;

• fourth, to release the Members of the Board of Directors (the "**Board**") from liability for their activities during the 2008 financial year;

• fifth, to amend the Company's Articles of Association; and

• finally, to approve the renewal of financial authorisations to the Board in respect of (i) the issuance of shares and setting aside of preferential subscription rights for existing shareholders, (ii) the repurchase of shares of the Company, and (iii) the cancellation of shares repurchased by the Company.

The documentation for this AGM consists of:

• the agenda for this AGM;

• the proposed resolutions which will be submitted for your approval at the end of this AGM;

• this Board Report;

• the consolidated and company financial statements for 2008 and the same information for 2007 for comparison purposes; and

• the Auditors' Reports from Ernst & Young Accountants LLP and KPMG Accountants N.V.

1 GENERAL OVERVIEW

Since its creation, in July 2000, by combining the businesses previously operated by Aerospatiale Matra, DaimlerChrysler Aerospace AG ("Dasa") and Construcciones Aeronáuticas SA ("CASA"), EADS has been a recognised leader across most sectors of its operations, consolidating its control in such areas of longstanding collaboration as Airbus, Eurocopter, Eurofighter, Astrium, MBDA and the Ariane industrial framework.

With a workforce of 118,349 employees (at year-end 2008) and revenues of €43.3 billion in 2008, EADS is Europe's number one 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 and civil helicopters, commercial space launch vehicles and missiles systems, and a leading supplier of military aircraft, satellites, defence electronics and related services. EADS has organised its businesses in four divisions: (i) Airbus and Airbus Military (ii) Eurocopter, (iii) Defence and Security and (iv) Astrium.

In 2008, EADS generated 74.5% of its revenues in the civil sector and 25.5% in the defence sector.

2 MAIN EVENTS FOR 2008

EADS delivered satisfactory results in 2008, but is facing challenges in critical programmes. The Group continued to show robust underlying performance and benefited from strong market demand. EADS recorded a remarkable order intake across its product portfolio, receiving more than €98.6 billion in orders for the year. In particular, Airbus aircraft and helicopters deliveries were at historically high levels. The solid cash flow generation and the record net cash position provide some resilience against the financial and economic crisis.

For the full year 2008, EADS delivered an EBIT* of € 2.8 billion. The Group benefited from its strong underlying performance and foreign currency effects while dealing with challenges in critical programmes. Revenues increased by 11 percent to € 43.3 billion. EADS' order book achieved a new record of more than € 400 billion. Net Cash reached an unprecedented level of € 9.2 billion thanks to better than expected Free Cash Flow generation.

EADS has made several proactive decisions to face the financial turmoil head on. With weaker air traffic and more difficult financing conditions, the commercial aircraft market is expected to slow down with risk of deferrals and even cancellations. On the Airbus single aisle family, rates are reduced to 34 aircraft per month from October 2009 and ramp up on the Long Range family is frozen at 8.5 per month, to reflect the weakening outlook. Airbus will use the flexibility to adapt its production policy as the economic environment changes.

The transformation process initiated in 2006 in reaction to the A380 delays and the US$ volatility allows EADS to face the crisis with a better shape. Through a new organisational structure, leaner processes and careful cash management, Power8 has significantly reduced Airbus' cost base. For the second year in a row, Power8 exceeded targets, delivering cost savings of about €1.3 billion. This is more than half way to the €2.1 billion 2010 objective.To complement Power8 launched in 2007, EADS initiated other measures to improve its global efficiency. Power8 Plus has been launched as a Group-wide initiative to deliver a further annual EBIT* benefit of € 1 billion from across the Group in 2011 to 2012. The full amount will comprise a € 650 million contribution from Airbus and € 350 million contributed by the MTAD (Airbus Military), Eurocopter, Astrium and Defence & Security Divisions as well as by EADS Headquarters. In addition, a programme called "Future EADS" aims at a leaner organisation at Group level and better integration mainly through shared services and targets cost savings at a minimum level of € 200 million in 2011-2012.

In 2008 EADS also made significant progress in focusing on its core business. The Group successfully completed its aerostructures strategy. In the course of 2008, the Laupheim site and part of Filton have been sold, while the German sites Nordenham, Varel and Augsburg were merged into Premium Aerotec and the French sites at Meaulte and St. Nazaire Ville into Aerolia. These two companies became operational on 1st January 2009. Furthermore, EADS has sold a 70% holding in Socata to Daher, whilst keeping the remaining 30% for the time being. In parallel, Airbus continues to expand its industrial footprint. The new A320 Final Assembly Line in Tianjin, China opened in September and will secure access to the fast-growing Chinese market.

At the same time, the year 2008 was also characterised by challenges on key development programmes. The A400M programme has been delayed, while Airbus continues to face a strong challenge in ramping up A380 production. With respect to the A400M programme in particular, it will have to be brought back on track, with a clear and reliable time schedule. In order to simplify the management structure and to exploit synergies with the rest of Airbus, EADS announced in December that it would integrate the Military Transport Aircraft Division into Airbus under the name "Airbus Military". In particular, the integration will strengthen management of the challenging A400M military transport programme.

In the meantime, Airbus Military (the former Military Transport Aircraft Division) and EADS announced that they had proposed a new programme approach for the A400M to the Launch Nations, through OCCAR, with the aim to find an appropriate way forward for this programme. Airbus Military and EADS wanted to initiate discussions around the programme schedule along with changes to other areas of the contract including in particular certain technical characteristics of this military aircraft. In line with complex military development programmes, Airbus Military suggested to resume series production only once adequate maturity is reached based on flight test results. With such new approach, the first delivery of the A400M would then occur three years after its first flight. This programme might constitute a significant exposure. Airbus Military and EADS will only be able to update all of the financial consequences of a revised industrial plan, once the availability of the engines and mission critical systems is firmly determined and once OCCAR´s position on the proposal is known.

The year 2008 started strongly for the commercial business with the order backlog reaching new highs while the defence & institutional activities showed a promising performance. However, the overall business environment became unpredictable and turbulent in the second half of the year, due to fluctuating oil prices and exchange rates. The financial landscape was hit by a credit crisis that impacted general growth prospects, household wealth and industry liquidity. Despite downgraded air traffic growth forecasts and indications of consolidation in the airline industry, the civil business ended the year with solid order backlogs. A weaker financing environment will certainly put pressure on manufacturers to find solutions for their customers' financing needs. Historically, air traffic follows changes in annual global GDP and consequently this has had a slowdown effect on air transport and passenger traffic. The fall in the oil price provides some relief for airlines or commercial customers and the general easing of commodity prices may lead to lower costs for manufacturers in the mid-term.

Defence spending is expected to remain stable and as it is closely linked to geopolitical tensions and security needs as well as economic considerations. The long term nature of the investments in Defence and Space makes these segments less impacted in the short term. In addition, defence related investments are an efficient means of sustaining a country's industrial base and support high-technology jobs. Although precedents suggest that the new US Administration may alter the defence budget during 2009, there is also a possibility that any significant change in this budget will be postponed due to the Quadrennial Defence Review in the last quarter of the year. Also, it is worth considering that there is a time lag of several months between the defence budget appropriations and outlays.

Following the ministerial conference of European Space Agency, or ESA, in November, the council called for investments in innovation, including space technologies and services, despite the financial crisis.

During 2008 Airbus delivered a record number of aircraft while addressing major industrial challenges. Airbus delivered 483 aircraft, 30 more than compared to 2007. The revised target of delivering 12 A380 aircraft in 2008 was reached. In what was a difficult year for the global economy, Airbus' order intake was remarkably strong and above expectations. Airbus recorded 900 firm new gross orders, increasing the order backlog to a new record of 3,715 aircraft. Net orders, after accounting for cancellations, stood at 777 in 2008. This represents a 54% market share for aircraft with more than 100 seats by units and 59% by value. The recently launched A350 XWB won 163 new firm orders increasing the total order count to 478 from 29 customers.

Airbus Military experienced delays in its flagship A400M heavy transport aircraft, which overshadowed the Division's other activities and weighed on the financial results. In September 2008, EADS announced an undefined delay of the first flight of the A400M mainly due to the unavailability of the propulsion system. In the meantime, Airbus Military and EADS have proposed a new programme approach for the A400M with the aim to find an appropriate way forward for this programme. Otherwise, the first C-295 aircraft has been delivered to Portugal. The A330 Multi-Role Tanker Transport (MRTT) aircraft won four out of the five competitive tenders worldwide, including the UK's Future Strategic Tanker Aircraft programme (14), the United Arab Emirates' order (3) and Saudi Arabia's order (3). The Northrop Grumman KC-45 Tanker aircraft that is based on A330 MRTT was initially selected by the U.S. Air Force, even though the decision was revised later for legal reasons linked to the management of the tender process by the DoD (US Department of Defense).

Eurocopter met its 2008 objectives for helicopter sales and deliveries and increased its turnover by 7.5%. Constituting a production ramp-up of 20% as compared to 2007, a total of 588 helicopters have been delivered. Reflecting their advanced capabilities and low lifecycle costs, Eurocopter helicopters captured a 53% share of the civil and parapublic market and continued to increase its military orders. At the end of December the order backlog value exceeded €14 billion or the equivalent of 1,550 helicopters. Order bookings, still showing strong demand for new helicopter models and services, amounted to 4.9 billion euros. This included 715 new aircraft, 36% (civil) and 64% (military) respectively.

Eurocopter made technical progress during the year by fully qualifying the Tiger in its HAP and UHT variants, and by ramping up NH90 production with first deliveries from the Finnish and Australian assembly lines. After the delivery of the 50th UH-72A Lakota to the U.S. Army, the U.S. Navy became a Lakota customer. Meanwhile, production of the first EC175 prototype co-developed with Chinese partners was launched.

Astrium strengthens several years of innovation and efficiency improvement, and confirms its competitive position. Prime contractor on Europe's contribution to the ISS, Astrium achieved a historic technical success as the Columbus laboratory and Automated Transfer Vehicle connected with the ISS in space early in 2008. Ariane 5 launcher won 13 orders, more than half the open market. It has proved highly reliable, performing 28 successful launches in a row since 2003. Also within the Business Unit, France's new-generation M51 ballistic missile completed its final trial flight.
While the telecommunications satellite market slowed, the Satellites Business Unit maintained its market share, winning two orders, launching seven telecommunication and two observation satellites. The European Space Agency awarded Astrium three major scientific satellites, while Chile and Spain each ordered an observation satellite. The Services Business Unit reached maturity. The Paradigm secure communications system became fully operational and able to service the UK Ministry of Defence following delivery of the third and final satellite, Skynet 5c. Progress was satisfactory on similar communications programmes for Germany and the United Arab Emirates.

While the established Eurofighter, missiles and radars continue to support Defence & Security (D&S) growth, Divisions´ increasingly competitive technologies in Unmanned Aerial Vehicles (UAVs) and global security systems have an increasing share.
For Eurofighter, the last aircrafts out of 148 tranche one multi-role combat aircraft were delivered. The 236 in tranche two are being delivered. Within UAVs, D&S is the only European supplier able to provide both large and small systems. Work on the risk reduction study for the Advanced UAV continued with the identification of France, Germany and Spain's capability requirements; for the two French programmes DRAC and SIDM delivery milestones were achieved. Furthermore, aerial target drones were delivered to the US Army. In line with Group strategy, D&S continued to expand security capabilities. Significantly, the acquisition of PlantCML brought access to the US market. In Beijing, PMR's TETRA network – the largest in Asia – played a vital role in securing the Olympic Games 2008.

2008 has reinforced EADS in line with the Vision 2020 strategy. With many high profile challenges still to overcome, the Group has shown strength and dedication in tackling its difficulties. The cash situation allows stability in the face of a destabilised world economy. Facing an economic downturn the protection of cash is a top priority, as well as further increasing the capacity to overcome challenges in key development programmes. For EADS, the crisis can be an opportunity to change and become a leaner and more efficient organisation.

3 CHANGE IN THE SHAREHOLDING AND STOCK PRICE EVOLUTION

3.1 Shareholding and voting rights

Issued Share Capital

As of 31st December 2008, EADS' issued share capital amounted to €814,769,112 divided into 814,769,112 shares of a nominal value of €1 each. The issued share capital of EADS as of such date represents 27.16% 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 "3.4 Relationship with Principal Shareholders".

The shareholders' meeting has the power to issue shares. The shareholders' meeting may also authorise the Board 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 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 AGM held on 4th May 2007, 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 provided that such powers shall be limited to 1% of EADS' authorised share capital. Such powers have been granted for a period expiring at this AGM. Shareholders will be asked to renew this authority at this AGM.

At the AGM held on 26th May 2008, the Board 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 this AGM.

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, the latter requiring the approval of at least two-thirds of the votes cast at the general meeting. It will be proposed to cancel up to a maximum of 22,987 shares at this AGM.

Securities Granting Access to the Company's Capital

Except for stock options granted for the subscription of EADS shares (see "Notes to Consolidated Financial Statements (IFRS) — Note 36: 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 31st December 2008 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 31st December 2008	814,769,112	96.69%	811,627,354	96.67%
Total number of EADS shares which may be issued following exercise of stock options	27,935,589	3.31%	27,935,589	3.33%
Total potential EADS share capital	**842,704,701**	**100%**	**839,562,943**	**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 2008

During 2008, EADS repurchased 227,887 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. Further, 1,291,381 treasury shares were cancelled in July 2008 in accordance with the resolution adopted at the AGM held on 26th May 2008.

In addition, in 2008, EADS employees exercised 14,200 stock options granted to them through the stock option plan launched by the Company in 2003. As a result, 14,200 new shares were issued in the course of 2008.

Finally, in accordance with the resolution adopted at the AGM held on 4th May 2007, the Board approved the implementation of an employee share ownership plan ("**ESOP**") for 2008. As a result, 2,031,820 subscribed shares were issued in July 2008.

Shareholding structure

EADS combined the activities of Aerospatiale Matra ("**Aerospatiale Matra**" or "**ASM**"), Daimler Aerospace AG ("**Dasa AG**") (with the exception of certain assets and liabilities) ("**Dasa**") 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.

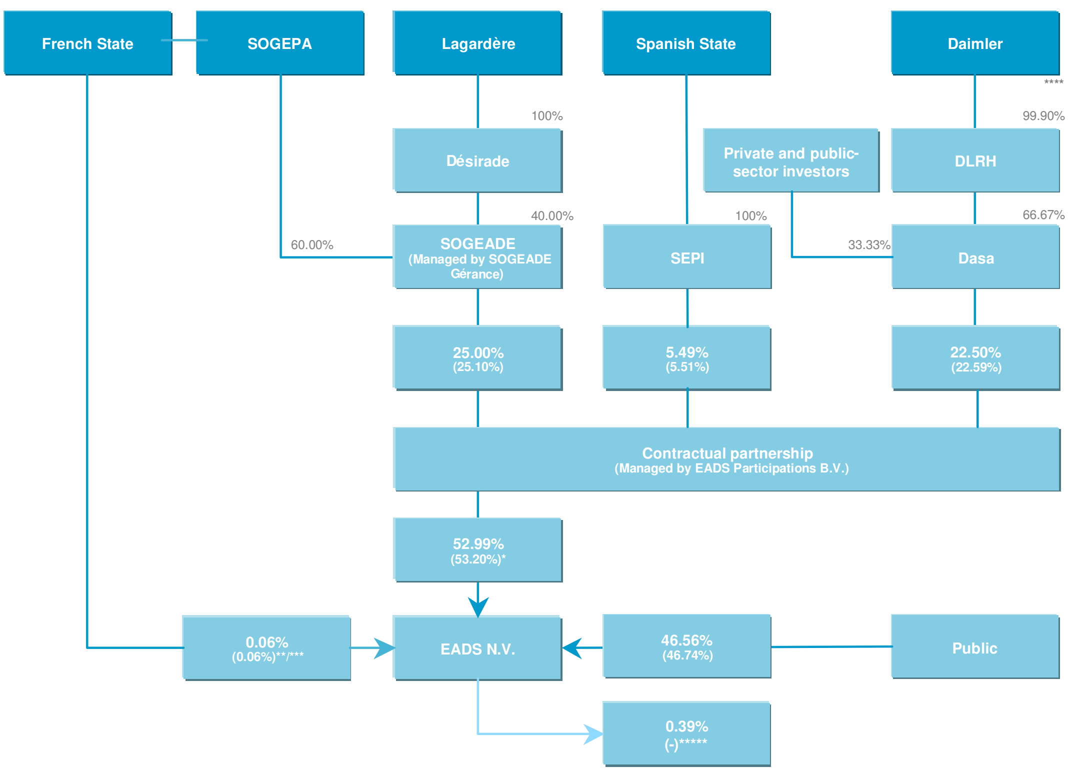
Unless the context requires otherwise, the shareholdings of Dasa AG in EADS are referred to in this document as shareholdings of Daimler, and the rights and obligations of Dasa AG pursuant to the agreements described herein are referred to as rights and obligations of Daimler.

As at 31st December 2008, 22.50% of EADS' share capital was held by Dasa AG, which is a 66.67% subsidiary of Daimler Luft- und Raumfahrt Holding AG ("**DLRH**"), a 99.90% 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 31st December 2008, is held 60% by Sogepa (a French state holding company) and 40% by Désirade (a French *société par actions simplifiée* wholly owned by Lagardère), held 25.00% of the EADS shares. Thus, 47.50% 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 5.49% of the share capital of EADS. The public (including EADS employees) and the Company held, respectively, 46.56% and 0.39% 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 9th February 2007, Daimler reached an agreement with a consortium of private and public-sector investors by which it effectively reduced its shareholding in EADS from 22.5% to 15%, while keeping and maintaining the balance of voting rights between Germany and French controlling shareholders. Daimler has placed its entire 22.5% equity interest in EADS into a new company controlled by Daimler, in which the consortium of investors has acquired a one-third interest through a special-purpose entity. This effectively represents a 7.5% stake in EADS. Daimler continues to control the voting rights of the entire 22.5% package of EADS shares. Daimler has the option of dissolving the new structure on 1st July 2010 at the earliest. If the 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 preempt such EADS shares to retain the balance between the German and the French side.

The diagram below shows the ownership structure of EADS as at 31st December 2008 (% of capital (voting rights) before exercise of outstanding stock options granted for the subscription of EADS shares. See "Notes to Consolidated Financial Statements (IFRS) — Note 36: 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.

(****) DLRH is 99.90% held by Daimler; the balance is held by individual minority shareholders.

(*****) As at 31st December 2008, the Company holds, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 3,141,758 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 and Executive Committee, see "Notes to the Company Financial Statements – Note [11]: Remuneration".

Developments in 2008 and early 2009

In June 2008, Lagardère redeemed bonds representing the second of three equal instalments of EADS shares (i.e. 2.5%). As a reminder, Lagardère issued in April 2006, mandatory exchangeable bonds. The EADS shares deliverable at the maturity of the bonds will represent a maximum of 7.5% of the share capital of EADS, or approximately 61 million EADS shares.

On 26th 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 25th June 2009 to 24th March 2009. Under the terms of this amendment, Lagardère plans to deliver 20,370,000 EADS shares, representing 2.5% of the capital and voting rights of EADS, to Natixis on 24th March 2009.

Right to attend Meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, to speak and to 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.

In relation to holders of registered shares, the Board may provide in the convening notice that those persons are recognised as authorised to exercise the rights to attend, speak and vote at the shareholders' meetings, who at the point in time mentioned in the convening notice are authorised to exercise those rights and as such have been registered in the register appointed for the purpose by the Board, irrespective of who is authorised to exercise those rights on the day of the 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 holders of bearer shares and those who derived the aforementioned rights from these shares shall be obliged to deposit their share certificate or the documents evidencing their rights against receipt, at such locations as shall be determined by the Board and stated in the convening notice.

Such convening notice shall also state the day that has been fixed as the final day on which the share certificates and the documents evidencing the aforementioned rights may be deposited. That day may not be earlier than five business days, but in each case not earlier than the seventh day, prior to the meeting.

As far as registered shares are concerned, the Board should be informed in writing within the timeframe mentioned in the two preceding sentences of the intention to attend the meeting (the Board must receive such written information ultimately on the date specified in the notice by which the meeting is convened).

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 set a "registration date" at which the persons entitled to attend and vote at the shareholders' meetings are recorded for this purpose irrespective of who is shareholder at the time of the meeting. It may also provide for electronic means of convocation, attendance and voting at the shareholders' meetings. The introduction of such electronic means will depend on the availability of the necessary technical means and the 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 EADS' 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 EADS. 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 EADS.

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 company with the objective to prevent the success of an announced public offer for the shares in such 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 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 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 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 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, 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, 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):

(i) To a transfer of shares to the Company itself or to the Foundation;

(ii) 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;

(iii) 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;

(iv) 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 31st 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 "3.4 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

(v) 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 EADS' 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, from the day the meeting is convened until after the end of the meeting.

3.2 Stock price evolution 2008

2008 was a rollercoaster ride for EADS shares in a market environment hit by the economic slowdown. On 31 December, the share price closed at €12.03, 45% lower than year end 2007, tracking the CAC40 index which slumped by 43 %.

In 2008, European equities tumbled along with stock markets around the world as turmoil in the financial sector spread to the real economy, triggering a sharp downturn and forcing governments to bailout a number of troubled lenders.
European indexes have lost over 40 % posting their biggest annual fall as the markets were shattered by the worst credit crisis since the Great Depression of the 1930s.

In an uncertain macro-economic and stock market context, market operators seem to have been focused on two key drivers to determine the value of EADS: the movement in the dollar and the indication of a world economic slowdown that tends to lead to deterioration in demand for air travel, increasing the risk of deferrals or cancellations in addition to a growing requirement for customer financing due to the credit crunch. Additionally to these, the highly volatile value of the price of oil (with a barrel ending 2008 at $37 down by more than 74 percent from its historical peak of July 2008) influenced investors until September more than the long-term development of the Company. The problems specific to the Group – execution of major programmes (A400M development and A380 ramp-up difficulties) – also weighed heavily on the investment decision. Nevertheless, the solid cash-flow generation and net cash position which reflect strong underlying performance and dynamic order intake were received positively by the financial markets since it provides some resilience in the financial crisis.

3.3 Dividend policy

The Group's improved operational performance in legacy programmes and the strong cash development drove earnings per share to € 1.95 and justify the increase in dividend.

The Board of Directors is proposing to the Annual General Meeting of shareholders a dividend of € 0.20 per share (gross amount dividend per share 2007: € 0.12). Subject to the Annual General Meeting approval, the dividend will be paid on 8 June 2009.

3.4 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 an agreement (the "**Participation Agreement**") entered into on Completion between Daimler, Dasa AG, Lagardère, Sogepa, Sogeade and SEPI, and 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

During the period commencing at Completion and ending on 1st July 2003 (the "**Standstill Period**"), there were restrictions on Daimler's, Sogeade's, SEPI's, Lagardère's, Sogepa's and the French State's ability to transfer EADS shares.

Following the expiration of the Standstill Period, as of 1st July 2003, 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 (a) 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 (b) 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.

Following the expiration of the Standstill Period, as of 1st July 2003, 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 of all or some only 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 ofpre-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 Consolidated Financial Statements (IFRS) — Note 37: Related Party Transactions".

3.5 Future ESOP and Long-Term Incentive Plan (LTIP)

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. Such powers include the approval of ESOP and LTIP plans.

Under ESOP and LTIP, the Board 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, are eligible thereto and to subject such grant, as the case may be, to performance conditions; each unit giving right to payment in cash.

3.5.1 Future ESOP

The Company intends to implement an ESOP in 2009. The plan's implementation would have to be formally approved by the Board. The 2009 plan would have the following main characteristics: offer of up to approximately 2 million shares of the Company, i.e. up to 0.25% of its issued share capital, with discount price to the market (- 20%) to all eligible EADS' employees, being individuals under contract with EADS or with its subsidiaries (more than 50% directly or indirectly held by EADS and companies in which EADS holds more than a 10% stake and where it exercises a material influence on the management).

3.5.2 2008 LTIP and Future LTIP

The Board has approved on 13th November 2008 the implementation of the 2008 LTIP. At vesting of the "2008 Unit Plan", payment is made in cash.

EADS has taken into account the market trend, which is moving from number of option/share/unit grants to face value grants. Accordingly, the size of annual EADS LTIP grant will be adjusted in the future to reflect the face value in comparison of the different Total Target Income of the Executive categories at target level.

At vesting dates, the eligible executives and selected individuals are entitled to a pay-out in cash based on the number of vested units times the value of the Company share.

The Board approved the granting of 2,192,740 Performance Units on target and 801,860 Restricted Units to 1,684 EADS Executives and selected non-Executives.

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 over 3 years.

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 presence in the Group.

Should the performance criteria be met and/or provided that the executive is still employed by the Company, the vesting of the Performance and Restricted Units entitles the executives / selected individuals to four payments in cash over 2 years after the 3 years performance period; each payment representing 25% of the vested units.

Performance Units will vest at a minimum of 50%, 100% on target performance achievement and up to a maximum of 150% in case of overachievement of performance criteria.

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 together with the 2008 Unit plan. EADS Executive Committee Members will have to own 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 EADS Executive Committee Member.

The proposed 2009 LTIP would be a Performance and Restricted Unit Plan, with the same general principles as the one described above for the 2008 Performance and Restricted Unit Plan.

The plan would offer the granting of about 3,500,000 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 value. The value of each unit would be based on an average price of EADS share price at the respective dates of vesting.

The implementation of this plan would again have to be formally approved by the Board.

4 CORPORATE GOVERNANCE

4.1 Management and control

4.1.1. Composition, powers and rules

Pursuant to the Articles of Association, the Board is responsible for the management of the Company.

The Board consists of a maximum of eleven members appointed and removed by the shareholders' meeting. The Board adopted rules governing its internal affairs (the "**Rules**") at a Board meeting held on 7th July 2000. The Rules were amended at a Board meeting held on 5th December 2003 to take into account recommendations for changes to corporate governance. The Rules were further amended at a Board meeting held on 22nd October 2007, to take into account the corporate governance modifications approved during the Extraordinary General Meeting of Shareholders held the same day.

The Rules specify the composition, the role and the key responsibilities of the Board, and also determine the manner of appointment and the responsibilities of the Chairman and the Chief Executive Officer. The Rules also specify the creation of three committees (the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee) and specify their composition, role and operating rules.

The parties to the Participation Agreement (as amended on 22nd 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 EADS comprises the Directors of EADS Participations B.V. and four additional independent Directors.

According to the Rules, an independent Director is defined as *"a Director who is not an officer, director, employee, agent or otherwise has any significant commercial or professional connection with either the Dasa Group, the Lagardère Group, the Sogepa Group, the Sepi Group, the French State, the German State, the Spanish State or the EADS Group".*

Pursuant to the Participation Agreement, the Board 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 general meeting of shareholders to be held in 2012; and
- Four independent Directors, jointly proposed by the Chairman and the Chief Executive Officer of EADS and individually approved by the Board.

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

The shareholders' meeting may at all times suspend or dismiss any member of the Board. There is no limitation on the number of terms that a Director may serve.

The Board appoints a Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The Chairman ensures the smooth functioning of the Board 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 or can be dismissed as Chairman by the Board, 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 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 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 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 occurred, the Board 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 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 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 Board Members

The Company is represented by the Board 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 unless these transactions have been approved by the Board.

The key responsibilities of the Board include amongst others:

- Approving any change in the nature and scope of the business of the Group;
- Approving any proposal to be submitted to the general meeting of shareholders in order to amend the articles of association of EADS (Qualified Majority, as defined below);
- Approving the overall strategy and the strategic plan of the Group;
- Approving substantial changes to the business plan and the yearly budget of the Group;
- Setting the major performance targets of the Group;
- Designating or removing the Chairman and the Chief Executive Officer and deciding upon the designation or removal of the Chief Executive Officer of Airbus (Qualified Majority);

- Appointing the members of the Executive Committee (see below), as a whole team, not on an individual basis;
- Establishing and approving amendments to the Rules and to the rules for the Executive Committee (Qualified Majority);
- Deciding upon the appointments of the Airbus 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 matters of shareholder policy, major actions or major announcements to the capital markets;
- Approving any material decision regarding the ballistic missiles business of the Group (Qualified Majority);
- Approving other measures and business of fundamental significance for the Group or which involve an abnormal level of risk;
- Approving any proposal by the Chairman and the Chief Executive Officer as to the appointment of the independent Directors, for submission to the general meeting of shareholders.

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 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 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 meeting and to vote on his or her behalf. Such authorisation must be in writing.

In the event of a deadlock in the Board, 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 may form committees from its members. In addition to the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee, the Board 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 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, 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

Name	Age	Term started (as member of the Board)	Term expires	Principal function	Status
Rüdiger Grube	57	2004, re-elected in 2005 and 2007	2012	Chairman of EADS	Non-Executive
Louis Gallois	65	2000, re-elected in 2005 and 2007	2012	Chief Executive Officer of EADS	Executive
Rolf Bartke	62	2007	2012	Chairman of Kuka AG	Nominated by Daimler
Dominique D'Hinnin	49	2007	2012	Chief Financial Officer of Lagardère	Nominated by Sogeade
Juan Manuel Eguiagaray Ucelay	63	2005, re-elected in 2007	2012	Director of Studies at Fundación Alternativas	Nominated by SEPI
Arnaud Lagardère	48	2003, re-elected in 2005 and 2007	2012	General Partner and CEO of Lagardère	Nominated by Sogeade
Hermann-Josef Lamberti	53	2007	2012	Member of the Management Board of Deutsche Bank AG	Independent
Lakshmi N. Mittal	58	2007	2012	President and Chief Executive Officer of ArcelorMittal	Independent
Sir John Parker	66	2007	2012	Chairman of National Grid	Independent
Michel Pébereau	67	2007	2012	Chairman of BNP Paribas	Independent
Bodo Uebber	49	2007	2012	Member of the Board of Management of Daimler AG	Nominated by Daimler

Nota: The professional address of all members of the Board 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 members can be found at the Company's web-site www.eads.com.

4.1.2. Operation of the Board in 2008

Board meetings

The Board met nine times during 2008 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 was 80%.

Topics intensively discussed, and operations authorised at the Board meetings included: EADS' strategy (including M&A matters and the competitive environment), major business issues such as the the A380 and A400M recovery efforts, the implementation of the future EADS programme and of the Power8+ programme for Airbus, the A350 programme progress and Airbus future product strategy, the regular updates on the remaining programmes, the approval of operational plans, reorganisation topics, budgets, the Group's financial results and forecasts, as well as the creation of a new Compliance Organisation. The Board also dealt with topics regarding personnel and human resources, such as management qualification, remuneration (including a long-term incentive plan and an employee share ownership plan) as well as attracting, retaining and developing individuals with high potential in order to ensure the future quality of EADS' management and the multinational leadership structure. Besides, the Board took note of the decision to integrate the MTAD Division into Airbus under the name of Airbus Military, and to establish a co-ordination (without merger) of EADS Astrium and the EADS Defence and Security to capture technical and commercial synergies between these divisions. In addition, the Board intensively discussed the impact of the financial and economic crisis on EADS.

Assessment of the Performance of the Board

The Board of Directors carries out a self-assessment of its performance on an annual basis and a more thorough assessment every three years conducted by independent consultants. Due to the reconfiguration of the Board in October 2007, the self-assessment for that year did not take place, as its findings would have been irrelevant due to the short period of operation of the newly constituted Board.

The 2008 self-assessment was conducted by the Corporate Secretary, based upon one-to-one discussions between each Director and the Corporate Secretary. A discussion of the results was planned for a subsequent Board of Directors meeting. The evaluation explored the role of the Board of Directors, the correlation of its operations with its mission, and the instruments and processes that affect its performance.

The assessment concluded that the Board is generally satisfied with its ability to work as a team and to tackle relevant matters openly in the best interest of the company. In other words, there is room for enhancements, but no need for drastic adjustments, after 16 months of operation.

The directors consider the frequency and the length of the Board meetings adequate and feel that issues are covered thoroughly. Supporting documentation is of good quality and informative, but deemed excessively detailed, with a need for refocusing to better support Board decision making. However, the comprehensiveness arises from the complexity of the business, and the proportion of information delivery relative to discussion reflects this fact.

With regards to the Board's teamwork, attendance is adequate and the unanimous opinion is that conflicting views are expressed, discussions are open and dissent can be voiced constructively. Overall, the Board considers it assembles a very international, diverse and relevant set of skills, with a strong emphasis on finance competencies which are valuable to navigate the global financial crisis.

In addition, the directors feel that the Board-work allows them to fulfil their duty, and attention to compliance permeates the work of the Board. But they sense that the Board is too involved in operational matters – brought about by pressing programme difficulties – and absorbed by short term issues at the expense of the longer term view. Therefore the majority of Board members require more time devoted to long lead questions, such as strategy and succession planning, by the whole Board.

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; however, Committee work should increasingly be held on dates separate from the Board meeting.

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

Since the last assessment in 2006, the diversity of the skill set and experience in the Board room, and the focus on the agenda are the most tangible improvements. Meeting attendance for the Audit and the Remuneration and Nomination Committees has improved.

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

4.1.3. The Audit Committee

Pursuant to the Rules, the Audit Committee makes recommendations to the Board on the appointment of auditors and the determination of their remuneration, as well as the approval of the annual financial statements and the interim accounts, discusses with the auditors their audit programme and the results of their audit of the accounts and monitors the adequacy of the Group's internal controls, accounting policies and financial reporting. The Audit Committee has responsibility for ensuring that the internal and external audit activities are correctly directed and that the audit matters are given due importance at meetings of the Board. The rules and responsibilities of the Audit Committee have been set out in more detail in the Audit Committee Charter.

The Audit Committee reviews the quarterly, half and full year accounts on the basis of the documents distributed in advance and its discussions with the auditors. The Head of Accounting and the Chief Financial Officer are requested to attend meetings of the Audit Committee to answer any questions.

The Audit Committee is chaired by Hermann-Josef Lamberti, and also includes Dominique D'Hinnin, Sir John Parker and Bodo Uebber as members. Rüdiger Grube and Louis Gallois are invited to participate in each meeting of the Committee.

The Audit Committee meets four times a year, or more frequently according to requirements. It met five times during 2008, with an average 75% attendance rate, to review the 2007 results as well as the first half-year results for 2008 of the Company, the quarterly financial reviews, as well as to review topics like enterprise risk management (ERM) and compliance.

4.1.4. The Remuneration and Nomination Committee

Pursuant to the Rules, the Remuneration and Nomination Committee makes recommendations to the Board regarding the appointment of the EADS Corporate Secretary, the members of the Airbus Shareholder Committee, and the chairmen of the Supervisory Board (or similar organ) of other important Group member companies and business units. The Remuneration and Nomination Committee also makes recommendations to the Board regarding remuneration strategies and long-term remuneration plans and decides on the service contracts and other contractual matters in relation to the Board and Executive Committee members. Once approved by the Chairman, it also reviews the proposals by the Chief Executive Officer for the appointment of members of the Executive Committee and of the Airbus Chief Executive Officer. The rules and responsibilities of the Remuneration and Nomination Committee have been set out in more detail in the Remuneration and Nomination Charter.

The guiding principles governing management appointments in the Group should be that the best candidate is appointed to the position ("best man for the job"), while maintaining at the same time a broad balance in terms of nationalities which should not be detrimental to the quality and cohesiveness of the management team. The implementation of these principles should not create restrictions on the diversity of nationalities within the EADS executive management team.

The Remuneration and Nomination Committee is chaired by Sir John Parker, and also includes Rolf Bartke, Dominique D'Hinnin and Hermann-Josef Lamberti as members. Rüdiger Grube and Louis Gallois are invited to participate in each meeting of the Committee.

The Remuneration and Nomination Committee meets twice a year, or more frequently according to requirements. It met four times during 2008, with a 94% average attendance rate. In addition to making recommendations to the Board for major appointments within the Group, the Remuneration and Nomination Committee reviewed the compensation policy (including pension schemes), the bonus payments for 2007, the long-term incentive plan and the employee share ownership plan for 2008/2009, as well as the salary review of the Executive Committee members for 2008.

4.1.5. The Strategic Committee

The Strategic Committee was created in October 2007. It is not a decision making body but a resource available to the Board for the preparation of decisions on strategic matters. Pursuant to the Rules, the Strategic Committee makes recommendations to the Board regarding strategic developments, corporate strategies, major merger and acquisition projects, major investments, projects or product decisions or divestments, as well as major research and development projects.

The Strategic Committee is chaired by Rüdiger Grube, and also includes Louis Gallois, Arnaud Lagardère, Michel Pébereau and Bodo Uebber as members.

The Strategic Committee meets twice a year, or more frequently, according to need. It met four times during 2008. In addition to approving the Strategic Committee Charter, the Strategic Committee monitored the implementation of the EADS Vision 2020, screened the share price developments, made recommendations to the Board on merger and acquisition projects and reviewed the Power8+ Programme and the European consolidation process.

4.1.5. Insider Trading Rules

The Board has also adopted specific Insider Trading Rules, which restrict its members from trading in EADS shares in certain circumstances. Pursuant to the Insider Trading Rules, (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 Insider Trading Rules effective from 1st January 2007 is available on the Company's website.

Conflicts of interest

EADS has a conflict of interest policy which sets out that any conflict of interest or apparent conflicts of interest between EADS and members of the Board shall be avoided (please refer to the Directors' Charter available on EADS web-site (www.eads.com) in the section Corporate Governance).

4.2 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code (the "**Dutch Code**"), which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains the 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.

At the end of 2008, the Dutch Corporate Governance Code Monitory Committee presented various amendments to the Dutch Code (the "**Revised Code**"), which will become applicable in respect of financial years starting on or after 1 January 2009. EADS will state in its next board report for the 2009 financial year how it applied the principles and best practice provisions of the Revised Code and will, where applicable, explain why a provision was not applied.

For the financial year 2008, EADS states the following:

1. EADS is a controlled Company and, therefore, a number of the Members of the Board, Audit Committee, Remuneration and Nomination Committee and Strategic Committee are designated and can be removed by its controlling shareholders.

Nevertheless it should be noted that a self-assessment of the Board confirmed that the Members of the Board designated by the controlling shareholders hold opinions defend positions that are in all relevant aspects aligned with the economic interests of individual shareholders. Given the absence of material conflicting business interests between EADS and its controlling shareholders, and the independence of the controlling shareholders from one another, the Members of the Board designated by the controlling shareholders are deemed to fairly represent the interest of all shareholders in acting critically and independently of one another and of any particular interests. Furthermore, the Board's composition, as reshaped in October 2007 to increase in particular number of independent Board Members, with a wide range of different experiences represented in the Board and the running of meetings is conductive to the expression of autonomous and complementary views.

Accordingly:

(a) Four Members of the Board out of eleven are independent (whereas provision III.2.1 of the Dutch Code recommends that there be not more than one non-independent Board member);

(b) Members of the Board retire simultaneously on a five-yearly basis (whereas provision III.3.6 of the Dutch Code recommends that there be a retirement schedule to avoid, as far as possible, a situation in which many Non-Executive Members of the Board retire at the same time);

(c) The Board is headed by the Chairman of the Board. In case of dismissal or resignation of the Chairman, the Board shall immediately designate a new Chairman. There is therefore no need for a vice-Chairman to deal with the situation when vacancies occur (whereas provision III.4.1(f) of the Dutch Code recommends that there is a vice-Chairman);

(d) EADS' Audit Committee includes two Members of the Board designated by the controlling shareholders (whereas provision III.5.1 of the Dutch code recommends that there be not more than one non-independent Audit Committee Member);

(e) EADS' Remuneration and Nomination Committee includes two Members of the Board designated by the controlling shareholders (whereas provision III.5.1 of the Dutch code recommends that there be not more than one non-independent Committee Member);

(f) EADS' Remuneration and Nomination Committee is not the relevant body responsible for the selection procedure and nomination proposals for Members of the Board (whereas provision III.5.13 (a) of the Dutch Code recommends that such Committee shall focus on drawing up selection criteria and the appointment procedures for Members of the Board; and provision III.5.13 (d) recommends that such Committee shall focus on making proposals for appointments and reappointments).

2. As for remuneration of Members of the Board of Directors:

EADS applies different rules for the remuneration of Executive (the CEO) and Non-Executive Members of the Board, as explained in “4.3 Compensation Policy and Remuneration of the Members of the Board of Directors”.

In case of dismissal from the Company of the Chief Executive Officer, a termination indemnity equal to one and a half time the annual total target salary would be paid subject to the following conditions (whereas provision II.2.7 of the Dutch Corporate Governance Code recommends that the maximum remuneration in the event of dismissal be one year’s salary (the ‘fixed’ remuneration component), and that if the maximum of one year’s salary would be manifestly unreasonable for an Executive Board Member who is dismissed during his first term of office, such board member be eligible for severance pay not exceeding twice the annual salary): the Board has concluded that the Chief Executive Officer can no longer fulfil his position as a result of change of EADS’s strategy or policies or as a result of a change in control of EADS. Termination indemnity will be paid only provided that the performance conditions assessed by the Board have been fulfilled by the Chief Executive Officer.
However this termination package would be reduced prorata or would even not be applicable depending on the age and date of retirement. No termination indemnity would be paid when the CEO is terminated and has reached the age of 65 prior or on the date of termination.

This change in the policy for the termination package of the Chief Executive Officer will be proposed by the Board of Directors to be adopted at this AGM.

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

(a) Moreover EADS has adopted Insider Trading Rules providing for specific internal rules, inter alia, governing Members' of the Board holding and trading of shares in EADS and other companies. Therefore, in line with these rules and these regulations and common practices in the jurisdictions in which the Company is listed:

(b) EADS does not require Members of the Board to give periodic notice of any changes in their holding of securities in Dutch listed companies to the EADS ITR compliance officer (whereas provisions II.2.6 and III.7.3 of the Dutch Code recommend such a notice unless a Board Member only invests in listed investments funds);

(c) EADS does not require Members of the Board to treat their securities in the Company as a long-term investment (whereas provision III.7.2 of the Dutch Code recommends such a treatment);

(d) The term of the office of members of the Board is five years without limitation on renewal (whereas provisions II.1.1 and III.3.5 of the Dutch Code recommend that there be no more than three four-year-terms for Non-Executive Members of the Board and that there be four year terms (without limitation on renewal) for Executive Members of the Board);

(e) EADS does not follow various recommendations for dealings with analysts including allowing shareholders to follow meetings with analysts in real time and publishing presentations to analysts on the website as set out in provision IV.3.1 of the Dutch Code;

(f) In accordance with EADS' Articles of Association, if the Board does not set a “registration date”, the shareholders must be shareholders at the date of the meeting to exercise their voting rights and other rights at the meeting (whereas provision IV.1.7 of the Dutch Code recommends that the Company set a "registration date" prior to the shareholder's meeting and that the shareholders must be shareholders on the date of such "registration date" to exercise their voting rights at the shareholders' meetings even if those persons are no longer shareholders on the date of such meeting).

4. EADS maintains an integrated Group-wide Internal Control and Risk Management System with the purpose of providing reasonable assurance that risks are effectively managed.

One of Management's fundamental goals is to foster an effective Internal Control ("**IC**") and Risk Management ("**RM**") environment at EADS. In 2008, EADS began implementation of a new group-wide Enterprise Risk Management ("**ERM**") system that further develops and builds upon the achievements of the previous IC and RM system. The new ERM system seeks to provide Management with an enhanced tool for effectively dealing with the uncertainty and associated risks inherent in EADS' business and to track opportunities. At the same time, the ERM system seeks to ensure compliance with corporate governance requirements and best practices in the Netherlands, France, Germany and Spain with respect to IC and RM. EADS' ERM system is based on the Internal Control and Enterprise Risk Management Frameworks of the Committee of Sponsoring Organisations of the Tread way Commission (COSO II).
The ERM system serves as the basis for all sub-ERM, sub-IC and sub-RM procedures present throughout EADS at the various organisational levels such as the divisions, business units and headquarters departments. It encompasses a hierarchical bottom-up and top-down reporting procedure to help ensure greater transparency of the risks and opportunities faced by the Group. The internal controls process consists of a regularly up-dated documentation and assessment of the effectiveness of the individual controls for all applicable processes.

See "Risk Factors" (5.4.) for information on certain principal risks to which the Group is exposed.

Limitations

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.

Developments in 2008 and Outlook

During 2008, EADS sought primarily to apply the newly developed ERM approach to IC and RM, seeking to combine the two subjects into a more effective management tool. Building on the comprehensive ERM review and evaluation procedures carried out in 2008, EADS will assess the results over the course of 2009. Moreover, independent reviews of the ERM systems were performed by internal audit to substantiate the self-assessment during 2008. As a result of the ongoing monitoring activities of the ERM system's effectiveness, further modifications to the ERM system and integration efforts are expected throughout 2009.

As the new ERM system (and relevant aspects referred to in the Dutch Code) is currently being implemented throughout the Group, the Board has not yet made a declaration on the adequacy and effectiveness of the Group's IC and RM systems (whereas provision II.1.4 of the Dutch Code recommends that such a declaration be made).

Further, under the Revised Code which will become applicable in respect of financial years starting on or after 1st January 2009, the recommendation that a declaration be made on the adequacy and effectiveness of the IC and RM system will be replaced by a statement that the IC and RM system provides reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review. Based on the progress of the implementation of EADS' ERM system during the financial year 2009, the Board will assess whether such a statement can be made or explain why such statement cannot be made in the Board Report for the 2009 financial year.

EADS ERM Policy

The core policy, objectives and procedures that define EADS' ERM system are communicated throughout the Group in a manual referred to as the "EADS ERM Policy", which sets forth:

- the ERM policy and objectives;
- the ERM procedures adopted by EADS including a standardised ERM monitoring system:
    - to ensure a uniform understanding of a comprehensive enterprise-wide risk and opportunity management and IC system;
    - to comprehensively cover risk and opportunity management in programmes/projects, functions and processes, with both internal and external sources;
    - to satisfy compliance requirements for an effective IC and RM system.

The EADS ERM Policy constitutes the framework for all existing IC and RM guidance and practice throughout EADS. The EADS ERM Policy is applicable throughout EADS to all divisions, business units and headquarters' departments. Joint ventures may also operate separate ERM systems, though the fundamental principles of the EADS ERM Policy generally apply.

The "EADS ERM Policy" is supplemented by:

- Codes of conduct (e.g., EADS Code of Ethics, Corporate Social Responsibility);
- Handbooks (e.g., "EADS Corporate Management Principles and Responsibilities", the "Financial Control Handbook");
- Manuals (e.g., Treasury Procedures, "Accounting Manual", "Reporting Manual"); and
- Guidelines (e.g., "Funding Policy").

External standards influencing the EADS ERM System include the IC and ERM frameworks of COSO, as well as industry-specific standards as defined by the International Standards Organisation (ISO).

For further information relating to financial market risks and the ways in which EADS attempts to manage these risks, see "Notes to Consolidated Financial Statements (IFRS) — Note 35a: Information about Financial Instruments — Financial risk management".

Responsibility for the ERM System

Responsibility for the ERM system is as follows:

- The Board assumes overall responsibility for the ERM system and defines the level of risk that EADS wishes to accept on a corporate level ;
- The divisions, business units and headquarters' departments assume responsibility for the operation and monitoring of the ERM system. They seek to ensure transparency and effectiveness of the ERM system and adherence to the 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 response activities to increase probability and impact of opportunity exposures. They are responsible for the communication of risks and opportunities which affect others within EADS;
- Corporate objectives are defined with an accountable owner for each. These objectives are cascaded throughout the whole organisation. Each level within the business adopts business objectives that link into and support EADS' corporate objectives;
- EADS uses its employees' knowledge of the business to identify and assess key risks that might prevent EADS from achieving its objectives and to identify and assess new opportunities. EADS strives to do this on a regular basis through normal business processes to ensure it focuses on identifying and managing risks that might undermine its performance.

Objectives of ERM

The ERM system is designed to provide reasonable assurance to the Board of Directors, the Chief Executive Officer and the Chief Financial Officer regarding the achievement of the following objectives:

- the delivery of products in time, cost, quality;
- the reliability of financial reporting and the achievement of financial targets;
- the adequate identification, assessment, response, control action and monitoring of risks and opportunities on a timely basis throughout the Group, consistent with EADS objectives;
- the compliance with applicable external laws and regulations and with internal policies and guidelines;
- the effectiveness and efficiency of operations;
- the transparency and quality of risk, opportunity and monitoring and reporting (e.g. internal management reporting, financial statements, etc.).

ERM Procedures

To enhance its effectiveness and operational reliability as well as to satisfy compliance requirements, certain mandatory procedures exist:

- **Risk and Opportunity Management procedures** to enhance operational risk and opportunity management throughout EADS by using ERM methodology;
- **Financial risk measurement procedures** for consistent risk and opportunity quantification;
- **ERM reporting procedures** for the status reporting of the ERM system and the risk and opportunity situation;
- **ERM compliance and monitoring procedures** to substantiate to the Chief Executive Officer and Chief Financial Officer assessment of the effectiveness of the EADS ERM system;
- **ERM support procedures** covering important topics like ERM trainings, knowledge transfer, change management and the role of corporate audit.

ERM at EADS seeks to cover all types of risk such as operational, functional (e.g. strategic, compliance, reputational risks) and process risks, both quantifiable and unquantifiable, potentially affecting EADS short-, middle- and long-term as well as opportunities.

Risk and Opportunity Management procedures

The recurring Risk and Opportunity Management procedures comprise several components:

- Setting of objectives and definition of risk tolerances
- Identification and assessment of risks and opportunities
- Determination of risk and opportunity responses and control activities (i,e, policies, procedures and other activities)
- Monitoring and reporting of risks and opportunities

The detailed processes and associated procedures will vary according to the size and nature of the programme/project or function, but the principles apply in any case. Local tailoring may be performed according to the internal business constraints and/or customer specific requirements.

ERM compliance and monitoring procedures

EADS has established formal ERM self-assessment mechanisms, to be applied by each identified process/control owner on a regular basis, who must assess his operational and functional risks as well as the operating and design effectiveness of the internal controls in place for his process. The progress is monitored by the respective division, business unit and headquarters department and reported to EADS headquarters. To verify the successful implementation of the remediation actions, the remedied controls are periodically re-assessed. The relevant risks are subject to a management discussion process at the Group level. Each year, corporate audit provides an independent review of the status of the ERM systems in selected divisions, business units and headquarters departments.

Based on the ERM self-assessments, management of each division, business unit and headquarters department prepares formal representation letter as to the adequacy and effectiveness of the ERM systems within their scope of responsibility. Joint ventures, such as MBDA, operate separate IC and RM systems. Alignment with the EADS ERM system is facilitated, *inter alia*, through EADS' presence on such affiliates' supervisory and management bodies (e.g., board of directors, audit committees).

In addition to regular monitoring activities at the divisional, business unit and headquarters levels, assessments about the adequacy and effectiveness of the ERM system are discussed between the Chief Executive Officer and Chief Financial Officer and the respective division, business unit or headquarters department heads. These discussions serve to prioritise potential issues at the EADS level, define and implement appropriate actions, if needed, and derive conclusions for the overall EADS ERM report.

ERM reporting procedures

Every year, identified significant deficiencies and material weaknesses are reported in sub-representation letters. The sign-off process requires the Chief Executive Officer and Chief Financial Officer confirm to the Board, to the best of their knowledge, whether:

- The IC system is adequate to provide reasonable assurance regarding the reliability of financial reporting as well as compliance with applicable laws and regulations;
- The control objectives are being achieved by controls that are documented, adequately designed for their business and are operating effectively, in all material respects;
- The owner of each control activity is clearly identified; and
- The RM system is designed and operated to identify, assess, respond to, design controls and monitor/report on risks on a timely basis.

The Chief Executive Officer and Chief Financial Officer's ERM statement is mainly based on the self-assessments, reviews (including internal audit) and management discussions described above, and is substantiated by sub-representation letters provided to the Chief Executive Officer and Chief Financial Officer by all divisional and business unit management.

5. Ethics Alert System

EADS is in the process of putting in place an alert system procedure for receiving, in full confidentiality, concerns regarding e.g. financial reporting, internal risk management and control systems, as well as regarding general operational matters.

The Board and the Audit Committee have decided to implement this alert system procedure as part of the Ethics and Compliance Programme, under the authority of the Group Chief Compliance Officer (**"CCO"**). After a decision has been made on the detailed procedure and various proceedings including those with the respective works councils have been completed, the Group alert system will be implemented. The Company will thereafter comply with provision II.1.6 of the Dutch Code, which recommends that a company ensure that its employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the company or concerning the functioning of the Executive Member of the Board to the Chairman of the Board or to an official designated by them and that such arrangements for whistleblowers be posted on the Company's website.

4.3 Compliance Programme

Having reviewed the Company's compliance practices and policies, the Board decided in 2008 to update the Group's compliance approach through the establishment of a further integrated Compliance Organisation.

Since its early days, the Group has adopted demanding standards on its international trade activities, with the detailed policies and rules having been continuously improved and reinforced in keeping with the highest ethical and compliant industry standards. The Group has also put a special focus on compliance with export control regulations and laws. Accordingly, the Company has established a cascading system of export control procedures and policies which are implemented by export control professionals amongst the Group.

Building on this experience, the group-wide integrated Compliance Organisation is meant to emphasise the Group's commitment to the highest ethical and compliance standards; it reinforces the independence of the compliance resources while securing proximity with the business for efficiency.

The Board has appointed an EADS Group CCO in order to set up the Compliance Organisation, and to design and implement the EADS Ethics and Compliance Programme, which will seek to ensure that the Group conducts its business in compliance with relevant laws and best practices endorsed by the Group. The programme will include the maintenance of up to date guidelines and policies, starting with the EADS Code of Ethics as well as a communication and training plan aimed at raising awareness in order to promote compliance as a corporate culture.

Within its overall mission to control that the Company's activities conform to applicable regulations and ethical rules adopted by the Group, the specific objectives of the CCO have been set by the CEO and discussed with the Audit Committee. Within these objectives, a high priority has been placed on a specific assessment of the compliance risks, identifying the existing and potential risks, such as the risk of corruption, the risk of violation of export control regulations or insider trading, to which the Group may be exposed. This risk review will be performed in keeping with the company Enterprise Risk Management process. Part of this risk assessment will include proposals for adequate risk mitigation measures together with adequate compliance policies and processes.

As part of his assignment, confirmed by the Audit Committee, the CCO will also be managing the development of a Group alert system, which will allow the Company to identify non-compliance within the Group so that adequate remediation measures can be taken.

The status of the Compliance programme implementation will be regularly reported to the Board and Audit Committee.

4.4 Compensation policy and Remuneration of the Members of the Board

Shareholders expect a strong commitment from Members of the Board; the compensation policy is therefore designed to focus efforts on what the Group wants to value and reward. Following an extensive benchmark against the practice of other global companies based in Europe and the United States, the Non-Executive Members of the Board's compensation was reviewed with effect 1st January 2008. The new compensation policy reflects European best practice and compensate for time commitment and responsibilities in the new governance structure (as further explained in paragraph 4.3.1.1).

For a report on the remuneration of the members of the Board during the year 2008 together with additional information such as volumes of Performance units, see "Notes to the Company Financial Statements – Note [11]: Remuneration".

4.4.1 Compensation of the Board

The respective elements of EADS compensation policy for Non-Executive Members of the Board on the one hand and the Chief Executive Officer on the other hand are summarised in the following paragraphs.

4.4.1.1 Compensation of Non-Executive Members of the Board

Each Non-Executive Member of the Board is entitled to an annual fixed fee of €80,000 and a fee for participation in Board meetings of €5,000 per meeting attended.

The Chairman of the Board is entitled to an annual fixed fee of €180,000 for carrying out this role and a fee for participation in Board meetings of €10,000 per meeting attended.

The Chairman of each of the Board Committees is entitled to an additional annual fixed fee of €30,000. The Members of each of the Board Committees are entitled to 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.

4.4.1.2 Compensation of the Chief Executive Officer

The compensation policy for the Chief Executive Officer follows the same principles as the compensation policy for EADS Executive Committee Members. EADS' compensation policy aims at attracting and retaining talents that will contribute to the Group's business success.

The members of the Executive Committee including the Chief Executive Officer receive the majority of their compensation 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).

The Chief Executive Officer is entitled to receive a total target compensation divided into a fixed part and a variable part: 45% fixed and 55% variable on target.

The variable part will be calculated on the basis of two equal components:

- Collective part (50% of the variable part) to reward business performance at EADS level. Starting 2009, EBIT*, Cash, and Capital Employed are the financial indicators chosen to measure collective performance (EBIT* represents 50%, cash represents 25% and Capital Employed represents 25% of the collective part in 2009).

- Individual bonus (50% of the variable part) to reward individual performance measured against the achievement of individual objectives.

The Group is committed to setting individual and financial targets, the achievement of which would reflect the real performance of EADS. The new choice of EBIT, Cash and Capital Employed as financial indicators ensures the alignment of the Chief Executive Officer with EADS priorities.

Based on the level of performance, the collective as well as the individual payout can vary from 0% to 175% of the target payment.

On target payment at 100% for both individual and financial targets would indicate strong personal and Company performance.

The Remuneration and Nomination Committee reviews and makes recommendations to the Board on bonus payments; the Board makes the final decision.

The Chief Executive Officer is also eligible to long-term incentive reward through the EADS long-term incentive plans (see below). He receives neither Board attendance fees nor any dedicated compensation as Member of the Board.

Benchmark studies basically confirm that EADS' compensation structure is generally in line with European market practices.

In summary, the Chief Executive Officer compensation is as follows:

	Compensation element	Main drivers	Performance measures	Variation of payment as % of Total target income / % of vesting
Short-term	Base salary	Position/job value	Individual performance / Market practice	-
	Variable pay	Achievement of Group business and financial yearly objectives and reward of individual performance	- Collective part (50% of Target variable pay): EBIT (50%) cash (25%) and Capital Employed (25%) achievement	55% of Total target income (range from 0% to 175%)
			- Individual bonus (50% of Target variable pay): achievement of annual individual objectives	
Mid- and Long-term	Performance Unit Plan	Achievement of long-term operational profit, measured through cumulative EBIT achievement	The number of Performance units which will vest is based cumulative EBIT achievement at EADS level, deriving from the Operative Planning (OP).	Vested Performance units will range from 50% to 150% of initial grant

The change in the variable pay components of the Chief Executive Officer will be proposed by the Board of Directors to be adopted at this AGM.

4.4.2 Long-term Incentive Plan

The Chief Executive Officer is eligible for the EADS LTIP, which is a general tool for talent retention and promotion of Company value growth.

On 13th November 2008, the Board granted 40,000 Performance Units to the Chief Executive Officer.

As for all other 2008 Unit Plan participants, Performance Units would vest after a period of 3 years (at 4 vesting dates).

In addition, the following additional rules would apply to the Chief Executive Officer:

- 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.
- The Chief Executive Officer, as well as all EADS Executive Committee Members will have to hold the above number of EADS shares until the end of their mandate as an EADS Executive Committee Member.

The Remuneration and Nomination Committee makes recommendations to the Board, which then makes the final decision on the individual grant allocation

If, as planned, a LTIP as described under 3.5.2 “Future LTIP” is implemented in 2009, the maximum volume of Performance Units to be granted to the Chief Executive Officer should not be more than 50,000.

Non-executive Members and Chairman of the Board are not eligible for LTIP.

4.4.3 Employee Share Ownership Plan

The Chief Executive Officer is eligible to the ESOP under the same conditions as any of EADS' employees, being individuals under contract with EADS or with its subsidiaries (more than 50% directly or indirectly held by EADS and companies in which EADS holds more than a 10% stake and where it exercises a material influence on the management).

If, as planned, an ESOP as described under 3.5.1 "Future ESOP" is implemented in 2009, the Chief Executive Officer would be entitled to subscribe, during the subscription period, up to a maximum of 500 shares with a discount to the market price. Those shares cannot be sold during a period of one year in case of a direct ownership or a period of five years in case of ownership through a mutual fund.

Non-executive Members and Chairman of the Board are not eligible to participate in ESOP.

4.4.4 Pension benefits

The Members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS at the age of 60 to 65. In case of the Chief Executive Officer has reached the age of 65, then the policy allows payment of the pension with effect from his retirement date.

These rights will gradually increase to 60% after a second term, usually after ten years of service in the EADS Executive Committee.

These pension schemes have been implemented through collective executive pension plans in France and Germany and through individual arrangements in other countries. These pension promises also have separate rules e.g. for minimum length of service and other conditions to comply with national regulations.

Non-executive Members and Chairman of the Board have no pension benefits.

4.4.5 Policy for termination package

In order to comply with recent corporate governance recommendations in France adopted at the end of 2008, the Chief Executive Officer has terminated his formal employment contract with the Company; nevertheless, his current mandate remains in force.

The Chief Executive Officer is entitled to a termination package when the parting results from a decision by the Company in case of change in control or the Company's strategy. Payment of the termination package is also subject to performance conditions as fixed and assessed by the Board. The termination indemnity if applicable will be of a maximum of 18 months of annual total target salary.

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

The change in policy for termination package of the Chief Executive Officer will be proposed by the Board to be adopted at this AGM.

Non-executive Members and Chairman of the Board have no termination package.

4.4.6 Policy for loans and guarantees granted to Members of the Board

General EADS policy is not to grant any loans to its Members of the Board.

4.4.7 Other

The Chief Executive Officer is entitled to a non-competition clause applicable for a one-year period, starting at the end of the mandate, and is renewable for one year at the Company's initiative.

The Chief Executive Officer will receive a compensation based on 50% of his monthly salary (including variable pay) in return of the application of the non-competition clause.

5 Financial and other Highlights

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

Accounting for the A400M programme

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

As a result of the undefined delays and the uncertain technical environment which eventually led to the proposed new programme approach as described above, EADS applied the early stage method of accounting from 25th September 2008 onwards. Under this method, all A400M related work-in-progress, which would have been expensed upon the completion of technical milestones according to the estimate at completion method of accounting have since then been expensed as incurred, with related revenues recognised up to the recoverable part of these costs as per the A400M contract. At the same time, the A400M contract loss provision was updated in light of the excess-contract-costs-over-remaining-contract-revenues, based on the probable remaining contract costs that could be estimated. On the contrary, additional potential contract costs not estimable as of the date of these financial statements have been considered as contingent liabilities. The early stage method of accounting has to be applied until future triggering events allow the resumption of the estimate at completion method. For further information relating to the A400M programme, see "Notes to the Consolidated Financial Statements (IFRS) — Note 3: Accounting for the A400M programme".

5.1 Consolidated Financial Statements (IFRS)

5.1.1 Consolidated Income Statement (IFRS)

Table 1: Consolidated Income Statement (IFRS)

in millions of €	**2008**	**2007**
Revenues	43,265	39,123
Cost of sales	(35,907)	(34,802)
Gross margin	**7,358**	**4,321**
Selling expenses	(933)	(864)
Administrative expenses	(1,253)	(1,314)
Research and development expenses	(2,669)	(2,608)
Other income	189	233
Other expenses	(131)	(97)
Share of profit from associates under the equity method	188	210
Other income from investments	23	86
Profit (loss) before finance costs and income taxes	**2,772**	**(33)**
Total finance costs	(472)	(737)
Income taxes	(703)	333
Profit (loss) for the period	**1,597**	**(437)**
Attributable to:		
Equity holders of the parent **(Net income (loss))**	1,572	(446)
Minority interests	25	9

5.1.2 Revenues

Revenues rose strongly by 11 percent to €43.3 billion (FY 2007: €39.1 billion) reflecting top line growth from operations across all Divisions. The increase includes €1.1 billion resulting from the move to the early stage accounting methodology in the A400M programme applied starting in the third quarter of 2008. The Group's revenue growth more than offset a weaker average US dollar rate. Based upon a strong delivery performance, EADS achieved 56 percent of its revenues outside Europe thanks to strong contributions from Asia-Pacific (25 percent), North America (18 percent) and other regions (13 percent).

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 €)	2008	2007
Profit (loss) before finance costs and income taxes	**2,772**	**(33)**
Disposal of goodwill	0	12
Exceptional depreciation and disposal	58	73
EBIT pre goodwill impairment and exceptionals	**2,830**	**52**

EADS’ EBIT* (pre goodwill and exceptionals) for the full year of 2008 improved to €2,830 million compared to €52 million in the previous year, when Airbus’ EBIT* in particular was burdened by higher exceptional charges (Power8, A400M, A350 XWB). This EBIT* growth contains around around €900 million resulting from the revaluation of loss-making contracts at the €/US$ and £/US$ closing spot rates. The stronger EBIT* resulted from improvements across all Divisions. At Airbus, strong operational performance in series programmes, achievement of Power8 cost savings and lower exceptional charges than in the previous year contributed positively to EBIT* growth. The Military Transport Aircraft Division’s EBIT* improvement was due to a ramp-up in tanker activity and lower exceptional charges than in the previous year. Eurocopter’s EBIT* increase reflects the positive volume effect and better pricing. Both Astrium and the Defence & Security Division increased EBIT* and reached record profitability.

In line with the Group's EBIT* development, EADS improved its **Net Income** to €1,572 million (FY 2007: €-446 million), or earnings per share to €1.95 (earnings per share FY 2007: €-0.56). **Self-financed R&D expenses** remained stable at €2,669 million (FY 2007: €2,608 million). This reflects Airbus’ and Eurocopter’s continuing aircraft development programmes.

Table 3 – EBIT* and Revenues by Division

by Division (Amounts in millions of Euro)	EBIT*			Revenues		
	FY 2008	FY 2007	Change	**FY 2008**	FY 2007	Change
Airbus	**1,790**	-881	-	**27,453**	25,216	+9%
Military Transport Aircraft (1)	**-16**	-155	-	**2,759**	1,140	+142%
Eurocopter	**293**	211	+39%	**4,486**	4,172	+8%
Astrium	**234**	174	+34%	**4,289**	3,550	+21%
Defence & Security (2)	**408**	345	+18%	**5,668**	5,392	+5%
Headquarters / Consolidation	**41 (4)**	274 (4)	-	**-2,918**	-1,754	-
Other Businesses (2) (3)	**80**	84	-5%	**1,528**	1,407	+9%
Total	**2,830**	52	+5,342%	**43,265**	39,123	+11%

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

1) EADS has adjusted its divisional structure: The former Military Transport Aircraft Division will be integrated into Airbus and will become – under the name of Airbus Military – the fully-fledged military arm of Airbus. As this leaner organisation became effective as of 1st January 2009, EADS is disclosing its 2008 results in the former divisional structure, thus still reporting the Military Transport Aircraft Division separately.

2) As of 1st January 2008, the consolidation of EADS North America was changed by transferring parts from Defence & Security Division to Other Businesses. Nevertheless, the lead of material business elements remains within the respective Divisions. The figures for FY 2007 are adjusted accordingly. In the full year of 2008, EADS North America's revenues mainly include revenues linked to the prime contractorship of the LUH programme.

3) ATR, EADS EFW, EADS Socata, EADS Sogerma and EADS North America are allocated to Other Businesses which is not a stand-alone EADS Division. EADS EFW will be integrated into Airbus. This new organisation became effective as of 1st January 2009.

4) Headquarters/Consolidation EBIT* contains the contribution from Dassault; in full year 2007 the Headquarters/Consolidation EBIT* additionally included the gain from the sale of EADS' stake in Embraer and a corporate real estate sale.

5.1.4 Consolidated Balance Sheet (IFRS)

Table 4 - Consolidated Balance Sheet (IFRS)

in millions of €	December 31 2008	2007	Change
Intangible Assets	11,171	10,832	339
Property, Plant and Equipment	12,243	13,489	-1,246
Investments in associates under the equity method	2,356	2,238	118
Other investments and other long-term financial assets	1,712	1,553	159
Other non-current assets	2,646	3,543	-897
Deferred tax assets	2,756	2,705	51
Non-current securities	3,040	2,691	349
Non-current assets	**35,924**	**37,051**	**-1,127**
Inventories	19,452	18,906	546
Trade receivables	5,267	4,639	628
Other current assets	4,590	5,713	-1,123
Current securities	3,912	1,598	2,314
Cash and cash equivalents	6,745	7,549	-804
Non-current assets/ disposal groups classified as held for sale	263	0	263
Current assets	**40,229**	**38,405**	**1,824**
Total assets	**76,153**	**75,456**	**697**
Equity attributable to equity holders of the parent	11,022	13,090	-2,068
Minority interests	104	85	19
Total equity	**11,126**	**13,175**	**-2,049**
Non-current provisions	7,479	8,055	-576
Long-term financing liabilities	3,046	3,090	-44
Deferred tax liabilities	953	2,188	-1,235
Other non-current liabilities	16,824	14,880	1,944
Non-current liabilities	**28,302**	**28,213**	**89**
Current provisions	4,583	4,378	205
Short-term financing liabilities	1,458	1,724	-266
Trade liabilities	7,824	7,398	426
Current tax liabilities	201	179	22
Other current liabilities	22,504	20,389	2,115
Liabilities directly associated with non-current assets classified as held for sale	155	0	155
Current liabilities	**36,725**	**34,068**	**2,657**
Total equity and liabilities	**76,153**	**75,456**	**697**

Non-current assets

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

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

Investments in associates under the equity method of €2,356 million (prior year-end: €2,238 million) mainly reflect the increase in the equity investment in Dassault Aviation, amounting to €2,243 million (prior year-end: €2,121 million). The 2008 Dassault Aviation results have been estimated to be in line with those of 2007, since for the second half-year 2008 no financial information is yet available from Dassault Aviation.

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

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

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

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

Current assets

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

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

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

Current securities increase from €1,598 million to €3,912 million.

Cash and cash equivalents decrease from €7,549 million to €6,745 million. The decrease mainly results from a change in the amount of securities.

On 7th January 2009, DAHER acquired a 70% majority share in Socata and Socata Aircraft (USA) from EADS. Additionally, Airbus sold its site in Filton (UK) to GKN on 5th January 2009. Due to the high probability of a positive outcome of the aforementioned transactions at the end of 2008, the non-current and current assets of these operations amounting to €263 million are reclassified to **non-current assets / disposal groups classified as held for sale** (prior year-end: €0 million). **Liabilities directly associated with non-current assets classified as held for sale** amount to €155 million (prior year-end: €0 million).

Total equity

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

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

Non-current liabilities

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

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

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

Current liabilities

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

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

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

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

5.1.5 Net Cash

Free Cash Flow before customer financing was stronger than expected and reached €2,886 million (FY 2007: €3,293 million). The change resulted mainly from the higher level of advance payments received in 2007 (incl. Paradigm refinancing step-up of €1.1 billion), partly compensated by positive contributions from tanker programmes. Due to some customer financing needs, Free Cash Flow including customer financing stood at €2,559 million (FY 2007: €3,354 million). Despite a cash-out for contribution to plan assets of pension schemes and premium for options, the **Net Cash position** reached a record €9.2 billion (year-end 2007: €7.0 billion). This gives EADS a robust liquidity base in economically turbulent and unpredictable times.

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.

5.1.6 Order Intake and Order Book

A remarkable **order intake** of €98.6 billion (FY 2007: €136.8 billion), supported by strong order flow in all Divisions – including the important UK tanker order – underlines the attractiveness of EADS' product offering across its entire portfolio. At the end of December 2008, EADS' **order book** reached a record level of €400.2 billion (year-end 2007: €339.5 billion). The growth in order book benefited €10 billion from a favourable US dollar spot rate at the end of December 2008 compared to year-end 2007. Orders within the commercial aircraft business are based on list prices. Strong order intake in the defence businesses led to a stable defence order book of €54.9 billion (year-end 2007: €54.5 billion).

Table 5 – Order Intake and Order Book by Division

by Division (Amounts in millions of Euro)	**Order Intake**[(4)]			**Order Book**[(4)]		
	FY 2008	FY 2007	Change	**31st Dec 2008**	31st Dec 2007	Change
Airbus	**82,041**	117,323	-30%	**344,818**	283,829	+21%
Military Transport Aircraft (1)	**5,083**	784	+548%	**22,269**	19,932	+12%
Eurocopter	**4,855**	6,584	-26%	**13,824**	13,455	+3%
Astrium	**3,294**	4,492	-27%	**11,035**	12,895	-14%
Defence & Security (2)	**5,287**	7,460	-29%	**17,032**	17,836	-5%
Headquarters / Consolidation	**-3,807**	-1,807	-	**-12,094**	-11,155	-
Other Businesses (2) (3)	**1,895**	1,963	-3%	**3,364**	2,740	+23%
Total	**98,648**	136,799	-28%	**400,248**	339,532	+18%

1) EADS has adjusted its divisional structure: The former Military Transport Aircraft Division will be integrated into Airbus and will become – under the name of Airbus Military – the fully-fledged military arm of Airbus. As this leaner organisation became effective as of 1st January 2009, EADS is disclosing its 2008 results in the former divisional structure, thus still reporting the Military Transport Aircraft Division separately.

2) As of 1st January 2008, the consolidation of EADS North America was changed by transferring parts from Defence & Security Division to Other Businesses. Nevertheless, the lead of material business elements remains within the respective Divisions. The figures for FY 2007 are adjusted accordingly. In the full year of 2008, EADS North America's revenues mainly include revenues linked to the prime contractorship of the LUH programme.

3) ATR, EADS EFW, EADS Socata, EADS Sogerma and EADS North America are allocated to Other Businesses which is not a stand-alone EADS Division. EADS EFW will be integrated into Airbus. This new organisation became effective as of 1st January 2009.

4) Contributions from commercial aircraft activities to EADS Order Intake and Order Book based on list prices.

5.1.7 EADS Division Details

2008 was a successful year for **Airbus**. Revenues increased by 9 percent to €27,453 million (FY 2007: €25,216 million) driven mainly by higher volumes and a more favourable product mix in delivered aircraft. Deliveries remained at record levels: 483 aircraft including 12 A380s (FY 2007: 453 aircraft). Revenue growth includes an effect from the move to the early stage accounting methodology in the A400M programme reflecting Airbus' internal work share. The overall growth was limited by a negative US dollar average rate impact and price deterioration. EBIT* strongly improved to €1,790 million (FY 2007: €-881 million) reflecting a seamless ramp-up on the A320 and A330 programmes, underlying profitability in series programmes and progress achieved in the Power8 programme. EBIT* performance was further supported by lower exceptional charges than in the previous year and significant foreign currency gains from both the US dollar and the British pound on the revaluation of loss-making contracts. The underlying business strength is partially offset by A380 charges, reflecting an unexpected increase of cost and A400M charges under early stage accounting method.

For the A380 programme, Airbus achieved its goal of delivering 12 aircraft in 2008 and envisages a continued ramp-up in 2009. Until now, more than one million passengers have flown with the industry's all new flagship for the 21st century. Over the full year of 2008, strong demand for Airbus products continued. A total of 777 net orders with improved pricing were booked in 2008. Gross orders amounted to 900 aircraft. The net order intake represents a market share of 54 percent of all aircraft units over 100 seats. Market share was even higher for the A350 XWB which became the fastest selling airliner ever. The A350 XWB order book further grew over 2008 to a total of 478 orders from 29 customers. The A350 XWB development is advancing rapidly and Airbus is pressing ahead with associated investments. In January 2009, Airbus celebrated the ground breaking for the A350 XWB final assembly line in Toulouse.

Buoyed by the huge success of the A320 Family with contracts in 2008 for 472 aircraft, 138 aircraft for the A330/A340 Family and orders for nine new A380s, the order book reached a new record of 3,715 aircraft (year-end 2007: 3,421 aircraft). In terms of value, the Airbus order book at year-end 2008 amounted to €344.8 billion (year-end 2007: €283.8 billion) based on list prices.

Airbus made great steps forward towards internationalisation, inaugurating its first final assembly line outside Europe in Tianjin, China. Expanding its industrial footprint will help Airbus to gain access to strategic markets.

In the context of adjusting the divisional structure of EADS, the former **Military Transport Aircraft** Division is being integrated into Airbus and will become – under the name of Airbus Military – the military pole of Airbus. As this leaner organisation is effective as of 2009, EADS is disclosing its 2008 results according to the former divisional structure, thus still reporting the Military Transport Aircraft Division separately. The Division's revenues in 2008 increased to €2,759 million (FY 2007: €1,140 million), benefiting from a strong tanker business. The revenues also include the A400M Power-On milestone revenue recognition – shifted from 2007 and worth around €400 million. Additionally, the application of the early stage method of accounting resulted in a further increase of MTAD revenues from the third quarter onwards. The Division's EBIT* amounted to €-16 million (FY 2007: €-155 million) even though all A400M related work-in-progress was expensed as incurred due to the early stage method of accounting. The EBIT* improvement was driven by a ramp-up in tanker activity, improvement in underlying business and lower exceptional charges. In the tanker business, the Division achieved significant market success with new orders for 20 A330 MRTT tanker aircraft over the year, lifting the order book to €22.3 billion (year-end 2007: €19.9 billion).

Eurocopter, the world's leading helicopter manufacturer increased its revenues by 8 percent to €4,486 million (FY 2007: €4,172 million). This follows the continued ramp-up in deliveries of serial helicopters as well as a stronger service business and increased development activities for customers. The substantial reorganisation of production lines, combined with the opening of new facilities enabled Eurocopter to increase deliveries by 20 percent in 2008 reaching its highest level ever at 588 helicopters. EBIT* rose by 39 percent to €293 million compared to €211 million in 2007. Eurocopter's EBIT* increase reflects the positive volume effect and a better mix, partially offset by foreign exchange impact and higher R&D expenses. Research and development expenses are mainly related to the new EC175 medium-weight civil helicopter, which is being jointly developed with Chinese partners.

In 2008, Eurocopter made technical progress by qualifying the final and fully operational HAP and UHT versions of the Tiger helicopter and by ramping up NH90 production with first deliveries from the Finnish and Australian assembly lines. In the United States, Eurocopter delivered the 50th UH-72A light utility helicopter to the US Army in December and won the US Navy as an additional customer for this helicopter. Eurocopter further strengthened its service business, which already today accounts for more than one third of the Division's revenues. In line with its strategy of expansion of its service business, Eurocopter acquired the German MRO specialist Motorflug.

Eurocopter achieved 2008 its second highest level of orders ever. Including 715 new helicopters and after-sales service, Eurocopter booked orders worth €4.9 billion. At year-end 2008, the order book amounted to €13.8 billion (year-end 2007: €13.5 billion), the equivalent of 1,515 helicopters.

Recently Eurocopter signed with the Brazilian government a contract for 50 new EC725 medium-weight helicopters and the French armed forces placed an order for 22 NH90 transport helicopters. Both contracts will be accounted for in the 2009 order intake. In particular, its well-balanced order book and strong service activities give Eurocopter a solid position in the face of the difficult economic environment.

Proven reliability, a sharp focus on efficiency and high levels of innovation drove **Astrium** to success in 2008. Revenues increased by 21 percent to €4,289 million (FY 2007: €3,550 million) with contributions from all three business units – Satellites, Services and Space Transportation. The main drivers were a sales increase in commercial telecom satellites, a ramp-up in Ariane 5 production and Paradigm services. Additionally, revenues benefited from the first full consolidation of Spot Image.

Astrium delivered a fifth consecutive year of profitable growth. EBIT* improved to €234 million (FY 2007: € 174 million). This rise is in line with the development of revenues. EBIT* rose despite the unfavourable impact of the declining British pound against the euro in the Paradigm programme. This demonstrates the significant progress of the Division.

Astrium performed extremely well in 2008 with six successful Ariane 5 launches – marking 28 successful launches in a row. Astrium has delivered five satellites. Technology firsts were achieved with the ATV mission and the integration of the Columbus space laboratory into the International Space Station ISS. The French strategic missile was also test-launched for the first time at Astrium's underwater base in Biscarosse. Several acquisitions boosted the Division’s growth prospects. Astrium acquired i-Mass Ltd., lifted its stake in Spot Image and took over Surrey Satellite Technology Ltd. At the end of December, the order book amounted to €11.0 billion (year-end 2007: €12.9 billion).

The **Defence & Security** Division achieved profitable growth thanks to increasingly mature programmes, combined with efficiencies from site consolidation. Revenues increased to €5,668 million (FY 2007: €5,392 million). Eurofighter, radar and missiles businesses represent the majority of the revenues. Additionally, revenues growth was supported by activities in integrated systems, security networks and Unmanned Aerial Vehicles, as well as the consolidation of PlantCML. Furthermore, the increase includes an effect from the move to the early stage accounting methodology in the A400M programme reflecting the Division’s internal work share. The Division's EBIT* rose further by 18 percent to €408 million (FY 2007: €345 million). This EBIT* growth was supported by operational improvements across all activities and maturing programmes in radars, missiles and secure networks. Successful cost reduction initiatives also made a significant contribution for the improvement of the underlying business performance.

In line with Group strategy, security capabilities continued to expand significantly. The Defence & Security Division broadened its presence in the US through the acquisition of PlantCML. Furthermore, the digital radio network the Division provided to Beijing played a vital role in securing the Olympic Games. Installation of integrated security systems for Qatar and other Middle East countries as well as for Morocco’s new Tanger Med port began.

In 2008, the Division delivered the last Tranche 1 Eurofighter and started the delivery of Tranche 2. Production and delivery for the export customer Austria is progressing well. Within the business area of Unmanned Aerial Vehicles (UAVs), EADS is the only European company able to provide both large and small systems. Work on the risk reduction study for the tri-national Advanced UAV programme continued. Moreover, Spain has awarded the tactical UAV programme ATLANTE to the Division. In 2008, the UAV system SIDM was delivered to the French customer and has already been deployed in Afghanistan in 2009.

In November 2008, the Military Air Systems Centre was inaugurated in Manching near Munich (Germany), where its major capabilities, competencies and resources are now concentrated at one site. Furthermore, the Division sold air traffic control radars for Germany’s military airfields and delivered radar systems to customers such as the US Coastguard and German armed forces. The Division’s order book stood at €17.0 billion (year-end 2007: €17.8 billion), with the balance continuing to shift towards new high-growth products and services.

Headquarters and Other Businesses (not belonging to any Division):

Other Businesses’ (ATR, EADS EFW, EADS Socata, EADS Sogerma and EADS North America) revenues grew by 9 percent to €1,528 million (FY 2007: €1,407 million) driven by higher deliveries at ATR, the ramp-up in the LUH programme at EADS North America and a high level of passenger seats activity at EADS Sogerma. Other Businesses’ EBIT* is stable at €80 million compared to €84 million in the previous year, impacted by a US dollar headwind.

The regional aircraft manufacturer ATR delivered 55 new aircraft to its customers compared to 44 units in 2007 and paused its ramp-up due to the weakening of the regional aircraft market. Including new orders for 20 new aircraft ATR finished 2008 with an order book of 160 aircraft. EADS EFW delivered 11 converted freighters to its customers. Future business will benefit from link-ups with partners for the A320 freighter conversion and the modification of Airbus aircraft. From 1st January 2009 onwards, EADS EFW will be consolidated within Airbus. EADS Socata is classified as held for sale in the 2008 accounts due to the final agreement announced between EADS and DAHER Group for DAHER to acquire a 70 percent majority stake. The agreement became effective as of 7th January 2009. EADS Sogerma finalised the sale of Revima in October, receiving support from Revima's workforce, local authorities and customers. Operationally, EADS Sogerma continued its profitable growth. On 31st December 2008, the order book of Other Businesses increased to €3.4 billion (year-end 2007: €2.7 billion).

5.2 EADS N.V. Company Financial Statements

Table 6 - Balance sheet EADS NV

	December, 31	
(in millions of €)	**2008**	**2007**
Goodwill	4,354	4,354
Financial fixed assets	9,575	11,303
Non-current securities	3,035	2,685 2)
Fixed assets	**16,964**	**18,342**
Receivables and other assets	5,398	5,526
Securities	3,909	1,595 2)
Cash and cash equivalents	5,321	6,444
Non-fixed assets	**14,628**	**13,565**
Total assets	**31,592**	**31,907**

Stockholders' equity 1)	**11,022**	**13,090**
Financing liabilities	332	316
Other non-current liabilities	1,501	1,532
Non-current liabilities	**1,833**	**1,848**
Other current liabilities	18,737	16,969
Current liabilities	**18,737**	**16,969**
Total liabilities and stockholders' equity	**31,592**	**31,907**

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

2) The securities with a residual maturity of more than one year which are managed by EADS Group Treasury department are classified as non-current securities. The figures for 31st December 2007 are adjusted accordingly.

Table 7 - Income Statement EADS NV

(in millions of €)	**2008**	**2007**
Income from investments	1,763	(380)
Other results	(191)	(66)
Net result	**1,572**	**(446)**

5.3 Information on the Statutory Accountants

	Date of First Appointment	Expiration of Current Term of Office*
KPMG Accountants N.V. Fascinatioboulevard 200 – 3065 WB Rotterdam — The Netherlands Represented by L.A. Blok	10th May 2000	27th May 2009
Ernst & Young Accountants LLP Antonio Vivaldistraat 150, 1083 HP Amsterdam — The Netherlands Represented by F.A.L. van der Bruggen	24th July 2002	27th May 2009

(*) A resolution will be submitted to the General Meeting of Shareholders called for 27th May 2009, in order to appoint Ernst &Young Accountants LLP and KPMG Accountants N.V. as the Company's auditors for the 2009 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 Risk factors

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

5.4.1. Financial Market Risks

Impact of Ongoing Financial Crisis

The current financial turmoil affecting the banking system and financial markets and ongoing concerns about the sustainability of the business model of investment banks and of other financial institutions have resulted in higher cost and lower availability of credit, a reduced level of liquidity in many financial markets and extreme volatility across all asset classes. This has in turn negatively affected the global real economy.There could be a number of follow-on effects from the financial crisis on EADS' business, including but not limited to:

- economic distress of customers, resulting in requests to postpone or cancel orders for aircraft due to the inability to obtain credit to finance aircraft purchases, or due to the broad economic downturn and weakening of passenger and cargo demand for air travel more generally;
- a significant increase in the amount of sales financing that EADS provides to its customers to support aircraft purchases, thereby increasing its exposure to the risk of defaults by customers;
- economic distress or insolvency of key suppliers, resulting in product delays;
- the default of investment or derivative counterparties and other financial institutions, which could negatively impact EADS' treasury operations;
- continued de-leveraging as well as mergers and bankruptcies of banks, 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;
- lower availability of credit by hedging counterparties, which could constrain EADS' ability to implement desired foreign currency hedges;
- changes in long-term interest rates, credit spreads or inflation, which may affect the discount rate applicable to the Group's pension liabilities;
- changes in short-term interest rates as well as potential illiquidity of certain asset classes, which may affect the financial performance of the Group;
- continued divestments across all risky asset classes, which may cause a further depreciation of asset values and lower diversification benefits for the pension plan assets held to match the pension liabilities, thereby resulting in an increase in the Group's provisions for retirement plans;
- reduced access to capital markets and other sources of financing, which, despite EADS' net cash position of €9.2 billion as of the end of 2008 and no immediate short-term refinancing needs other than €1.0 billion in notes maturing in March 2010, may limit EADS' future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

Uncertainty about current global economic conditions could also increase the volatility of EADS' stock price.

Exposure to Foreign Currencies

A significant portion of EADS' revenues is denominated in U.S. dollars, while a substantial portion of its costs is incurred in euro, and to a lesser extent, in pounds sterling. Consequently, to the extent that EADS does not use financial instruments to cover its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the U.S. dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pounds sterling against the euro. No assurances may be given that EADS' exchange rate hedging strategy will protect it from significant changes in the exchange rate of the U.S. dollar to the euro and the pound sterling and that such changes will not affect its results of operation and financial condition.

Exposure to Sales Financing Risk

In support of sales, EADS may agree to participate in the financing of customers, guarantee the residual value of aircraft or undertake to repurchase aircraft conditionally. 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 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.

Counterparty Credit Risk

EADS is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments.

Exposure on Equity Investment Portfolio

EADS holds several equity investments for industrial or strategic reasons, the business rationale for which may vary over the life of the investment. 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 under funded. Although EADS has recorded a provision in its balance sheet for its share of the under funding 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.

5.4.2. Business-Related Risks

Commercial Aircraft Market Cyclicality

Historically, the market for commercial aircraft has shown cyclical trends, due in part to changes in passenger and cargo demand for air travel, which is itself primarily driven by economic or gross domestic product ("**GDP**") growth. EADS expects that the market for commercial aircraft, including to a certain extent the market for civil helicopters, will continue to be cyclical, and that downturns in broad economic trends, such as those currently being experienced, may have a negative effect on its future results of operation and financial condition.

Impact of Terrorism, Epidemics and Catastrophic Events On Aircraft Market

As the terrorist attacks in New York and Madrid and the spread of the Severe Acute Respiratory Syndrome ("**SARS**") virus and avian flu have demonstrated, terrorism and epidemics may negatively affect public perception of air travel safety and comfort, which may in turn reduce demand for air travel and commercial aircraft. In response to such events, and the resulting negative impact on the airline industry or particular airlines, EADS may suffer from a decline in demand for all or certain types of its aircraft, and EADS' customers may postpone delivery of new aircraft or cancel orders.

Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence spending) depends on a complex mix of geopolitical considerations and budgetary constraints. Public spending may be subject to significant fluctuations from year to year and country to country. Adverse economic and political conditions as well as downturns in broad economic trends in EADS' markets may reduce the amount of public spending and have a negative effect on EADS' future results of operations and financial condition. Further, a significant portion of EADS (including Airbus) backlog is concentrated in certain regions or countries, including the United States of America, China, India and the United Arab Emirates. Adverse economic and political conditions as well as downturns in broad economic trends in these countries or regions may have a negative effect on EADS' and Airbus future results of operations and financial condition.

Emergence of Public-Private Partnerships and Private Finance Initiatives

Defence customers, particularly in the U.K., increasingly request proposals and grant contracts under schemes known as public-private partnerships ("**PPPs**") or private finance initiatives ("**PFIs**"). There can be no assurances of the extent to which EADS will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the ongoing provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity.

Competition and Market Access

Most of EADS' businesses are subject to significant competition, and Airbus in particular has been affected by downward price pressure resulting from such competition. No assurance can be given that competition may not intensify, particularly in the context of a prolonged economic downturn.

Availability of Government and Other Sources of Financing

Since 1992, the E.U. and the U.S. have operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the U.S. sought to unilaterally withdraw from this agreement, which eventually led to

the U.S. and the E.U. making formal claims against each other before the World Trade Organisation ("**WTO**"). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues. The terms and conditions of any new agreement, or the outcome of the formal WTO proceedings, may limit access by EADS to risk-sharing-funds for large projects, may establish an unfavourable balance of access to government funds by EADS as compared to its U.S. competitors or may theoretically cause the European Commission and the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to EADS.
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 for these and other projects, in part as a result of the proceedings mentioned above.

Technologically Advanced Products and Services

EADS offers its customers products and services that are often technologically advanced, the design and manufacturing of which can be complex and require substantial integration and coordination along the supply chain. In addition, most of EADS' products must function under demanding operating conditions. Even though EADS believes it employs sophisticated design, manufacturing and testing practices, there can be no assurance that EADS' products or services will be successfully developed, manufactured or operated or that they will be developed or will perform as intended.
Certain 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, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should EADS fail to meet delivery schedules or other measures of contract performance.
For example, following the production difficulties that EADS encountered in 2006 in connection with its A380 programme, certain customers decided to cancel their A380 freighter orders. In 2007 and 2008, EADS announced significant delivery delays on its A400M programme. In each of these years, EBIT* at EADS was negatively affected as a result. See "Notes to the Consolidated Financial Statements (IFRS) — Note 3: Accounting for the A400M programme".
There can be no assurances that similar problems will not occur in the future. In addition to any costs resulting from product warranties, contract performance or required remedial action, such problems may result in increased costs or loss of revenues — in particular as a result of contract cancellations — which could have a negative effect on EADS' future results of operation and financial condition. Any future problems may also have a significant adverse effect on the competitive reputation of EADS' products.

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. 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.

"Power8", "Power8 Plus" and "Future EADS" Restructuring and Cost Saving Programmes

EADS has announced in 2007 the implementation of a significant cost reduction and restructuring programme at Airbus, referred to as "Power8". In addition, EADS has launched a Group-wide cost savings programme referred to as "Power8 Plus", and a further integration and cost savings programme referred to as "Future EADS". Anticipated cost savings are based on preliminary estimates, however, and actual savings 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, depending on the outcome of its current negotiations with labour and other representatives. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated, including site divestitures by Airbus and the integration of the Military Transport Aircraft Division into Airbus.

Suppliers and Subcontractors

EADS relies on numerous suppliers and subcontractors to provide it with the raw materials, parts and assemblies that it needs to manufacture its products. Certain of these suppliers have experienced severe financial difficulties recently in light of the ongoing financial crisis. If these difficulties were to intensify, some suppliers could be forced to reduce their output, shut down their operations or file for bankruptcy protection, which could disrupt the delivery of supplies to EADS. It may be difficult for EADS to find a replacement for certain suppliers without significant delay, which could negatively affect EADS' future results of operation and financial condition. EADS may also decide in the future to provide financial or other assistance to certain suppliers to ensure an uninterrupted supply of materials and parts, which could expose it to credit risk on the part of such suppliers.

Programme-Specific Risks

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

- *A380 programme*. In connection with the A380 programme and following the delivery delays announced in 2006, EADS faces the following main challenges: (i) management of stress in the supply chain as a result of the steep ramp-up in production in coming years, (ii) avoidance of production disruptions and related costs, in particular in connection with the implementation of Power8 and its effect on labour relations, (iii) successful implementation of a digital mock-up for future A380 production, and (iv) managing maturity in service. EADS' ability to successfully meet these challenges will be critical in ensuring the smooth production of "wave 2" aircraft, *i.e.*, those beyond the initial 25 aircraft produced;

- *A350 XWB programme*. In connection with the A350 XWB programme, EADS faces the following main challenges: (i) meeting the technical performance targets for the aircraft, (ii) ensuring the ramp-up of key skilled personnel, e.g. for composite stress and design, (iii) securing the achievement of recurring cost targets, (iv) ensuring that the new industrial organisation resulting from Power8 supports effective development, (v) ensuring the performance of the risk sharing partners, including those selected for sites divested by Airbus, and (vi) achieving a second engine choice;

- *A400M programme*. In connection with the A400M programme which represents a significant exposure for EADS, the Company faces the following main challenges: (i) negotiating changes to the programme schedule along with changes to other areas of the contract with launch customers, (ii) working with the engine consortium and with major suppliers of mission critical systems and system integration to firm up a reliable programme schedule, including a reliable date for the first flight, (iii) managing a flight test programme that differs significantly from that of commercial Airbus aircraft, (iv) integrating the civil systems (flight management, navigation, etc.) with the complex military systems, (v) ensuring that the aircraft is both commercially certified and meets the range of military qualifications required by programme customers in each jurisdiction, and (vi) managing the anticipated difficulties on the ramp-up.

  Further, in light of the ongoing delays on the A400M programme, OCCAR has the contractual right with unanimous mandate of all launch customer nations to claim termination of the whole A400M launch contract as of 1st April 2009. In case of valid termination, Airbus Military SL ("AMSL") would be obliged to repay to OCCAR all initial payments, pre-delivery payments and any other payments received from OCCAR. The total amount is approximately €5.7 billion. Separately, each of the launch customer nations may claim cancellation of those individual aircraft ordered which would be substantially delayed. This would trigger reimbursement of the initial payments and pre-delivery payments received from OCCAR in respect of such aircraft. Depending on the magnitude of these potential cancellations, there could be a material negative effect on EADS' future results of operation, financial condition and reputation.

  From an accounting standpoint, EADS has shifted temporarily to an early stage contract accounting methodology on the A400M programme in 2008, and will resume milestone accounting and further update the A400M loss-making contract provision as soon as a schedule update and reliable cost estimate can be achieved. For further information relating to the A400M programme, see “Notes to the Consolidated Financial Statements (IFRS) — Note 3: Accounting for the A400M program”;

- *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 TTH (Tactical Transport Helicopter) version and final configuration of the NFH (Nato Frigate Helicopter) version) of ongoing development programmes on the numerous versions, (ii) managing the industrial ramp-up on the programme, and (iii) assuring support readiness in connection with multiple fleets entering into service.

5.4.3. 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.

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 could have claims asserted against it for infringement of the intellectual property rights of third parties. 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.

Export Controls and Other 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 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 governmental regulations that may adversely affect its business and financial condition, including among others, regulations relating to commercial relationships (including the recent modifications to French law in this regard), the use of its products, labour practices and dealings with foreign officials.

Securities Litigation

Since 2006, several investigations and proceedings have been initiated against EADS and certain of its executives for alleged breaches of market regulations and insider trading rules, respectively, with respect to, among other things, the A380 programme delays announced in 2006. See to “Notes to Consolidated Financial Statements (IFRS) — Note 33: Litigation and claims” of the consolidated financial statements of EADS. Although EADS is unable at this point to predict the outcome of these investigations and proceedings, it is possible that they could result in the imposition of fines, damages or other remedies and sanctions. The conduct of these proceedings could negatively impact EADS' stock price. In addition, EADS expects to continue to incur time and expenses associated with its defense, regardless of the outcome and this may divert the efforts and attention of management from normal business operations.

5.4.4. 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. 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 involving a product, EADS may be required to conduct investigations and undertake remedial activities. Employees, customers and other third parties may also file claims for personal injury, property damage or damage to the environment (including natural resources).

5.5. Human resources

5.5.1 Workforce Information

As of 31st December 2008, the EADS workforce was composed of 118,349 employees. It has globally increased by 1,856 employees compared to 2007. The number of employees compared to 2007 decreased at Airbus, Corporate Headquarters and units belonging to Other Businesses.

In 2008, the workforce consisted of 96.69% full time employees. Depending on country and hierarchy level, the average working time is between 35 and 40 hours a week.

In 2008, 7,081 employees worldwide entered employment with EADS (6,860 in 2007). At the same time, 5,078 employees left EADS (4,648 in 2007).

In total, 95.4% of EADS' active workforce is located in Europe on more than 80 sites.

5.5.2 Organisation of Human Resources management

The key mission of the Group HR function is to ensure that EADS, as an integrated Group, attracts, develops, motivates and retains a world-class workforce. It acts as a business partner through supporting the business challenges by facilitating continuous integration and internationalisation of the Group as well as the building of a common spirit across the Group's organisational and operational structures.

Since 2006, the HR organisation has been further integrated, in line with the Group business requirements. The role of HR Board and functional reporting lines from the Divisions to the Group HR head were re-enforced to foster a coordinated Group HR policy. HR function has implemented global shared services for HR administration and payrolll using common global HR information system. HR processes have been harmonised through common e-HR project. Implementation of global shared services for learning administration have started.

Corporate HR team operates as strategic leader in HR matters and works in close cooperation with the Divisions and BUs HR functions which have the operational responsibility for managing the employees. Regular meetings of the HR managers and specialists from different businesses are organised on both group and national levels.

At corporate level, 6 support departments make up the global HR team: HR Operations embedding all HR Shared Services, Social Policy and Industrial Relations, Compensation and Benefits, Competency Development - including the training and recruitment strategy, Talent and Executive Management, last HR Processes and Integration. Among other, they are responsible for e.g.:

- Anticipating on key EADS competencies, more specifically in the engineering field;
- Managing common HR policies for the 1,200 Executives of EADS;
- HR management and Career Development for the top 200 key job holders;
- Organising and delivering executive education for all executives and potential future executives through the CBA and coordinating the training and learning activities within the Group for all employees; and
- Designing policies, guidelines and tools for all group wide HR processes, such as appointments, job rotation, international mobility, compensation and benefits,etc.; together with divisions and fostering best practise sharing within the EADS HR community.

In the context of the Airbus restructuring and the evolution of EADS organisation, the social dialogue has been intensified and additional information and consultation procedure has been defined with the staff representatives. A set of policies and social agreements have been defined addressing key challenges such as, Diversity, Health and Safety, equal opportunity, training and development.

5.6 Environmental matters

EADS considers that the Environment is a global priority that requires engagement and responsibility by citizens, politicians and industry alike often in partnership. EADS makes it a key focus of concern in the fulfilment of its mission to provide individual mobility, communication and security that are the essence of our modern society.

Committed to reconciling protection of the Environment with Economy, EADS aspires to move towards an Eco-Efficient enterprise as a major goal of the company's vision 2020 strategic roadmap. According to its recently published corporate Environmental Policy, Eco-Efficiency aims at maximising the benefits of our products and services to our customers and other stakeholders while minimising the environmental impact of operating and manufacturing these products throughout their life cycle. Thus innovative and eco-efficient technologies and processes are key factors of the company's sustainability, increasing the attractiveness of its products and its overall competitiveness, benefiting growth, safeguarding employment and creating added values for all stakeholders.

Each division, business unit and entity, in charge of allocating appropriate resources and means, ensures cascading and operational implementation of the Environmental policy. The EADS Environmental Network as part of the Corporate Secretary, composed of both business units' representative and corporate functions oversees its consistent and group wide implementation through a corporate reporting system, ensures that best practices are identified and shared throughout the Company, that corporate objectives are met while guaranteeing appropriate anticipation of emerging issues.

As integral part of its commitments, EADS must manage its manufacturing and services activities in compliance with applicable environmental laws and regulations of the countries in which it operates, and endeavours to remedy any potential divergence there-from. The Group encourages its entities, subsidiaries and sites to go beyond the sole fulfilment of these legal obligations, and strive to develop and implement state of the art standards.

Currently, more than 80% of the EADS employees operate under a certified Environmental Management System (EMS) pursuant to either ISO 14001 or registered EMAS, EADS strives towards the establishment of advanced life cycle oriented EMS, with the aim to cover 100% of the company's activities and products related aspects. This is the guarantee that each concerned entity has identified its relevant significant environmental impacts and defined associated improvement objectives, in line with the Company policy to efficiently reduce all their significant impacts such as energy consumption, greenhouse gas emissions, waste, air pollutants and other environmental aspects and risks.

Airbus has implemented such a life cycle approach allowing to systematically integrate environment in all activities and processes of the company, acting when it seems to be the most efficient way to control the environmental impact within the life cycle. Airbus is the first aerospace company to have certified its environmental management system against ISO14001 with such a wide coverage including both European sites and product-related aspects all along their life cycle. Expansion to worldwide activities is continuously ensured with a major step achieved in 2008 with the incorporation of Beijing Campus and all the US sites.

EADS is committed to Environmental excellence in technology and mobilisation of expertise towards the research, the design and the development of optimal green and clean technologies and products, without compromising quality, technical requirements and safety. EADS is currently substantiating its roadmap towards eco-efficiency making in particular reduction of Energy/Greenhouse gas emissions and control of hazardous substances some of the major long-term objectives for both products and operational performance related activities.

Recognising the growing challenge of climate change, important efforts have been already dedicated by EADS entities and coordinated through the Environmental Network, to systematically evaluate their Carbon Footprint and further reduce their overall energy consumption through the optimisation of the efficiency of infrastructures/buildings and promotion of the use of renewable sources of energy such as solar panels wherever possible. Researches in alternatives to fossil fuel, in particular in bio-fuels obtained from biomass that does not compete with feedstock are also being accelerated; the A380 was the first aircraft to successfully test in a flight from Filton to Toulouse the GTL alternative fuel.

Important efforts are also devoted to comply with the European regulation on the Registration, Evaluation and Authorisation of CHemicals (REACH) which requires improvement of tracking of substances, administrative registrations and authorisations for continuing using some substances of very high concern, as well as appropriately informing the supply chain, customers and employees.

Coordination work in this respect has been undertaken in order to develop consistent Group-wide approach to ensure compliance in the most efficient and economic way. EADS efforts were key to ensure the publication of standards, training kits and guidelines produced in joint coordination with the Aerospace Industries Association of America, AIA, and the AeroSpace and Defence Industries Association of Europe, ASD. In the mean time EADS strives to research alternative environmentally friendly options for materials and other technologies in order to face possible obsolescence and anticipate supply chain disruption, such as chromates.

Furthermore, EADS is also eager to offer its best available technologies and products, such as satellites, aircraft, drones and other measurements systems, to serve the protection of the Environment, either to diagnose, to mitigate the possible sources of environmental degradation and anticipate unavoidable change of our environment.

5.7 Research and Technology Management

Today's uncertain business environment requires innovative new products that can meet the evolving needs of customers, around the world. EADS' research and technology management strive to achieve this goal by improving the Group's competitive advantage. Research & Technology plays a central role to help EADS remain competitive by striving to deliver high value innovation. EADS and its Divisions develop leading-edge technologies and scientific excellence that bring solutions to many of society's pressing issues such as environmental protection, mobility, defence, security, and safety.

The Corporate Technical Office (CTO) organization ensures that business and technology strategy are closely aligned. The CTO delivers shareholder value through the development of a leading-edge R&T portfolio that enables the introduction of new technologies. CTO also responds to customer requirements by providing solutions which meet technological, performance, safety, and cost-competitive challenges. The EADS R&T strategy is also driven by the need for successful on-time, on-quality, on-cost introduction of new products and processes. R&T operations in EADS cover a wide spectrum of technological domains. R&T activities are organized at several levels in the value chain and the strategy is structured according to the needs of short-term programmes, medium-term optional programmes and long-term advanced concepts.

First, the R&T activities for advanced concepts include integrated demonstrators and Technological/Operational Studies. Today, all EADS Divisions work to generate new product concepts that are coherent with the company's long-term business goals. These innovative concepts explore and generate completely new ideas, while pushing the limits of what is technically possible. The portfolio is currently structured around four growth axes: mobility (e.g. air traffic management), environmental protection (e.g. new energy solutions, new optimized platforms), defence, safety and security (asymmetric warfare, communications and localization in buildings under ground, illicit materials detection and aircraft communications protection) and services (e.g. in-service health monitoring, mid-life upgrades, MRO). EADS also dedicates resources to assess upstream emerging concepts.

Second, R&T aims to develop key product technologies, which means for example, constantly looking for new materials and equipment which can be evaluated to determine if there is a valid business case for their future use. EADS has identified the emerging technologies which will drive future performance for five key product technology categories: optimized platform structures; sensors, electronics, signal processing & systems integration; power technologies; flight physics and information technologies.

Third, R&T operations encompass the development and implementation of state-of-the-art tools, which enable EADS to be an effective industrial architect. EADS is also developing a plan to leverage and further develop its participation in venture capital funds in order to reinforce its capacity, both throughout the technical disciplines and geographically, to identify and source emerging technologies. It is of key importance for EADS to detect disruptive technologies that increase the company's innovative position. Through EADS' research group - *Innovation Works* and partnerships with external laboratories, EADS monitors and evaluates different technologies such as fuel cells, secure communications, photonics, nanotechnologies and hybrid materials.

Finally, in keeping with its ambition to grow its business in the products-related services, EADS develops technologies for services such as training, advanced product support, full communication services as well as special mission capability: e.g. provision, maintenance and operations.

6 FINANCIAL TARGETS FOR 2009

EADS has begun 2009 with a mixed level of visibility. At Airbus, visibility is satisfactory for the first half of the year, but the level of uncertainty increases beyond the first half. The Group's bottom-up analysis is supported by the order book and the recent decision to adjust production rates of single-aisle aircraft to 34 aircraft per month from October 2009 onwards; the ramp-up for the long range Family was frozen at 8.5 aircraft per month. This analysis shows overbooking for the next years. Nevertheless, the order book is challenged by the deterioration of the macroeconomic and traffic indicators. Therefore, EADS is carefully monitoring the market, its customer base and its suppliers. As a result, the management is applying a rolling plan concept. Besides the commercial order book, the Group’s defence and institutional order book provides a certain level of protection and stability.

EADS expects Airbus to capture between 300 and 400 new gross orders in 2009, which is challenging taking into account the current market conditions. Based on a stable delivery assumption and a US dollar rate of € 1 = US$ 1.39, EADS revenues should roughly be in line with the 2008 level.

Under these assumptions, EBIT* before one-offs should be down in 2009 but significantly positive and supported by robust underlying performance. Revised industrial plans to complete the A400M programme could lead to a significant charge, weighing on EBIT*, depending on the outcome of negotiations with the customers and the suppliers. EBIT* will be negatively impacted by increased Research & Development (R&D) expenses, by a significant hedging deterioration, price deterioration, increasing customer financing and in-service support costs compared to 2008, partly offset by further Power8 cost savings.

Free Cash Flow for 2009 will reflect some negative impacts from lower customer advance payments at Airbus and some build-up of inventory in the fourth quarter of 2009, reflecting the reduction of the single-aisle production rate. EADS expects to support customers in financing their deliveries on a discretionary basis in 2009. The cash consumption of provisions taken over recent years will also weigh on the cash flow. At this stage, with the current level of visibility, EADS is not expecting to consume more than € 1.5 billion of Free Cash Flow after customer financing in 2009.

As soon as the Group has better visibility on the outcome of the A400M discussions and the development of its commercial markets EADS will update its guidance more precisely.

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 the Board. All such objectives must be understood to be long-term management ambitions, the achievement of which is subject to risks as outlined in section 5.2 "Risks and uncertainties".

7.1 Group strategic challenges

EADS has one of the broadest aerospace platform portfolios and has the world's largest order backlog in 2008, making the group a global leader in its sector. With its Vision 2020, EADS strives to become the **worldwide leader in air and space platforms and systems** (mainly platform-related systems architecture and integration) with a complete portfolio of products, both commercial and governmental. Globally, this implies **that EADS aims to reach a revenue balance between Airbus commercial aircraft manufacturing and other businesses by 2020**. Despite the global financial turbulences in 2008 and the following economic downturn, EADS' vision objectives remain valid long term. What is necessary is to adapt the way to achieve them. The weakening of the financial markets represents a challenge for customer financing, and requires flexible management of the order backlog. Defence and Space budgets are set in a more long term perspective, however government customers may also consider reallocation of resources in particular for future programmes. Consequently, EADS has to ensure close cooperation with all its customers and careful cash-management in order to protect the group and weather the crisis.

To support the business and long term positioning of EADS, organic growth need to be supported by investments areas securing future core competencies and improving access to markets and customers. In this respect, external growth through acquisitions or partnerships may be pursued, especially in Asia and the USA.

EADS has defined its option for a strategic vision, where **priority is given to platforms and systems** (mainly platform-related systems architecture and integration) **and services.** This option provides a new growth engine fuelled by the expansion of the in-service fleet and an increasing transfer of responsibilities and outsourcing from defence/governmental bodies and armed forces to the private sector. Therefore, EADS targets a **25% services share of business by 2020**, focusing on high-value services initially related to platforms, requiring and developing both customer intimacy and product intimacy. EADS will **increasingly focus on core**, which means going towards this new business model approach and reallocate resources which are currently locked in non-core legacy activities.

Demand for outsourced services is rising in the market, either driven by cost / revenue constraints or driven by operational efficiency requirements. Training, Advanced In-Service Support and air traffic management systems are segments with a positive outlook in the coming years. Also in Defence procurement, demand patterns evolve and there is an increasing trend towards outsourcing and services. The operating environment changes in the defence sector with an increase in coalition-led engagements, mutualisation of funds to compensate for declining / flat budgets.

Also, EADS will continue to **develop/secure core competencies/technologies for platforms and systems** (mainly platform-related systems architecture and integration). The intelligence of complex platform-related systems (such as surveillance or air defence systems) will be increasingly distributed on board (cockpit) and on the ground (control stations). Therefore the core competencies required to secure prime contractorship in the future will certainly include the ground segment, the data link, C4I and network centric operations (as currently the case for UAVs, satellites and air defence missile systems). EADS also has to take benefit from the convergence between defence and security, especially on secure networks.

EADS will also continue to drive necessary improvements to achieve a best-in-class operational and financial efficiency to **reach 10% EBIT** in the first half of the decade 2010-2020 depending on the average value of the Euro-Dollar exchange rate and the development of the commercial cycle. The improvements have to come through internal costs control, optimal resource allocation, enhanced programme execution and risk management, ability to cope with the US$ volatility as well as stronger development of more profitable segments.

EADS will continue to pursue its **industrial globalisation**, EADS must continue to reduce vulnerability to € versus $ exchange rate with a new business model based on core/non-core analysis and the development of a network of partnerships as well as true globalisation in emerging countries such as China and India, as well as in the dollar zone.

A significant part of EADS sourcing volumes and employees are in Europe (although a majority of the revenues come from outside Europe). Access to markets and technology resources, cost optimization and protection against dollar volatility mean that EADS needs to **reinforce the industrial footprint and partnership-building outside Europe whilst protecting core technologies and optimising our industrial base in Europe**. In this context, EADS will aim for an ambitious target of **40% of EADS sourcing** and **20% of EADS employees outside of Europe**. To enhance EADS US industrial base, the long term goal will also be **to achieve $ 10bn revenues in North America** in non-Airbus businesses and gain a prime position with US Government.

European defence budgets are stable but unlikely to grow significantly in the next 10 years; this may drive a further consolidation/restructuration of the defence industry. Consequently, EADS must remain vigilant to continued **European defence consolidation**. For several years, scale has been becoming more important in the A&D industry and companies have sought opportunities to build and infill their portfolios. Yet, the end-game has not been achieved and the major players are preparing for the next steps. In this context, EADS must constantly monitor the development of potential opportunities, including strategic acquisitions since the company cannot afford to ignore possible consolidation moves in areas of key strategic interest of aerospace platforms and related activities in service support and defence systems and electronics.

EADS is consistently moving towards **becoming an eco-efficient company** and is acting to sustain future development. With a clear objective to reconcile environmental protection and economic sustainability, EADS intends to meet increasing demand for aeronautic/space/defence products while minimising environmental impacts in the most economical and efficient way. As an example, at Airbus, concrete commitments up to 2020 have been agreed and communicated. Clear policy, measurable objectives including the complete EADS portfolio need to be considered in the frame of consistent Environmental Management Systems (ISO 14001) to be set up.

The world in which EADS operates will evolve dramatically in the coming years. This will require new products based on emerging technologies and efficient processes. Technology and innovation are key drivers to achieve Vision 2020. Products and processes will be tightly linked to improve competitiveness and differentiation. At the same time, EADS will keep the innovation pipeline constantly full in order to replace ageing technologies and processes.

In 1999, EADS was not created as a financial holding but with the ambition to become an integrated industrial group with worldwide leadership in A&D. EADS's organisation and human resources should be the key means of achieving this goal. At all levels, a leaner, more integrated, fully transparent and more efficient structure is needed to strengthen the coherence of actions and exploitation of synergies, taking advantage of integration. Consequently, structural decisions were taken in 2008 to integrate EADS Military Transport Aircraft Division into Airbus and also to ensure better coordination of DS and Astrium. In addition, at Corporate level, the improvement programme "Future EADS" was launched. These initiatives should, however, not distort the operational capabilities of the Divisions, as financial objectives have to be met and industrial programmes executed at this level.

Finally, EADS needs motivated and competent employees. To this end, it is the duty of EADS and its management to provide them with the opportunities to meet their professional expectations develop their professional skills and realize their personal potential. This requires an active management development based on a new leadership model. EADS will also encourage stronger mobility and greater internal diversity in the teams. These two criteria will be taken into account for career management and performance assessment. Recruitment of managers from nations outside our home countries will also be encouraged.

7.2 Divisions Outlook

7.2.1 Airbus

As with most industries, aviation is exposed to the economic recession and Airbus expects the level of new aircraft orders to fall in 2009.

Airbus' priorities for the year are fourfold: to maintain a close dialogue with customers; to anticipate their needs early; to manage the order book carefully and to protect the cash position.
Management will also seek to agree a new approach to the A400M with its launch customers, while confirming a new date for the first flight with the engine consortium and therefore a firm programme schedule

Due to the large order book and the creation of a leaner organisation through Power8, Airbus enters the downturn in a strong position to face what will be a difficult period for airlines and manufacturers alike. Longer term, demand for more efficient and environmentally friendly aircraft will continue to rise. Securing long-term competitiveness and employment remain key objectives for 2009.

7.2.2 Eurocopter

At a time of market uncertainty, there is an increasing risk of falling order volumes as well as order cancellations and delays. However, Eurocopter's large order book, diversified across corporate, oil and gas, parapublic and military customers, as well as services, provides some protection from the downturn. Furthermore, the military market is growing as developed nations replace aged helicopters and emerging nations build defence forces.

Management is closely monitoring the financial crisis, maintaining production flexibility as well as supporting key customers with finance.

Research and development will increase as Eurocopter maintains product leadership and prepares the next generation of helicopters.

Strategically, the global industrial footprint will continue to be developed, as will service capabilities.

While EBIT growth is difficult to predict, Eurocopter has confidence in its customer base and continues to strengthen its competitive advantages.

7.2.3 Astrium

At the end of 2008, all three Astrium Business Units have a strong outlook, benefiting from an order book across the Division equivalent to around three years' activity. The majority of its products and services are based on technically mature lines of business, such as Ariane 5 and Eurostar 3000.

Astrium anticipates delivering the Satcom BW secure communications system to Germany's defence ministry in 2009. Additionally, it looks forward to the European Space Agency awarding procurement contracts for the reorganised Galileo satellite navigation system, following the award of the production contract for the next 35 Ariane 5 launchers to Arianespace in January 2009.

Improvement projects will increase economic, technical and product efficiencies across the Division.

Management expects further profitable growth, with progressive expansion of the EBIT margin in the middle run.

7.2.4 Defence & Security (“DS”)

In 2009 the Division will seek to expand its local operations in export countries – both organically and by bolt-on acquisition – in order to facilitate growth in exports.

Management is targeting an increase in security activities, particularly as defence and security products converge. Within Europe, DS intends to become the main driver of local programmes. More broadly, the Division aims to achieve ambitious growth targets from a balance of integrated systems, mission-critical products and value-added services.

In order to accelerate organic growth, research & technology investment is increasing significantly. This is mainly focused on UAVs, future generation radars and the capabilities of the System Design Centre.

Finally, improvement programmes will continue to be implemented across the Division.

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.

The resolutions submitted to your vote strictly conform to the terms of this Board Report and are in our opinion in the interests of the Company and the development of its activities.

Consequently, we invite you to adopt the resolutions and thank you for the trust you have repeatedly shown us at the key stages since the creation of EADS.

For further information and detail regarding EADS' activities, finances, financing, risk factors and corporate governance, the reader should refer to the EADS web-site at www.eads.com (Investor Relations) and to the documents posted thereon.

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

(i) the financial statements for the year ended 31 December 2008 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

(ii) 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 2008 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

Rüdiger Grube, 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
Bodo Uebber, Director

Leiden, 9 March 2009

EADS N.V.
Consolidated Financial Statements
(IFRS)

EADS N.V.
Consolidated Income Statements (IFRS)
for the years ended December 31st, 2008, 2007 and 2006

in million €	Note	2008	2007	2006
Revenues	6, 7	43,265	39,123	39,434
Cost of sales	8	(35,907)	(34,802)	(34,722)
Gross margin		**7,358**	**4,321**	**4,712**
Selling expenses		(933)	(864)	(914)
Administrative expenses		(1,253)	(1,314)	(1,360)
Research and development expenses	9	(2,669)	(2,608)	(2,458)
Other income	10	189	233	297
Other expenses		(131)	(97)	(188)
Share of profit from associates accounted for under the equity method	11	188	210	152
Other income from investments	11	23	86	37
Profit (loss) before finance costs and income taxes	6	**2,772**	**(33)**	**278**
Interest income		617	502	454
Interest expense		(581)	(701)	(575)
Other financial result		(508)	(538)	(123)
Total finance costs	12	(472)	(737)	(244)
Income taxes	13	(703)	333	81
Profit (loss) for the period		**1,597**	**(437)**	**115**
Attributable to:				
Equity holders of the parent (**Net income (loss)**)		1,572	(446)	99
Minority interests		25	9	16
Earnings per share		**€**	**€**	**€**
Basic	39	1.95	(0.56)	0.12
Diluted	39	1.95	(0.55)	0.12

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

EADS N.V.
Consolidated Balance Sheets (IFRS)
at December 31st, 2008 and 2007

in million €

Assets	Note	2008	2007 [1]
Non-current assets			
Intangible assets	14	11,171	10,832
Property, plant and equipment	15	12,156	13,393
Investment property	16	87	96
Investments in associates accounted for under the equity method	17	2,356	2,238
Other investments and other long-term financial assets	17	1,712	1,553
Non-current other financial assets	20	1,612	2,510
Non-current other assets	21	1,034	1,033
Deferred tax assets	13	2,756	2,705
Non-current securities	22	3,040	2,691
		35,924	**37,051**
Current assets			
Inventories	18	19,452	18,906
Trade receivables	19	5,267	4,639
Current portion of other long-term financial assets	17	177	166
Current other financial assets	20	2,495	3,855
Current other assets	21	1,466	1,317
Current tax assets		452	375
Current securities	22	3,912	1,598
Cash and cash equivalents	32	6,745	7,549
Non-current assets / disposal groups classified as held for sale	23	263	0
		40,229	**38,405**
Total assets		**76,153**	**75,456**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Capital stock		815	814
Reserves		8,558	7,406
Accumulated other comprehensive income		1,758	5,076
Treasury shares		(109)	(206)
		11,022	13,090
Minority interests		104	85
Total equity	24	**11,126**	**13,175**
Non-current liabilities			
Non-current provisions	26	7,479	8,055
Long-term financing liabilities	27	3,046	3,090
Non-current other financial liabilities	28	7,499	5,653
Non-current other liabilities	29	8,907	8,474
Deferred tax liabilities	13	953	2,188
Non-current deferred income	31	418	753
		28,302	**28,213**
Current liabilities			
Current provisions	26	4,583	4,378
Short-term financing liabilities	27	1,458	1,724
Trade liabilities	30	7,824	7,398
Current other financial liabilities	28	1,714	1,514
Current other liabilities	29	19,968	18,169
Current tax liabilities		201	179
Current deferred income	31	822	706
Liabilities directly associated with non-current assets classified as held for sale	23	155	0
		36,725	**34,068**
Total liabilities		**65,027**	**62,281**
Total equity and liabilities		**76,153**	**75,456**

[1] Regarding the retrospective change in presentation of "current / non-current other (financial) assets" as well as "current / non-current other (financial) liabilities" please refer to Note 2 "Summary of significant accounting policies".

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

EADS N.V.

Consolidated Statements of Cash Flows (IFRS)

for the years ended December 31st, 2008, 2007 and 2006

in million €	Note	2008	2007	2006
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))		**1,572**	**(446)**	**99**
Profit for the period attributable to minority interests		25	9	16
Adjustments to reconcile net income (loss) to cash provided by operating activities:				
Interest income		(617)	(502)	(454)
Interest expense		581	701	575
Interest received		657	480	380
Interest paid		(471)	(370)	(271)
Income taxes		703	(333)	(81)
Income taxes received (paid)		(252)	36	(239)
Depreciation and amortization		1,667	1,772	1,691
Valuation adjustments		924	582	163
Results on disposal of non-current assets		(31)	(125)	(336)
Results of companies accounted for by the equity method		(188)	(210)	(152)
Change in current and non-current provisions		1	2,268	2,150
Change in other operating assets and liabilities:		**(172)**	**1,236**	**1,017**
- Inventories		(1,210)	(2,998)	(1,942)
- Trade receivables		(845)	(148)	(7)
- Trade liabilities		757	44	686
- Advance payments received		2,435	4,817	1,564
- Other assets and liabilities		(982)	(540)	(444)
- Customer financing assets		(208)	194	1,221
- Customer financing liabilities		(119)	(133)	(61)
Cash provided by operating activities		**4,399**	**5,098**	**4,558**
Investments:				
- Purchase of intangible assets, Property, plant and equipment		(1,837)	(2,028)	(2,708)
- Proceeds from disposals of intangible assets, Property, plant and equipment		35	162	76
- Acquisitions of subsidiaries and joint ventures (net of cash)	32	(265)	0	(82)
- Proceeds from disposals of subsidiaries (net of cash)	32	2	29	86
- Payments for investments in associates, other investments and other long-term financial assets		(122)	(132)	(194)
- Proceeds from disposals of associates, other investments and other long-term financial assets		180	186	116
- Dividends paid by companies valued at equity		50	39	46
Disposals of non-current assets / disposal groups classified as held for sale and liabilities directly associated with non-current assets classified as held for sale		117	0	70
Change of securities		(2,676)	(2,641)	3,357
Contribution to plan assets		(436)	(303)	0
Change in cash from changes in consolidation		0	(249)	0
Cash (used for) provided by investing activities		**(4,952)**	**(4,937)**	**767**
Increase in financing liabilities		471	206	1,170
Repayment of financing liabilities		(628)	(792)	(325)
Cash distribution to EADS N.V. shareholders		(97)	(97)	(520)
Dividends paid to minorities		(10)	(1)	(16)
Payments related to liability for puttable instruments		0	0	(2,879)
Capital increase		24	46	94
Change in treasury shares		39	0	(35)
Cash used for financing activities		**(201)**	**(638)**	**(2,511)**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents		(50)	(117)	(57)
Net (decrease) increase in cash and cash equivalents		**(804)**	**(594)**	**2,757**
Cash and cash equivalents at beginning of period		**7,549**	**8,143**	**5,386**
Cash and cash equivalents at end of period		**6,745**	**7,549**	**8,143**

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

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

EADS N.V.
Consolidated Statements of Recognized Income and Expense (IFRS)
for the years ended December 31st, 2008, 2007 and 2006 [1)]

in million €	**2008**	**2007**	**2006**
Currency translation adjustments for foreign operations	417	(196)	(324)
Effective portion of changes in fair value of cash flow hedges	(2,971)	2,124	3,326
Net change in fair value of cash flow hedges transferred to profit or loss	(2,456)	(1,884)	(1,463)
Net change in fair value of available-for-sale financial assets	6	4	76
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(6)	(54)	0
Actuarial gains (losses) on defined benefit plans	(346)	608	(690)
Tax on income and expense recognized directly in equity	1,722	(46)	(662)
Income and expense recognized directly in equity	(3,634)	556	263
Profit (loss) for the period	1,597	(437)	115
Total recognized income and expense of the period	**(2,037)**	**119**	**378**
Attributable to:			
Equity holders of the parent	(2,056)	78	382
Minority interests	19	41	(4)
Total recognized income and expense of the period	**(2,037)**	**119**	**378**

[1)] For other information regarding changes in equity, please refer to Note 24 "Total equity".

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

Notes to the Consolidated Financial Statements (IFRS)

Table of Content

Basis of Presentation

1. The company

The accompanying Consolidated Financial Statements present the financial position and the result of the operations of **European Aeronautic Defence and Space Company EADS N.V.** and its subsidiaries ("EADS" or the "Group"), a Dutch public limited liability company (Naamloze Vennootschap) legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands; previously: Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands). EADS' core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. EADS has its listings at the European Stock Exchanges in Paris, Frankfurt, Madrid, Barcelona, Valencia and Bilbao. The Consolidated Financial Statements were authorized for issue by EADS' Board of Directors on March 9th, 2009, are prepared and reported in Euro ("€"), and all values are rounded to the nearest million appropriately, unless otherwise stated.

2. Summary of significant accounting policies

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

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

New Standards, Amendments to existing Standards and new Interpretations

The IFRS rules applied by EADS for preparing 2008 year end Consolidated Financial Statements are the same as for the previous financial year except for those following the application of amended Standards or Interpretations respectively and changes in accounting policies as detailed below.

a) Amended Standards

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

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

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

In May 2008 the IASB issued its omnibus of amendments to its standards (endorsed in January 2009), primarily with a view to removing inconsistencies and clarifying wording. There are separate transition rules for each amended standard. EADS has early adopted the amendment to IAS 16 “Property, Plant and Equipment” and the consequential amendments to IAS 7 “Statement of Cash Flows” regarding the presentation of the sales proceeds from assets previously used for renting activities. Following the amendment, proceeds received from the subsequent sale of such assets are presented as revenues in the income statement, whereas cash flows arising from the purchase, rental or sale of those assets are classified as cash flows from operating activities (please refer to Note 32 “Consolidated Statement of Cash Flows”). EADS anticipated the adoption of this amendment in its 2008 Consolidated Financial Statements.

b) New Interpretations

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

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

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

A number of new standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended December 31st, 2008, and have not been applied in preparing these Consolidated Financial Statements:

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

IFRS 3R “Business Combinations” and **IAS 27 (amend.)** “Consolidated and Separate Financial Statements” (not yet endorsed) were revised and issued in January 2008 and will become mandatory for EADS on or after January 1st, 2010. IFRS 3R introduces a number of changes in the accounting for business combinations that are likely to be relevant to EADS’ operations: The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations. Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss. Transaction costs, other than share and debt issue costs, will be expensed as incurred. Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss. Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. Further, IAS 27 (amend.) requires that a change in the ownership interest of a subsidiary without gaining or losing control is accounted for as an equity transaction. Therefore such transactions regarding changes in non-controlling interest will no longer give rise to goodwill, nor will it give rise to gain/loss. The changes introduced by IFRS 3R and IAS 27 (amend.) have to be applied prospectively and will affect future acquisitions as well as transactions with shareholders holding a non-controlling interest in subsidiaries.

IFRS 8 “Operating Segments” (issued in November 2006 and endorsed in November 2007) will replace IAS 14 “Segment Reporting” for accounting periods beginning on or after January 1st, 2009. IFRS 8 will require the presentation and disclosure of segment information to be based on the internal management reports regularly reviewed by EADS´ Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. EADS´ future segment reporting will take into consideration the new requirements of IFRS 8 as well as its new management structure from 2009 onwards. EADS is currently investigating the potential impact from both changes.

The **Amendment to IAS 23** “Borrowing Costs” removes the option of recognising borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as an expense and therefore requires capitalising such borrowing costs as part of the cost of the asset prospectively. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This amendment was released in April 2007, has been endorsed in December 2008 and becomes mandatory to EADS as of January 1st,

2009. The application of the amended IAS 23 will result in the mandatory capitalisation of borrowing costs related to qualifying assets and will thus increase the amount of total costs capitalised and thus the basis of depreciations of such qualifying assets.

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

The **Amendments to IAS 32 and IAS 1** "Puttable Financial Instruments" (issued in February 2008, endorsed in January 2009) will become effective for EADS as of January 1st, 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The corresponding amendment to IAS 1 requires disclosure of certain information relating to such puttable instruments classified as equity. These amendments of IAS 32 and IAS 1 are not expected to have a material impact on EADS' Consolidated Financial Statements.

The **Amendments to IFRS 1** "First Time Adoption of IFRS", **and IAS 27** "Consolidated and Separate Financial Statements" (issued in May 2008, endorsed in January 2009) will be effective from of January 1st, 2009 onwards. The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment will not have a material impact on the Group's Consolidated Financial Statements.

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

The objective of the Amendment "Eligible Hedged Items – **Amendment to IAS 39** "Financial Instruments: Recognition and Measurement"" (issued in July 2008, not endorsed yet) is to propose rules-based amendments to IAS 39 to simplify the hedge accounting requirements by clarifying the risks that may be designated as hedged risks and the portion of cash flows of a financial instrument that may be designated as a hedged item. The amendment will be applied by EADS for annual periods beginning on January 1st, 2010. EADS is currently investigating potential impacts from the application of this amendment.

Improvements to IFRS

In May 2008 the Board issued its omnibus of amendments to its standards (endorsed in January 2009*)* primarily with a view to removing inconsistencies and clarifying wording. There are separate transition rules for each amended standard. Except for the amendments regarding IAS 16 and IAS 7 explained before, the majority of these amendments, being effective from of January 1st, 2009 onwards, are not expected to have a material impact on EADS' Consolidated Financial Statements.

The following **IFRIC-interpretations** will become mandatory for EADS for annual periods beginning on January 1st, 2009.

IFRIC 12 "Service Concession Arrangements" (issued 2006, not endorsed yet)

IFRIC 13 "Customer Loyalty Programmes" (issued 2007, endorsed in December 2008)

IFRIC 14 "IAS 19 – The Limit of a Defined Benefit Asset Minimum Funding Requirements and their Interaction" (issued 2007, endorsed in December 2008 resulting in an effective date as of January 1st, 2009)

IFRIC 15 "Agreements for Construction of Real Estates" (issued 2008, not endorsed yet)

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (issued 2008, not endorsed yet)

IFRIC 17 "Distributions of Non-Cash Assets to Owners" (issued 2008, not endorsed yet)

IFRIC 18 "Transfer of Assets from Customers" (issued 2009, not endorsed yet)

Most of the new IFRICs (IFRIC 13 - IFRIC 18) are not expected to have a material impact on EADS' Consolidated Financial Statements. The potential impacts from the application of IFRIC 12 are under investigation.

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.

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

EADS subsidiaries prepare their financial statements at the same reporting date as EADS Group 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.

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

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

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

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

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

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

The accumulated amount of translation differences recognized in AOCI is released to profit or loss when the associated foreign currency entity is disposed of or liquidated or the associated asset or liability is disposed of respectively.

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

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

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

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

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

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

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

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

Leasing — The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of (i) whether the 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 Balance Sheet after the inception of the lease. Instead, a finance lease receivable representing the discounted future lease payments to be received from the lessee plus any discounted unguaranteed residual value is recorded as other long-term financial assets (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets"). Unearned finance income is recorded over time in "Interest result". Revenues and the related cost of sales are recognised at the inception of the finance lease.

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

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

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

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

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

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

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

Capitalised development costs are generally amortised over the estimated number of units produced. In case the number of units produced cannot be estimated reliably capitalized development cost are amortised over the estimated useful life of the internally generated intangible asset. Amortisation of capitalized 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 capitalized amounts when earned.

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

Separately acquired intangible assets are initially recognized at cost. Intangible assets acquired in a business combination are recognised at their fair value at acquisition date. Acquired intangible assets are generally amortized 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 amortized 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 labour costs and applicable manufacturing overheads, including depreciation charges. Borrowing costs are not capitalised. The following useful lives are assumed: buildings 10 to 50 years; site improvements 6 to 20 years; technical equipment and machinery 3 to 20 years; and other equipment, factory and office equipment 2 to 10 years. The useful lives, depreciation methods and residual values applying to property, plant and equipment are reviewed at least annually and in case they change significantly, depreciation charges for current and future periods are adjusted accordingly. If the carrying amount of an asset exceeds its recoverable amount an impairment loss is recognised immediately in profit or loss. At each reporting date, it is assessed whether there is any indication that an item of property, plant and equipment may be impaired (see also below “Impairment of non-financial assets”).

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and/or equipment as a replacement if the recognition criteria are satisfied. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in the 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 specialized tooling for production such as jigs and tools, design, construction and testing of prototypes and models. In case recognition criteria are met, these costs are capitalised and generally depreciated using the straight-line method over 5 years or, if more appropriate, using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method). Especially for aircraft production programs 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 derecognized 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 labour, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Borrowing costs are not capitalised. Net realisable value is the estimated selling price in the ordinary course of the business less applicable variable selling expenses.

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

The recoverable amount of an asset or a Cash Generating Unit (“CGU”) is the higher of its fair value less costs to sell 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 an entity could obtain at balance sheet date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, its fair value is assessed by the use of appropriate valuation models dependent on the nature of the asset, such as by the use of discounted cash flow models.

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

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

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

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

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

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

The fair value of quoted investments is based on current market prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using generally accepted valuation techniques on the basis of market information available at the reporting date. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably estimated by alternative valuation methods, such as discounted cash flow model, are measured at cost, less any accumulated impairment losses.

Equity investments classified as available-for-sale are considered for impairment in case of a significant or prolonged decline of their fair value below their cost. 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 profit or loss – is removed from equity 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 equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. 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

Financial assets at fair value through profit or loss — Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at initial recognition at fair value through profit or loss. Within EADS, only derivatives not designated as hedges are categorised as held for trading. Further, financial assets may be designated at initial recognition at fair value through profit or loss if any of the following criteria is met: (i) the financial asset contains one or more embedded derivatives that otherwise had to be accounted for separately; or (ii) the designation eliminated or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or 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. 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 amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statement when the receivables are derecognised or impaired as well as through the amortisation process. If it is probable that the Group is not able to collect all amounts due according to the original terms of receivables, an impairment charge has to be recognised. The amount of the impairment loss is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, i.e. the rate that exactly discounts the expected stream of future cash payments through maturity to the current net carrying amount of the financial asset. The carrying amount of the trade receivable is reduced through use of an allowance account. The loss is recognised in the Consolidated Income Statement. If in a subsequent period, the amount of impairment decreases and the decrease is objectively related to an event occurring after the impairment was recognised, the recognised impairment loss is reversed through profit or loss.

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 from 2008 onwards. Prior period information is adjusted accordingly.

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

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

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

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

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

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", derivative financial instruments are recognised and subsequently measured at fair value. The method of recognising resulting gains or losses depends on whether the derivative financial instrument has been designated as hedging instrument, and if so, on the nature of the item being hedged. While derivative financial instruments with positive fair values are recorded in "current / 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 profit or loss in the periods when the hedged transaction affects the Consolidated Income Statement, such as when the forecast sale occurs or when the finance income or finance expense is recognised in the Consolidated Income Statement. If hedged transactions are cancelled, gains and losses on the hedging instrument that were previously recorded in equity are generally recognised in "Profit for the period". Apart from derivative financial instruments, the Group also uses financial liabilities denominated in a foreign currency to hedge foreign currency risk inherent in forecast transactions. If the hedging instrument expires or is sold, terminated or exercised, or if its designation as hedging instrument is revoked, amounts previously recognised in equity remain in equity until the forecasted transaction or firm commitment occurs.

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

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

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

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

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

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

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

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

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

Share Capital — Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown directly in equity - as a deduction - net of any tax effects. Own equity instruments which are reacquired are deducted from total equity and remain recognized 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 recognized within equity.

Provisions — Provisions are recognized 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 recognized 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 realized.

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

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

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

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

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

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

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

Contributions to defined contribution plans are recognised as expenses in profit or loss when they are due.

Several German Group companies provide life time working account models, being employee benefit plans with a promised return on contributions or notional contributions that qualify as **other long-term employee benefits** under IAS 19. The employees' periodical contributions into their life time working accounts leads to according personnel expense in that period in the Consolidated Income Statement but to no recognition of plan assets or provision in the balance sheet.

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

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

The fair value of the services is recognized as personnel expense. In case of equity settled share based payment plans the personnel expense results in a corresponding increase in consolidated retained earnings over the vesting period of the respective plan. For cash settled share based payment plans a corresponding liability is recognised. Until the liability is settled its fair value is remeasured at each balance sheet date through the 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 January 1st, 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 recognizes a provision for emission in case it has caused emissions in excess of emission rights granted. The provision is measured at the fair value (market price) of emission rights necessary to compensate for that shortfall at each balance sheet date.

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

i) Emission rights allocated for free by national authorities are accounted for as a non-monetary government grant at its nominal value of nil.

ii) Emission rights purchased from other participants are accounted for at cost or the lower recoverable amount; if they are dedicated to offset a provision for in excess emission, they are deemed to be a reimbursement right and are accounted for at fair value.

Trade Liabilities — Trade liabilities are initially recorded at fair value. Trade liabilities having a maturity of more than twelve months are subsequently measured at amortised cost using the effective interest 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 amortized cost using the effective interest rate method with any difference between proceeds (net of transaction costs) and redemption amount being recognised in "Total finance income (cost)" over the period of the financing liability.

Current / non-current other financial liabilities — Current / non-current other financial liabilities mainly include refundable advances and derivatives with a negative market value. Refundable advances from European Governments are provided to the Group to finance research and development activities for certain projects on a risk-sharing basis, i.e. they have to be repaid to the European Governments subject to the success of the project. Current / non-current other financial liabilities are presented separately on the face of the Consolidated Balance Sheet from 2008 onwards. Prior period information is adjusted accordingly.

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 33 "Litigation and claims".

Use of Accounting Estimates

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

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

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

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

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

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

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

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

Income taxes – EADS operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements 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 balance sheet date, EADS assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realized 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 utilize future tax benefits.

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

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

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

3. Accounting for the A400M program

a) The A400M program

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

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

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

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

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

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

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

As a result of the undefined delays and the uncertain technical environment which eventually led to the proposed new program approach as described above, EADS applied the early stage method of accounting from September 25th, 2008 onwards. Under this method, all A400M related work-in-progress, which would have been expensed upon the completion of technical milestones according to the estimate at completion method of accounting (see Note 18 "Inventories") have since then been expensed as incurred (see Note 8 "Functional costs"), with related revenues recognized up to the recoverable part of these costs (see Note 7 "Revenues") as per the A400M contract. At the same time, the A400M contract loss provision ("the A400M provision") was updated in light of the excess-contract-costs-over-remaining-contract-revenues (see Note 26c “Other provisions”), based on the probable remaining contract costs that could be estimated. On the contrary, additional potential contract costs not estimable as of the date of these financial statements have been considered as contingent liabilities (see Note 34 “Commitments and contingencies”).

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

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

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

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

In case of a potential, but considered to date unlikely by EADS, cancellation of the A400M contract by OCCAR, AMSL would have to reimburse all initial payments, pre-delivery payments and any other payments received from OCCAR which would represent a total amount of cash of approximately 5.7 bn €. In addition, EADS would have to determine the further utilisation of specific tangible assets currently used for the A400M program.

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

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

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

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

in M €	As at December 31, 2008
Accumulated revenues	4,543
Accumulated cost of sales	(6,739)
Accumulated EBIT-impact	(2,196)

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

	Year ended December 2008		
in M €	Early stage accounting	Estimated at completion before early stage	Total impact of the A400M program
Revenues	1,107	419	1.526
Expensed work in progress	(1,449)	(489)	(1.938)
Subtotal	**(342)**	**(70)**	**(412)**
Consumption of provision	334	70	404
Additional costs (including increase in provision)	(696)	0	(696)
Total EBIT impact	**(704)**	**0**	**(704)**

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

4. Scope of consolidation

Perimeter of consolidation (December 31st, 2008) – The Consolidated Financial Statements include, in addition to EADS N.V.:

- 2008: 185 (2007: 193) companies which are fully consolidated,
- 2008: 36 (2007: 34) companies which are proportionately consolidated,
- 2008: 27 (2007: 24) companies which are investments in associates and are accounted for using the equity method.

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

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

5. Acquisitions and disposals

a) Acquisitions

On April 22nd, 2008, EADS acquired Plant CML based in California / USA, a leading provider of emergency response solutions, which is fully consolidated from that date in the Defence & Security division. The difference between the purchase price and the acquired net assets (not yet finally determined) led to the recognition of a preliminary goodwill of 302 M US$. The goodwill represents the value of expected synergies arising from the acquisition. Plant CML will primarily serve as a strong contributor in advancing EADS' professional mobile radio (PMR) solutions into the rapidly expanding U.S. market, while using EADS' strong international operations will allow Plant CML to accelerate its development in Europe and the rest of the world.

The fair value of the identifiable assets and liabilities of Plant CML as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

in M €	Fair value recognised on acquisition	Previous carrying value
Intangible Assets	67	46
Property, plant and equipment	4	4
Inventories	6	6
Trade receivables and other assets	29	29
Cash and cash equivalents	15	15
	121	100
Provisions	(2)	(2)
Trade liabilities	(6)	(6)
Other liabilities	(60)	(50)
	(68)	(58)
Net assets	**53**	**42**
Goodwill arising on acquisition (see Note 14 "Intangible Assets")	**195**	
Total consideration	**248**	

On July 28th, 2008, EADS acquired an additional 41% of Spot Image based in Toulouse / France, a world leader in the provision of satellite imagery and geo-information value-added services. EADS hereby increased its stake in Spot Image to 81% but had been consolidating it fully in the Astrium division since January 1st, 2008 based on effective control since that date. This additional purchase led to the recognition of an additional goodwill of 4 M € (not yet finally determined).

On April 7th, 2008, EADS, acquired Surrey Satellite Technology Limited (SSTL) based in the U.K., which is specialised in the design and manufacture of small and micro satellites. The acquisition was approved by the European Commission in December 2008 leading to consolidation of the SSTL balance sheet as at December 31st, 2008 in the Astrium division. This purchase led to the recognition of goodwill of 43 M GBP (not yet finally determined).

The following table summarizes the major preliminary accounting data regarding these two acquisitions:

in M €	**Fair value recognised on acquisition**	**Previous carrying value**
Intangible assets	9	9
Property, plant and equipment	10	10
Inventories	10	10
Trade receivables and other assets	30	30
Cash and cash equivalents	54	54
	113	113
Provisions	(5)	(2)
Trade liabilities	(22)	(22)
Financing liabilities	(7)	(7)
Other liabilities	(32)	(32)
	(66)	(63)
Net assets	**47**	**50**
Goodwill arising on acquisition (see Note 14 "Intangible Assets")	**54**	
Total consideration	**101**	

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

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

b) Disposals

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

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

c) Non-current assets / disposal groups classified as held for sale

Following the progress of the negotiations between Airbus and Diehl/Thales as well as GKN with respect to the plan to sell the Airbus sites in Laupheim (Germany) and Filton (U.K.), the respective assets and liabilities had been classified as disposal group held for sale in EADS' interim Consolidated Financial Statements of 2008. On August 1st, 2008, for the site in Laupheim and for the one in Filton on September 15th, 2008, Airbus signed the agreements for disposal with respective legal transfer of titles for Laupheim on October 1st, 2008 and on January 5th, 2009 for Filton. Consequently, the assets and liabilities of the Filton site are classified as disposal group held for sale in the Consolidated Financial Statements as of December 31st, 2008. For further details please refer to Note 23 "Non-current assets / disposal groups classified as held for sale".

Notes to the Consolidated Income Statements (IFRS)

6. Segment Reporting

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

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

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

a) Business Segment Information for the year ended December 31st, 2008

in M €	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security	Astrium	Other Businesses	HQ/ Conso.	Consolidated
Total revenues	27,453	2,759	4,486	5,668	4,289	1,528	22	46,205
Internal revenues	(1,432)	(205)	(287)	(638)	(14)	(364)	0	(2,940)
Revenues	**26,021**	**2,554**	**4,199**	**5,030**	**4,275**	**1,164**	**22**	**43,265**
Segment result	**1,763**	**(27)**	**292**	**389**	**230**	**80**	**(143)**	**2,584**
- thereof impairment charge for intangible assets and property, plant and equipment	*(17)*	*0*	*0*	*0*	*0*	*0*	*0*	*(17)*
- thereof additions to other provisions (see Note 26c)	*(823)*	*(18)*	*(426)*	*(657)*	*(152)*	*(43)*	*(162)*	*(2,281)*
Share of profit from associates accounted for under the equity method	0	9	0	10	1	0	168	188
Profit (loss) before finance costs and income taxes	**1,763**	**(18)**	**292**	**399**	**231**	**80**	**25**	**2,772**
Exceptional depreciation/ disposal	27	2	1	9	3	0	16	58
EBIT pre-goodwill impairment and exceptionals (see definition in Note 6c)	**1,790**	**(16)**	**293**	**408**	**234**	**80**	**41**	**2,830**
Total finance costs								(472)
Income tax expense								(703)
Profit for the period								**1,597**
Attributable to: Equity holders of the parent (Net income)								1,572
Minority interests								25
OTHER INFORMATION								
Identifiable segment assets (incl. goodwill) 1)	30,913	2,922	5,964	9,675	6,278	1,354	(214)	56,892
thereof goodwill	*6,374*	*12*	*111*	*2,559*	*619*	*59*	*26*	*9,760*
Investments in associates	0	9	3	98	3	0	2,243	2,356
Segment liabilities 2)	29,925	2,624	5,098	10,291	6,129	1,226	(509)	54,784
thereof provisions (see Note 26)	*6,077*	*32*	*1,339*	*2,782*	*696*	*197*	*939*	*12,062*
Capital expenditures (incl. leased assets)	936	107	190	188	244	55	117	1,837
Depreciation, amortization	1,052	55	85	149	188	49	89	1,667
Research and development expenses	2,209	9	134	174	69	10	64	2,669

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

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

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

in M €	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security 3)	Astrium	Other Businesses 3)	HQ/ Conso.	Consolidated
Total revenues	25,216	1,140	4,172	5,392	3,550	1,407	18	40,895
Internal revenues	(526)	(193)	(146)	(517)	(12)	(378)	0	(1,772)
Revenues	**24,690**	**947**	**4,026**	**4,875**	**3,538**	**1,029**	**18**	**39,123**
Segment result	**(904)**	**(156)**	**210**	**312**	**165**	**84**	**46**	**(243)**
- thereof impairment charge for intangible assets and property, plant and equipment	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
- thereof additions to other provisions (see Note 26c)	*(3,084)*	*(27)*	*(325)*	*(622)*	*(103)*	*(56)*	*(226)*	*(4,443)*
Share of profit from associates accounted for under the equity method	0	0	0	11	5	0	194	210
Profit (loss) before finance costs and income taxes	**(904)**	**(156)**	**210**	**323**	**170**	**84**	**240**	**(33)**
Disposal of goodwill	0	0	0	12	0	0	0	12
Exceptional depreciation/ disposal	23	1	1	10	4	0	34	73
EBIT pre-goodwill impairment and exceptionals (see definition in Note 6c)	**(881)**	**(155)**	**211**	**345**	**174**	**84**	**274**	**52**
Total finance costs								(737)
Income tax benefit								333
Loss for the period								**(437)**
Attributable to:								
Equity holders of the parent (Net loss)								(446)
Minority interests								9
OTHER INFORMATION								
Identifiable segment assets (incl. goodwill) 1)	34,162	2,523	5,233	9,350	6,059	1,268	(295)	58,300
thereof goodwill	*6,374*	*12*	*111*	*2,376*	*574*	*56*	*16*	*9,519*
Investments in associates	0	0	3	89	15	9	2,122	2,238
Segment liabilities 2)	27,189	2,213	4,335	9,982	6,037	1,037	(594)	50,199
thereof provisions (see Note 26)	*6,642*	*40*	*1,079*	*2,918*	*688*	*237*	*829*	*12,433*
Capital expenditures (incl. leased assets)	946	102	206	233	446	57	68	2,058
Depreciation, amortization	1,238	28	76	140	166	42	82	1,772
Research and development expenses	2,175	16	93	168	78	8	70	2,608

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

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

3) Business activities at EADS North America have been retrospectively reclassified from Defence & Security to Other Businesses and are not material.

As a rule, inter-segment transfers are carried out on an arm´s length basis. Inter-segment sales predominantly take place between Eurocopter, Defence & Security and Airbus as the Eurocopter and Defence & Security divisions act as suppliers for Airbus aircraft. It has to be noted that the Airbus division, acting as the main supplier for the A400M program, which is led by the Military Transport Aircraft division, is reporting most of the results of the program to date.

Capital expenditures represent the additions to property, plant and equipment and to intangible assets (excluding additions / changes in consolidation scope with regards to goodwill of 269 M € in 2008 and 9 M € in 2007; for further details see Note 6e) "Capital expenditures").

c) EBIT pre-goodwill impairment and exceptionals

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

in M €	**2008**	**2007**	**2006**
Profit (loss) before finance costs and income taxes	**2,772**	**(33)**	**278**
Disposal of goodwill/ subsequent adjustment to goodwill	0	12	64
Exceptional depreciation/ disposal	58	73	57
EBIT pre-goodwill impairment and exceptionals	**2,830**	**52**	**399**

d) Revenues by destination

in M €	**2008**	**2007**	**2006**
Germany	5,330	4,332	4,126
France	3,697	3,450	4,271
United Kingdom	2,654	1,991	2,953
Spain	1,456	1,173	1,361
Other European Countries	5,741	6,436	4,465
Asia/Pacific	10,747	8,826	7,857
North America	7,799	7,923	9,425
Latin America	2,708	2,054	1,213
Middle East	2,497	2,507	3,334
Other Countries	636	431	429
Consolidated	**43,265**	**39,123**	**39,434**

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

e) Capital expenditures

in M €	2008	2007	2006
France	792	819	968
Germany	566	477	789
United Kingdom	279	512	715
Spain	165	161	187
Other Countries	35	59	49
Capital expenditures excluding leased assets	**1,837**	**2,028**	**2,708**
Leased assets	**0**	**30**	**147**
Capital expenditures	**1,837**	**2,058**	**2,855**

f) Property, plant and equipment by geographical area

in M €	2008	2007	2006
France	4,154	3,908	3,548
Germany	3,576	3,715	3,909
United Kingdom	2,198	3,028	3,177
Spain	1,012	976	937
Other Countries	338	447	615
Property, plant and equipment by geographical area	**11,278**	**12,074**	**12,186**

Property, plant and equipment split by geographical area excludes leased assets (2008: 878 M €, 2007: 1,319 M € and 2006: 1,992 M €).

7. Revenues

Revenues in 2008 reached 43,265 M € compared to 39,123 M € in 2007 and 39,434 M € in 2006.

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 2008, the revenues from the delivery of goods & services comprise revenues from services including the sale of spare parts of 4,234 M €.

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

Detail of **Revenues:**

in M €	2008	2007	2006
Total revenues	43,265	39,123	39,434
Thereof revenues from the delivery of goods & services	33,951	31,813	31,487
Thereof revenues from construction contracts	8,852	6,241	7,001

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

8. Functional costs

Inventories recognised as an expense during the period amount to 30,267 M € (2007: 25,259 M €; 2006: 26,267 M €).

Thereof, 1,449 M € of contract costs which would have been capitalized in work in progress under the estimate at completion method of PoC accounting, are expensed as cost of sales according to the early stage method of accounting (see Note 3 "Accounting for the A400M program").

Further included in cost of sales are amortization expenses of fair value adjustments of non-current assets in the amount of 52 M € (2007: 49 M €; 2006: 57 M €); these are related to the EADS merger, the Airbus Combination and the formation of MBDA.

Personnel expenses are:

in M €	**2008**	**2007**	**2006**
Wages, salaries and social contributions	9,030	8,696	8,397
Net periodic pension cost (see Note 26 b)	366	385	334
Total	**9,396**	**9,081**	**8,731**

The **Gross Margin** increases by 3,037 M € to 7,358 M € compared to 4,321 M € in 2007. This improvement is mainly related to Airbus in particular benefiting in 2008 from foreign exchange effects (GBP and USD) on onerous contracts provisions and due to the higher impact in 2007 regarding A350 XWB burdens, higher charges related to the A400M and accrued Power8 restructuring charges. In 2008, strong operational performance with delivery ramp-up, Power8 savings and improvements in all divisions further contribute to the increase in the gross margin.

9. Research and development expenses

Research and development expenses in 2008 amount to 2,669 M € compared to 2,608 M € in 2007 and 2,458 M € in 2006, primarily reflecting R&D activities at Airbus. Most of the increase was attributable to higher expenses at Airbus and Eurocopter, due to development on the A350 XWB program and various helicopter programs, partly compensated by a decrease for the A380 program.

10. Other income

in M €	**2008**	**2007**	**2006**
Other income	189	233	297
Thereof rental income	26	37	47
Thereof income from sale of fixed assets	21	92	23
Thereof release of allowances	13	11	3

Other income in 2007 included among others the gain from the sale of property in Vélizy, Villepreux and Montigny le Bretonneux in the amount of 50 M € as well as the gain from the disposal of investment properties in Neuaubing and Nabern amounting to 20 M €.

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

in M €	**2008**	**2007**	**2006**
Share of profit from associates	188	210	152
Other income from investments	23	86	37
Total	**211**	**296**	**189**

The **share of profit from associates accounted for under the equity method** in 2008 is mainly derived from the result of the equity investment in Dassault Aviation of 169 M € (2007: 194 M €; 2006: 130 M €). Since for the second half-year 2008 no financial information is available yet from Dassault Aviation, the net income of the second half year 2007 of Dassault Aviation has been used as the second half year's net income for 2008 in the amount of 92 M €. For the first semester 2008, Dassault Aviation published a net income of 167 M € which has been recognised by EADS with its share of 46.3% amounting to 77 M €. Dassault Aviation reported in 2007 a net income of 382 M € of which

EADS recognised an amount of 177 M € according to its share of 46.3%. In 2007, the equity investment income from Dassault Aviation included positive IFRS catch-up adjustments of 17 M € (2008 and 2006: 0 M €).

Other income from investments comprises in 2008 the dividend payment from the Eurofighter Jagdflugzeug GmbH of 12 M € (2007: 13 M €; 2006: 0 M €). Furthermore, other income from investments included in 2007 the capital gain of 46 M € from the disposal of the 2.13% interest in Embraer.

12. Total finance costs

Interest result in 2008 comprises interest income of 617 M € (2007: 502 M €; 2006: 454 M €) and interest expense of (581) M € (2007: (701) M €; 2006: (575) M €). Included in interest income is the return on cash and cash equivalents, securities and financial assets such as loans and finance leases. Interest expense includes interests on European Government refundable advances of 255 M € (2007: 289 M €; 2006: 266 M €) and on financing liabilities.

Other financial result in 2008 includes among others negative foreign exchange rate effects of Airbus (28) M € (negative impact in 2007: (274) M € and in 2006: (136) M €), charges from the unwinding of discounted provisions amounting to (230) M € (2007: (202) M €; 2006: (22) M €) and a burden from the fair value measurement of embedded derivatives not used in hedging relationships in the amount of (121) M € (negative impact in 2007: (5) M €; positive impact in 2006: 46 M €). Included in 2008 is the negative impact of the reassessment of counterparty risk in the amount of (49) M €.

13. Income taxes

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

in M €	**2008**	**2007**	**2006**
Current tax expense	(354)	(64)	(112)
Deferred tax (expense) / benefit	(349)	397	193
Total	**(703)**	**333**	**81**

The Group's parent company, EADS N.V., legally seated in Amsterdam, the Netherlands, applies Dutch tax law using an income tax rate of 25.5% for December 31st, 2008 (for 2007: 25.5% and for 2006: 29.6%). In 2006, a new tax law was enacted reducing the income tax rates from 2007 onwards to 25.5%.

Deferred tax assets and liabilities for the Group's French subsidiaries were calculated at December 31st, 2008, 2007 and 2006 using the enacted tax rate of 34.43% for temporary differences. The French corporate tax rate in effect was 33 1/3% plus a surcharge of 3.3% ("contribution sociale"). Accordingly, the applied tax rate for 2008, 2007 and 2006 in France is 34.43%.

In 2007, the German government enacted new tax legislation ("Unternehmensteuerreformgesetz 2008") which decreased the federal corporate tax rate from 25% to 15%, being effective as of January 1st, 2008. In addition there is a surcharge ("Solidaritätszuschlag") of 5.5% on the amount of federal corporate taxes. For trade taxes, the basic measurement rate has been reduced from 5% to 3.5%, but the tax deductibility of trade tax has been abolished. In aggregate, the enacted tax rate which has been applied to German deferred taxes as of January 1st, 2007 and onwards amounts to 30% (2006: 38.5%).

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

All other foreign subsidiaries apply their national tax rates, among others United Kingdom from 2007 onwards with 28% (in 2006: 30%).

The following table shows a reconciliation from the theoretical income tax (expense) benefit – using the Dutch corporate tax rate of 25.5% as at December 31st, 2008 and 2007, and 29.6% as at December 31st, 2006 – to the reported tax (expense) benefit. 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 financial statements according to IFRS rules.

in M €	2008	2007	2006
Profit (loss) before income taxes	2,300	(770)	34
* Corporate income tax rate	25.5%	25.5%	29.6%
Expected (expense) benefit for income taxes	(587)	196	(10)
Effects from tax rate differentials	(125)	133	65
Income from investments/ associates	81	109	103
Tax credit for R&D expenses	51	20	34
Change of tax rate	0	(106)	85
Change in valuation allowances	(113)	(3)	(198)
Non-deductible expenses and tax-free income	(14)	(19)	(30)
Other	4	3	32
Reported tax (expense) benefit	**(703)**	**333**	**81**

The change in valuation allowances reflects the updated assessment regarding the recoverability of the deferred tax assets for a tax paying entity in the foreseeable future. In 2008, the change in valuation allowance is mainly due to Airbus and Headquarters. In 2006, valuation allowances have increased for Airbus while some were partly released in Astrium. Furthermore in 2006, a tax audit of DASA for the years 1994 until 1999 was finalised. According to the EADS shareholders agreement the related tax expense was reimbursed by Daimler AG. Thus deferred tax assets have been adjusted resulting in a reconciling item of 39 M € and included in "other".

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

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

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

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

Deferred income taxes as of December 31st, 2007 are related to the following assets and liabilities:

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

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

The amount of the Group's deferred tax assets' allowances is based upon management's estimate of the level of deferred tax assets that will be realized 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 50 M € (in 2007: 35 M €). Assessments show that these deferred tax assets will be recovered in future through either (i) own projected profits, or (ii) profits of other companies integrated in the same fiscal group ("regime integration fiscal" in France, "steuerliche Organschaft" in Germany) or (iii) via the "loss surrender-agreement" in Great Britain.

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

in M €	France	Germany	Spain	UK	Nether-lands	Other countries	*December 31, 2008*	*December 31, 2007*
Net Operating Losses (NOL)	689	640	40	1,330	249	17	**2,965**	**2,865**
Trade tax loss carry forwards	0	560	0	0	0	0	**560**	**586**
Tax credit carry forwards	0	0	296	0	20	0	**316**	**305**
Tax effect	**237**	**181**	**309**	**372**	**69**	**6**	**1,174**	**1,148**
Valuation allowances	(25)	(57)	(20)	(333)	(68)	(5)	**(508)**	**(508)**
Deferred tax assets on NOL's and tax credit carry forwards	**212**	**124**	**289**	**39**	**1**	**1**	**666**	**640**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable in France, Germany and in Great Britain. In Spain, NOLs and tax credit carry forwards expire after 15 years. The first tranche of tax credit carry forwards (2 M €) will expire in 2014. In the Netherlands, NOLs and tax credit carry forwards expire after 9 years.

Roll forward of deferred taxes:

in M €	2008	2007
Net deferred tax asset beginning of the year	**517**	**159**
Deferred tax (expense) benefit in income statement	(349)	397
Deferred tax recognized directly in AOCI (IAS 39)	1,689	127
Variation of Defined benefit plan actuarial gains	33	(173)
Others	(87)	7
Net deferred tax asset at year end	**1,803**	**517**

Details of deferred taxes recognized in equity are as follows:

in M €	2008	2007
Available-for-sale investments	(5)	(2)
Cash flow hedges	110	(1,582)
Defined benefit plan actuarial losses	259	226
Total	**364**	**(1,358)**

Notes to the Consolidated Balance Sheets (IFRS)

14. Intangible assets

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

Cost

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

Amortization

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

Net book value

in M €	Balance at January 1, 2008		Balance at December 31, 2008
Goodwill	9,519		9,760
Capitalized development costs	900		881
Other intangible assets	413		530
Total	**10,832**		**11,171**

Within the current year's additions to other intangible assets, EADS proceeded in December 2008 to the payment of a gross amount of 86 M € to acquire the intangible rights previously embodied under a Service Provider Agreement. This intangible asset has been depreciated by 22 M € in 2008 according to its economic nature.

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

Cost

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

Amortization

in M €	Balance at January 1, 2007	Exchange differences	Amorti-zation charge	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at December 31, 2007
Goodwill	(1,145)	9	0	6	0	0	(1,130)
Capitalized development costs	(12)	0	(46)	0	(2)	2	(58)
Other intangible assets	(723)	7	(181)	7	0	0	(890)
Total	**(1,880)**	**16**	**(227)**	**13**	**(2)**	**2**	**(2,078)**

Net book value

in M €	Balance at January 1, 2007		Balance at December 31, 2007
Goodwill	9,565		9,519
Capitalized development costs	873		900
Other intangible assets	417		413
Total	**10,855**		**10,832**

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 December 31st, 2008 and 2007, goodwill was allocated to CGUs, which is summarized in the following schedule on segment level:

in M €	Airbus	Military Transport Aircraft	Euro-copter	Defence & Security	Astrium	Other Businesses	HQ/ Conso.	Conso-lidated
Goodwill as of December 31, 2008	6,374	12	111	2,559	619	59	26	9,760
Goodwill as of December 31, 2007 [1)]	6,374	12	111	2,376	574	56	16	9,519

1) Business activities at EADS North America have been retrospectively reclassified from Defence & Security to Other Businesses and are not material.

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.

General assumptions applied in the planning process

The operative planning which was approved by the Board of Directors on December 12th, 2008, takes into account general economic data derived from external macroeconomic and financial studies. The operative planning assumptions reflect for the periods under review specific inflation rates and future labour expenses in the European countries where the major production facilities are located. Regarding the expected future labour expenses, an increase of 3 to 4% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA. With regard to the A400M program no other specific assumptions have been taken different from those used for the preparation of these Consolidated Financial Statements (see Note 3 "Accounting for the A400M program").

EADS follows an active policy of foreign exchange risk hedging. As of December 31st, 2008, the total hedge portfolio with maturities up to 2016 amounts to 68 billion US$ and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2009 to 2013). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2016 amounts to 1.38 US$/€ and for the US$/GBP hedge portfolio until 2016 amounts to 1.68 US$/GBP. For the determination of the operative planning in the CGUs management assumed future exchange rates of 1.45 US$/€ for 2009 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 December 31st, 2008 has been determined with 1% (previous years: 2%). This assumption is lower than experienced in past economic cycles in order to reflect current uncertainty regarding market developments in the long term.

The recoverable amounts used for the impairment tests for all CGUs have been determined according to the value in use methodology (in 2007 for Airbus the higher recoverable amount was based on a fair value less cost to sell methodology).

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

Airbus segment

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

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

- Projected cash flows for the next five years are based on the "flat scenario" presented by Airbus to EADS Board of Directors as an intermediate variant of the operative plan. This planning scenario takes into account the pause in production ramp-up as publicly disclosed on October 15th, 2008. 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 (TV) reflects Airbus' assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade. Thanks to the progress of A350 XWB development the Long Range segment is included in the general methodology.

- Because of the unavailability of updated General Market forecast, 2008 Airbus forecast developed has been kept as a reference for long term market development with sustaining of current market share per segment. Current market uncertainties are considered through sensitivities. Cash flow projections include all of the estimated cost savings of the Power 8 program as well as expected benefits from initiatives already launched in the frame of Power8 Plus.
- Cash flows are discounted using a Euro weighted average cost of capital pre-tax (WACC) of 13%.
- Carrying values as well as planned cash flows include impacts from the existing hedge portfolio as per end December 2008.

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

The recoverable amount is particularly sensitive to the following areas:

- A change of the Euro against the US$ by 5 cents would lead to a change of the recoverable amount by +3.1 bn € (if 5 cents in decrease), -3.6 bn € (if 5 cents in addition).
- A reduction in the Long Term market demand by 50 Single Aisle aircraft per year deteriorates the value in use of Airbus by -3.6 bn €, a reduction in the Long term market demand by 10 Long Range aircraft per year deteriorates the value in use of Airbus by -1.6 bn €.
- A shortfall of 250 aircraft deliveries in the short term (planning period) would deteriorate the recoverable amount by -2.7 bn €. This includes a first set of internal mitigating measures the Company would launch on the short term; this does not include any benefit from external support the Company would claim for.
- An increase of 50 basis points in the WACC would change the recoverable amount by -1.3 bn €, a decrease of 50 basis points in the WACC by +1.4 bn €.
- 50% shortfall on the cash savings of Power 8 to be achieved after 2008 would change the recoverable amount by -3.1 bn €. Such a shortfall would trigger additional structural measures that cannot be sized at this stage. Full completion of Power8 Plus target would increase the recoverable amount by +0.5 bn €.

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

Other EADS segments

In order to reflect the different underlying business risks, a segment specific WACC factor has been applied. For Eurocopter and Military Transport Aircraft the cash flows were discounted using a weighted average cost of capital pre-tax (WACC) of 11.8%, while the calculation for the more defence related CGUs like Defence & Security and Astrium applied a pre-tax WACC of 11.2% (in 2007 all other EADS segments applied a pre-tax WACC of 12.1%). Cash flow projections are based on operative planning covering a five-year planning period.

For the Defence & Security division, a sustainable growth in revenues is assumed in the operative planning. This is driven by a strong order backlog and further key orders expected in the next years, as for example Eurofighter 3rd tranche and export contracts, ramp up in Unmanned Aerial Vehicles (“UAV”), Missile export orders and for Secure Networks, Electronic Warfare and Radar business. The operating margin of the division is expected to increase over the operative planning period thanks to the constantly volume growth and benefiting from initiated cost saving programs.

The order book of the Astrium division as of December 31st, 2008 (including satellites, launchers, ballistic missiles and military telecom services) supports the strong revenue increase which is assumed for this division over the operative planning period. Based on key achievements in 2008, like the successful launch of Skynet 5C and TerraSarX as well as the successful 3rd qualification flight of the M51, the planning period is also characterized by business development in telecom and earth observation services and further order intake in established key areas (e.g. M51 production, Ariane 5). The operating margin and the Free Cash Flow are planned to increase continuously supported by existing improvement programs.

The recoverable amounts of all CGUs have exceeded their carrying amounts, indicating no goodwill impairment for 2008 and 2007.

Development Costs

EADS has capitalised development costs in the amount of 881 M € as of December 31st, 2008 (900 M € as of December 31st, 2007) as internally generated intangible assets mainly for the Airbus A380 program. The amortisation for the A380 program development costs has started when the aircraft entered the final assembly line, on a unit of production basis.

15. Property, plant and equipment

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

Cost

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

Depreciation

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

Net book value

in M €	Balance at January 1, 2008		Balance at December 31, 2008
Land, leasehold improvements and buildings including buildings on land owned by others	4,048		4,006
Technical equipment and machinery	4,942		4,917
Other equipment, factory and office equipment	1,974		1,543
Advance payments relating to plant and equipment as well as construction in progress	2,429		1,690
Total	**13,393**		**12,156**

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

Cost

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

Depreciation

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

Net book value

in M €	Balance at January 1, 2007		Balance at December 31, 2007
Land, leasehold improvements and buildings including buildings on land owned by others	3,823		4,048
Technical equipment and machinery	4,177		4,942
Other equipment, factory and office equipment	2,605		1,974
Advance payments relating to plant and equipment as well as construction in progress	3,573		2,429
Total	**14,178**		**13,393**

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

Property, plant and equipment include at December 31st, 2008 and 2007, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of 131 M € and 121 M €, net of accumulated depreciation of 105 M € and 128 M €. The related depreciation expense for 2008 was 10 M € (2007: 12 M €; 2006: 35 M €). Property, plant and equipment used for the A400M program amounting to 722 M € were not subject to an impairment charge, as they are expected to be recoverable through the further progress of the A400M program (see Note 3 "Accounting for the A400M program"). For investment property please refer to Note 16 "Investment property".

Other equipment, factory and office equipment include the net book value of "aircraft under operating lease" for 878 M € and 1,319 M € as of December 31st, 2008 and 2007, respectively; related accumulated depreciation is 733 M € and 891 M €. Depreciation expense for 2008 amounts to 71 M € (2007: 105 M €; 2006: 137 M €).

The "aircraft under operating lease" include:

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

The corresponding non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at December 31st, 2008 are as follows:

in M €	
not later than 2009	59
later than 2009 and not later than 2013	130
later than 2013	37
Total	**226**

ii) Aircraft which have been accounted as "operating lease" because they were sold under terms that include asset value guarantee commitments with the present value of the guarantee being more than 10% of the aircraft's sales price (assumed to be the fair value). Upon the initial sale of these aircraft to the customer, their total cost previously recognised in inventory is transferred to "Other equipment, factory and office equipment" and depreciated over its estimated useful economic life, with the proceeds received from the customer being recorded as deferred income (see Note 31 "Deferred income").

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

	December 31,	
in M €	**2008**	**2007**
(i) Net book value of aircraft under operating lease before impairment charge	433	600
Accumulated impairment	(52)	(102)
Net book value of aircraft under operating lease	381	498
(ii) Aircraft under operating lease with the present value of the guarantee being more than 10%	497	821
Total Net Book value of aircraft under operating lease	**878**	**1,319**

For details please refer to Note 34 "Commitment and contingencies".

16. Investment property

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

in M €	Historical cost	Accumulated depreciation December 31, 2007	Book value December 31, 2007	Disposals Historical cost	Depreciation Amortisation	Accumulated depreciation December 31, 2008	Book value December 31, 2008
Book value of Investment Property	213	(117)	96	(1)	(8)	(125)	87

As of December 31st, 2008, the fair value of the Group's investment property amounts to 88 M € (in 2007: 100 M €). For the purposes of IAS 40 "Investment property", the fair values have been determined by using market based multipliers for estimated rental income or using available market prices. Related rental income in 2008 is 8 M € (in 2007: 13 M €) with direct operating expenses amounting to 3 M € (in 2007: 5 M €).

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:

	December 31,	
in M €	**2008**	**2007**
Investments in associates accounted for under the equity method	**2,356**	**2,238**
Non-current other investments and other long-term financial assets		
Other investments	320	404
Other long-term financial assets	1,392	1,149
Total	**1,712**	**1,553**
Current portion of other long-term financial assets	**177**	**166**

Investments in associates accounted for under the equity method as of December 31st, 2008 and 2007, mainly comprise EADS' interest in Dassault Aviation (46.32% at December 31st, 2008 and 46.30% at December 31st, 2007) of 2,243 M € and 2,121 M €. Since for the second half-year 2008 no financial information is available yet from Dassault Aviation, the net income of the second half year 2007 of Dassault Aviation has been used to report the current second half year's net income for 2008 and the June 30th, 2008 equity components have been used to estimate the 2008 year-end consolidated equity position of Dassault Aviation. For the first semester 2008 Dassault Aviation published a net income of 167 M € which has been recognised by EADS in accordance with its share of 46.3%, amounting to 77 M €.

Dassault Aviation reported in 2007 a net income of 382 M € of which EADS recognised an amount of 177 M € according to its share of 46.3%. In 2008, the equity investment income from Dassault Aviation does not include any IFRS catch-up adjustments (2007: 17 M €) because of the unavailability of such information. In addition, as at December 31st, 2008, 2 M € (in 2007: (6) M €) were recognized directly in equity (AOCI).

EADS' 46.3% interest in Dassault Aviation's market capitalisation, derived from an observable free float of 3.5%, fell below its at-equity value during the 4th quarter 2008 and amounts to 1,886 M € as of December 31st, 2008.

The following table illustrates summarized financial information of the EADS investment of 46.3% in Dassault Aviation:

in M €	June 30, 2008	December 31, 2007
Share of the associate's balance sheet:		
Non-current assets	1,968	1,949
Current assets	2,715	2,487
Non-current liabilities	151	145
Current liabilities	2,765	2,554
Total equity	1,767	1,737
Share of the associate's revenues and profit:	**6 months**	**12 months**
Revenues	715	1,891
Net Income	77	177

in M €	December 31, 2008	December 31, 2007
Carrying amount of the investment at December 31,	**2,243**	**2,121**

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

Other investments comprise EADS' investments in various non-consolidated entities, the most significant being at December 31st, 2008, the participations in OnAir B.V. amounting to 24 M € (2007: 14 M €), in AviChina amounting to 23 M € (2007: 41 M €) and in Hua-Ou Aviation Support Center and Hua-Ou Aviation Training Center amounting to 20 M € (2007: 19 M €). The participation of 10% in Irkut was sold in June 2008 (2007: 62 M €).

Other long-term financial assets of 1,392 M € (2007: 1,149 M €) and the **current portion of other long-term financial assets** of 177 M € (in 2007: 166 M €) encompass mainly the Group's sales finance activities in the form of finance lease receivables and loans from aircraft financing. They are reported net of accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 34 "Commitments and contingencies" for details on sales financing transactions).

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

	December 31,	
in M €	2008	2007
Outstanding gross amount of loans to customers	504	346
Accumulated impairment	(98)	(79)
Total net book value of loans	**406**	**267**

Finance lease receivables from aircraft financing are as follows:

	December 31,	
in M €	2008	2007
Minimum lease payments receivables	863	795
Unearned finance income	(15)	(105)
Accumulated impairment	(146)	(112)
Total net book value of finance lease receivables	**702**	**578**

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

in M €	
not later than 2009	77
later than 2009 and not later than 2013	500
later than 2013	286
Total	**863**

Additionally included are 461 M € and 470 M € of other loans as of December 31st, 2008 and 2007, e.g. loans to employees.

Defeased bank deposits of 373 M € and 677 M € as of December 31st, 2008 and 2007, respectively have been offset against financing liabilities.

18. Inventories

Inventories at December 31st, 2008 and 2007 consist of the following:

in M €	December 31, 2008	2007
Raw materials and manufacturing supplies	1,706	1,596
Work in progress	12,253	12,253
Finished goods and parts accounted for at lower of cost and net realizable value	1,829	1,217
Advance payments to suppliers	3,664	3,840
Total	**19,452**	**18,906**

The application of the early stage method of accounting resulted in a decrease of work in progress at Airbus for the A400M program of 1,449 M € (see Note 3 "Accounting for the A400M program"). However, this decrease was compensated by the increase at Eurocopter, due to the ramp-up of governmental and commercial programs at Astrium and at Defence & Security. Finished goods and parts increased by 612 M €, mainly relating to more aircraft on stock at Airbus. The decrease of advance payments provided to suppliers mainly reflects activities in Defence & Security for Eurofighter Series Production Equipment.

The finished goods and parts for resale before write-down to net realizable value amount to 2,181 M € in 2008 (2007: 1,565 M €) and work in progress before write-down to net realizable value amounts to 13,656 M € (2007: 13,632 M €). Write downs for finished goods and services are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. The impairment charges in 2008 and 2007 for work in progress mainly relate to the A380 program.

19. Trade receivables

Trade receivables at December 31st, 2008 and 2007 consist of the following:

in M €	December 31, 2008	2007
Receivables from sales of goods and services	5,624	5,026
Allowance for doubtful accounts	(357)	(387)
Total	**5,267**	**4,639**

Trade receivables are classified as current assets. As of December 31st, 2008 and 2007, respectively, 108 M € and 175 M € of trade receivables are not expected to be collected within one year.

In application of the **percentage of completion** (PoC) method, as of December 31st, 2008 an amount of 1,731 M € (in 2007: 1,488 M €) 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** amount to 24,696 M € compared to 21,128 M € at year-end 2007.

The **gross amount due from customers** for construction work amounts to 3,832 M € and relates to construction contracts where incurred contract costs plus recognized profits less the sum of recognized losses exceed progress billings.

The **gross amount due to customer** amounts to 1,451 M € and corresponds to the construction contracts whose total of incurred contract costs plus recognized profits less the sum of recognized losses and progress billings is negative.

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

in M €	2008	2007
Allowance balance at January 1	(387)	(375)
Utilizations / disposals	31	18
Additions / release	(2)	(33)
Foreign exchange rate differences	1	3
December 31st	**(357)**	**(387)**

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 4,098 M € (in 2007: 3,403 M €).

20. Other financial assets

Other financial assets at December 31st, 2008 and 2007 consist of the following:

	December 31,	
in M €	2008	2007
Non current other financial assets		
Positive fair values of derivative financial instruments	1,101	2,440
Option premiums	323	0
Others	188	70
Total	**1,612**	**2,510**
Current other financial assets		
Positive fair values of derivative financial instruments	1,482	2,955
Receivables from related companies	533	363
Loans	70	101
Others	410	436
Total	**2,495**	**3,855**

21. Other assets

Other assets at December 31st, 2008 and 2007 consist of the following:

	December 31,	
in M €	2008	2007
Non current other assets		
Prepaid expenses	849	808
Capitalised settlement payments to German Government	133	166
Others	52	59
Total	**1,034**	**1,033**
Current other assets		
Value Added Tax claims	695	627
Prepaid expenses	463	401
Others	308	289
Total	**1,466**	**1,317**

The capitalised settlement payments to the German Government are related to refundable advances which are amortized 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 6,952 M € and 4,289 M € as of December 31st, 2008 and 2007, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of 2,759 M € (in 2007: 2,406 M €) and securities designated at fair value through profit and loss of 281 M € (in 2007: 285 M €) as well as a **current portion** of available-for-sale-securities of 3,461 M € (in 2007: 1,598 M €) and securities designated at fair value through profit and loss of 451 M €.

Included in the securities portfolio as of December 31st, 2008 and 2007, respectively are corporate bonds bearing either fixed rate coupons (2,039 M € nominal value; 2007: 827 M €) or floating rate coupons (3,896 M € nominal value; 2007: 2,854 M €) as well as Structured Rate Notes (365 M € nominal value; 2007: 365 M €), Money Market Funds (451 M € nominal value, 2007: 0 M €) and Notes of Hedgefunds (275 M € nominal value; 2007: 275 M €) .

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

At December 31st, 2008 EADS Group accounted for **non-current assets / disposal groups classified as held for sale** in the amount of 263 M € (2007: 0 M €). The disposal group in 2008 includes **liabilities directly associated with non-current assets classified as held for sale** amounting to 155 M € (2007: 0 M €).

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

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

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

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

24. Total equity

The reconciliation of movement in capital and reserves for the years ended December 31st, 2008, 2007 and 2006 is presented as follows:

		Equity attributable to equity holders of the parent						Minority interests	Total equity
in million €	Note	Capital stock	Share premium	Other reserves	Accumulated other comprehensive income	Treasury shares	Total		
Balance at December 31, 2005		**818**	**8,715**	**(16)**	**3,982**	**(445)**	**13,054**	**153**	**13,207**
Total recognized income and expense				(591)	973		382	(4)	378
Capital increase		5	89				94		94
Share-based Payment (IFRS 2)	36			40			40		40
Cash distribution to EADS N.V. shareholders / dividends paid to minorities			(520)				(520)	(16)	(536)
Change in minority interests							0	4	4
Change in treasury shares						(35)	(35)		(35)
Cancellation of treasury shares		(7)	(124)			131	0		0
Balance at December 31, 2006		**816**	**8,160**	**(567)**	**4,955**	**(349)**	**13,015**	**137**	**13,152**
Total recognized income and expense				(43)	121		78	41	119
Capital increase		3	43				46	2	48
Share-based Payment (IFRS 2)	36			48			48		48
Cash distribution to EADS N.V. shareholders / dividends paid to minorities			(97)				(97)	(1)	(98)
Change in minority interests [1)]							0	(94)	(94)
Cancellation of treasury shares		(5)	(138)			143	0		0
Balance at December 31, 2007		**814**	**7,968**	**(562)**	**5,076**	**(206)**	**13,090**	**85**	**13,175**
Total recognized income and expense				1,262	(3,318)		(2,056)	19	(2,037)
Capital increase		2	22				24	1	25
Share-based Payment (IFRS 2)	36			22			22		22
Cash distribution to EADS N.V. shareholders / dividends paid to minorities			(97)				(97)	(10)	(107)
Change in minority interests								9	9
Change in treasury shares						39	39		39
Cancellation of treasury shares		(1)	(57)			58	0		0
Balance at December 31, 2008		**815**	**7,836**	**722**	**1,758** [2)]	**(109)**	**11,022**	**104**	**11,126**

1) The total amount is related to the change in the percentage of the proportional consolidation of MBDA from 50% in 2006 to 37.5%; please refer to Note 4 "Scope of Consolidation".

2) AOCI comprises as of December, 31st, 2008 an amount of 1,521 M € of Currency Translation Adjustments.

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

Number of shares	2008	2007
Issued as at January 1,	**814,014,473**	**815,931,524**
Issued for ESOP	2,031,820	2,037,835
Issued for exercised options	14,200	613,519
Cancelled	(1,291,381)	(4,568,405)
Issued as at December 31,	**814,769,112**	**814,014,473**
Treasury shares as at December 31,	(5,259,965)	(9,804,998)
Outstanding as at December 31,	**809,509,147**	**804,209,475**

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

On May 4th, 2007, the Shareholders' General Meeting of EADS renewed the authorisation given to the Board of Directors to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital, provided that such powers will be limited to 1% of the Company's authorized capital from time to time and to have powers to limit and to exclude preferential subscription rights, in both cases for a period expiring at the Shareholders' General Meeting to be held in 2009.

The Shareholders' General Meeting on May 26th, 2008, 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 authorization given by the Annual General Meeting of May 4th, 2007.

Furthermore, the Shareholders' General Meeting authorized both the Board of Directors and the Chief Executive Officer, with powers of substitution, to cancel up to a maximum of 1,291,381 shares. On July 30th, 2008, the Chief Executive Officer decided to cancel 1,291,381 treasury shares.

On May 26th, 2008, the Shareholders' General Meeting also decided to distribute the result of the fiscal year 2007 resulting in a gross amount of 0.12 € per share, which was paid on June 4th, 2008. Relating to the fiscal year 2008 a cash distribution of 0.20 € per share is proposed.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of 14,200 € (in 2007: 613,519 €) in compliance with the implemented stock option plans and 2,031,820 € by employees under the 2008 Employee Stock Ownership Plan (under the 2007 Employee Stock Ownership Plan: 2,037,835 €).

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

25. Capital Management

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

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

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

EADS' management implements a monitoring system which allows benchmarking the return on capital by comparing it with the cost of capital. EADS utilises a residual profit approach denoted as Economic Profit. This is defined as EBIT after taxes (NOPAT) less the cost of capital (sum of shareholders equity, interest bearing liabilities, excluding derivative instruments, EADS foundation goodwill and net deferred taxes).

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

As mentioned above, the Group reassessed its approach to capital management in 2008 and 2007. The focus of EADS' capital management is on total interest bearing liabilities as one of the capital components rather than on "net liabilities" (interest bearing liabilities net of cash and cash equivalents) as in previous years. Capital management is part of EADS' "management by objectives" which is planned to be re-aligned with EADS' change in capital definition.

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

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

26. Provisions

Provisions are comprised of the following:

	December 31,	
in M €	**2008**	**2007**
Provision for retirement plans (see Note 26 b)	4,387	4,517
Provision for deferred compensation (see Note 26 a)	159	151
Retirement plans and similar obligations	**4,546**	**4,668**
Other provisions (see Note 26 c)	7,516	7,765
Total	**12,062**	**12,433**
Thereof non-current portion	7,479	8,055
Thereof current portion	4,583	4,378

As of December 31st, 2008 and 2007, respectively, 4,335 M € and 4,382 M € of retirement plans and similar obligations and 3,144 M € and 3,673 M € of other provisions mature after more than one year.

a) Provisions for deferred compensation

This amount represents obligations that arise if employees elect to convert part of their remuneration or bonus into an equivalent commitment for deferred compensation.

b) Provisions for retirement plans

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

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

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

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

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

Generally, based on the funding situation of the respective pension schemes, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the schemes. The different UK pension plans in which EADS investments participate are currently underfunded. BAE Systems has agreed with the trustees various measures designed to make good the underfunding. These include i) regular contribution payments for active employees well above such which would prevail for funded plans and ii) extra employers' contributions.

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

Based on detailed information about the different multi-employer pension schemes which BAE Systems has started to share since December 31st, 2006, EADS is able to appropriately and reliably estimate the share of its participation in the schemes, i.e. its share in plan assets, defined benefit obligations (DBO) and pension costs. The information enables EADS to derive keys per plan to allocate for accounting purposes an appropriate proportion in plan assets, defined benefit obligations and pension costs to its UK investments as of December 31st, 2008 and 2007, 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 2008, the share of Airbus in BAE Systems' main schemes amounts to 19.63% (in 2007: 19.12%). The impact of this change is reflected in actuarial gains and losses of the period.

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

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

	Euro-countries [1]			EADS UK			BAE Systems UK		
	December 31,			December 31,			December 31,		
Assumptions in %	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Discount rate	5.6-5.85	5.25-5.35	4.5	6.5	5.8	5.1	6.3	5.8	5.2
Rate of compensation increase	3.0-3.5	3.0	3.0	4.1	4.2	3.8	3.9	4.3	4.0
Inflation rate	1.8-2.25	1.9-2.0	1.9-2.0	3.0	3.1	2.8	2.9	3.3	3.0
Expected return on plan assets	6.5	7.0	6.5	5.8	5.8	5.8	7.1	7.0	7.0

1) Euro-countries comprise Germany and France respectively.

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

Change in defined benefit obligations in M €	**2008**	**2007**	**2006**
Defined benefit obligations at beginning of year	8,573	9,584	5,927
Service cost	191	213	162
Interest cost	449	429	230
Plan amendments	0	22	2
Actuarial (gains) and losses	(390)	(729)	(185)
Acquisitions, curtailments and other	26	(42)	(15)
Benefits paid	(352)	(383)	(228)
Foreign currency translation adjustment	(720)	(298)	(5)
Change in consolidation [1]	0	(223)	3,696
Defined benefit obligations at end of year	**7,777**	**8,573**	**9,584**

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

Actuarial gains which are related to the BAE Systems UK pension plans amount to (188) M € (in 2007: (426) M €) and foreign currency translation adjustment amounts to (656) M € (in 2007: (274) M €).

Change in plan assets in M €	**2008**	**2007**	**2006**
Fair value of plan assets at beginning of year	4,031	3,833	799
Actual return on plan assets	(457)	119	84
Contributions	436	683	212
Acquisitions and other	80	18	6
Benefits paid	(200)	(223)	(72)
Foreign currency translation adjustments	(555)	(242)	5
Change in consolidation [1]	0	(157)	2,799
Fair value of plan assets at end of year	**3,335**	**4,031**	**3,833**

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

The actual return on plan assets includes among others, also (280) M € (in 2007: 42 M €) relating to the BAE Systems' UK pension plans. Furthermore, (504) M € (in 2007: (223) M €) of foreign currency translation adjustments and (106) M € (in 2007: (122) M €) of benefits paid result from BAE Systems' UK pension plans.

In 2007, EADS implemented a Contractual Trust Arrangement (CTA) for allocating and generating plan assets in accordance with IAS 19. On October 28th, 2007, some EADS companies contributed in total 500 M € in cash and securities as an initial funding of the CTA. In December 2008, EADS companies contributed in cash in total 300 M € to the CTA.

Based on past experience, EADS expects a rate of return for plan assets of 6.5% for Euro-countries.

In 2008, about 41% (in 2007: about 51%) of plan assets are invested in equity securities. The remaining plan assets are invested mainly in debt instruments.

Recognised Provision **in M €**	**2008**	**2007**	**2006**	**2005**	**2004**
Funded status [1)]	4,442	4,542	5,751	5,128	4,540
Unrecognised past service cost	(55)	(25)	(4)	(4)	(5)
Provision recognised in Balance Sheet	**4,387**	**4,517**	**5,747**	**5,124**	**4,535**

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 unrecognized past service cost.

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

in M €	**2008**	**2007**	**2006**
Service cost	191	213	162
Interest cost	449	429	230
Expected return on plan assets	(278)	(260)	(58)
Prior service cost	4	3	0
Net periodic pension cost	**366**	**385**	**334**

The expected return on plan assets for BAE Systems' UK pension plans amounts to (161) M € (in 2007: (189) M €).

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

Actuarial gains and losses recognized directly in total equity **in M €**	**2008**	**2007**	**2006**
Cumulative amount at January 1	(1,200)	(1,808)	(1,118)
Recognized during the period [1)]	(346)	608	(690)
Cumulative value at December 31	**(1,546)**	**(1,200)**	**(1,808)**
Deferred Tax Asset at December 31	259	226	399
Actuarial gains and losses recognized directly in equity, net	**(1,287)**	**(974)**	**(1,409)**

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

With regard to the contribution to be paid in 2009, no estimate is reasonably possible.

Contribution to state and private pension plans mainly in Germany and France are to be considered as defined contribution plans. Contributions in 2008 amount to 632 M €.

c) Other provisions

Movements in provisions during the year were as follows:

in M €	Balance at January 1, 2008	Exchange differences	Increase from passage of time	Additions	Reclassi-fication/Change in consolidated group	Used	Released	Balance at December 31, 2008
Contract losses	2,546	(5)	72	563	(11)	(472)	(495)	2,198
Outstanding costs	1,345	(2)	0	645	(27)	(299)	(89)	1,573
Aircraft financing risks	812	42	0	75	0	(24)	0	905
Restructuring measures/pre-retirement part-time work	903	(11)	31	42	(3)	(118)	(225)	619
Personnel charges	410	(1)	0	239	(8)	(167)	(43)	430
Obligation from services and maintenance agreements	262	1	9	179	(1)	(78)	0	372
Warranties	193	2	1	97	(13)	(42)	(47)	191
Litigations and claims	177	0	0	9	0	(30)	(30)	126
Asset retirement	88	0	0	7	0	0	0	95
Other risks and charges	1,029	(12)	7	425	(58)	(156)	(228)	1,007
Total	**7,765**	**14**	**120**	**2,281**	**(121)**	**(1,386)**	**(1,157)**	**7,516**

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

The provision for aircraft financing risks fully covers, in line with the Group's policy for sales financing risk, the net exposure to aircraft financing of 301 M € (311 M € at December 31st, 2007) and asset value risks of 604 M € (501 M € at December 31st, 2007) related to Airbus and ATR (see Note 34 "Commitments and contingencies").

The provision for contract losses mainly relates to the division Airbus in conjunction with the A400M (see Note 3 "Accounting for the A400M program") and A350 programs.

The provisions for restructuring measures mainly relate to Airbus' Power 8 program for the reduction of overhead costs. The plan was announced to the employees in 2007. The restructuring is expected to be completed in 2010.

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

27. Financing liabilities

In 2004, the EIB (European Investment Bank) granted a long-term loan to EADS in the amount of 421 M US$, bearing a fixed interest rate of 5.1% (effective interest rate 5.1%). In 2003, EADS issued two Euro denominated bonds under its EMTN Programme (Euro Medium Term Note Programme). The first issue of 1 bn € with expected final maturity in 2010 carries a coupon of 4.625% (effective interest rate 4.686%) which was swapped into variable rate of 3M-Euribor +1.02%. The second issue of 0.5 bn € maturing in 2018 carries a coupon of 5.5% (effective interest rate 5.6%) which was swapped during 2005 into variable rate of 3M-Euribor +1.72%. Furthermore, Airbus received in 1999 a Reinvestment Note from Deutsche Bank AG in the amount of 800 M US$, bearing a fixed interest rate of 9.88% with an outstanding debt of 372 M € (2007: 396 M €).

EADS can issue commercial paper under the so called "billet de trésorerie" program at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The issued volume at December 31st, 2008 amounted to 0 M € (2007: 501 M €, bearing as of December 31st, 2007 an average interest rate of 4.54%). The program has been set up in 2003 with a maximum volume of 2 bn €.

Financing liabilities include liabilities connected with sales financing transactions amounting to 836 M € (2007: 960 M €), mainly at variable interest rates.

Non recourse Airbus financing liabilities (risk is supported by external parties) amount to 737 M € (2007: 859 M €).

Defeased bank deposits for aircraft financing of 373 M € and 677 M € as of December 31st, 2008 and 2007 respectively have been offset against financing liabilities.

in M €	December 31, 2008	December 31, 2007
Bonds	1,527	1,469
thereof due in more than five years: 498 (December 31, 2007: 430)		
Liabilities to financial institutions	895	952
thereof due in more than five years: 591 (December 31, 2007: 651)		
Loans	481	548
thereof due in more than five years: 312 (December 31, 2007: 382)		
Liabilities from finance leases	143	121
thereof due in more than five years: 97 (December 31, 2007: 69)		
Long-term financing liabilities	**3,046**	**3,090**
Commercial Papers / Bonds	0	579
Liabilities to financial institutions	103	108
Loans	197	183
Liabilities from finance leases	19	69
Others	1,139	785
Short-term financing liabilities (due within one year)	**1,458**	**1,724**
Total	**4,504**	**4,814**

Included in "Others" are financing liabilities to joint ventures. The increase mainly relates to Eurofighter Jagdflugzeug GmbH.

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

in M €	Financing liabilities
2009	1,458
2010	1,169
2011	150
2012	119
2013	110
Thereafter	1,498
Total	**4,504**

28. Other financial liabilities

in M €	December 31, 2008	2007
Non-current other financial liabilities		
Thereof European Governments refundable advances	4,563	4,854
Thereof liabilities for derivative financial instruments	2,208	258
Others	728	541
Total	**7,499**	**5,653**
Current other financial liabilities		
Thereof European Governments refundable advances	357	461
Thereof liabilities to related companies	37	23
Thereof liabilities for derivative financial instruments	657	36
Others	663	994
Total	**1,714**	**1,514**

The decrease of European Governments refundable advances relates mostly to reimbursements paid. This was partly compensated by expenses for accrued interests. Regarding the interest expenses on European Governments refundable advances see Note 12 “Total finance costs”. Due to their specific nature, namely their risk-sharing features and the fact that such advances are generally granted to EADS on the basis of significant development projects, European Governments refundable advances are accounted for by EADS within “Non current/ current other financial liabilities” on the balance sheet including accrued interests.

Included in “Other financial liabilities” are 1,614 M € (2007: 1,514 M €) due within one year and 3,824 M € (2007: 3,746 M €) maturing after more than five years.

29. Other liabilities

in M €	December 31, 2008	2007
Non-current other liabilities		
Thereof customer advance payments	8,843	8,420
Others	64	54
Total	**8,907**	**8,474**
Current other liabilities		
Thereof customer advance payments	17,802	16,214
Thereof tax liabilities (excluding income tax)	585	557
Others	1,581	1,398
Total	**19,968**	**18,169**

Included in “Other liabilities” are 16,255 M € (2007: 15,249 M €) due within one year and 2,983 M € (2007: 2,914 M €) maturing after more than five years.

Advance payments received relating to construction contracts amount to 5,230 M € (2007: 3,646 M €) mainly resulting from Astrium (1,977 M €), MTAD (1,719 M €) and Defence & Security (1,224 M €).

30. Trade liabilities

As of December 31st, 2008, trade liabilities amounting to 29 M € (294 M € as of December 31st, 2007) mature after more than one year.

31. Deferred income

in M €	December 31, 2008	2007
Non-current deferred income	418	753
Current deferred income	822	706
Total	**1,240**	**1,459**

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 (544 M € and 955 M € as of December 31st, 2008 and 2007, respectively).

Notes to the Consolidated Statements of Cash Flows (IFRS)

32. Consolidated Statement of Cash Flows

Following the early adoption of the consequential amendment to IAS 7 "Statement of Cash Flows" in 2008 (please refer to Note 2 "Summary of significant accounting policies") the cash flows relating to customer financing activities are classified as cash flows from operating activities. Cash flows from leased assets and finance lease receivables formerly presented within investing activities are included in customer financing assets within operating activities. Cash flows in relation to customer finance liabilities formerly presented within increase / repayment of financing liabilities, within financing activities, are now included in customer financing liabilities within operating activities. The presentation of comparative information was adjusted accordingly.

As of December 31st, 2008, EADS' cash position (stated as cash and cash equivalents in the Consolidated Statements of Cash Flows) includes 666 M € (602 M € and 597 M € as of December 31st, 2007 and 2006, respectively) which represent EADS' share in MBDA's cash and cash equivalents, deposited at BAE Systems and Finmeccanica and which are available upon demand. The percentage of the proportional consolidation of MBDA had been changed from 50% to 37.5% as of January 1st, 2007.

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

in M €	December 31, 2008	2007	2006
Total purchase price	(335)	(12)	(108)
thereof paid in cash and cash equivalents	(335)	(12)	(108)
Cash and cash equivalents included in the acquired subsidiaries and joint ventures	70	12	26
Cash Flow for acquisitions, net of cash	**(265)**	**0**	**(82)**

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

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

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

in M €	December 31, 2008	2007	2006
Intangible assets; property, plant and equipment	90	0	59
Financial assets	1	0	4
Inventories	16	0	44
Trade receivables	44	3	60
Other assets	22	1	4
Cash and cash equivalents	70	12	26
Assets	**243**	**16**	**197**
Provisions	(7)	(8)	(91)
Trade liabilities	(34)	(1)	(46)
Financing liabilities	(7)	0	(3)
Other liabilities	(92)	(4)	(13)
Liabilities	**(140)**	**(13)**	**(153)**
Fair value of net assets	**103**	**3**	**44**
Goodwill (preliminary) arising on acquisitions	259	9	64
Minority interests / Consolidation of investments held prior to the acquisition	(27)	0	0
Less own cash and cash equivalents of acquired subsidiaries and joint ventures	(70)	(12)	(26)
Cash Flow for acquisitions, net of cash	**265**	**0**	**82**

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

in M €	December 31, 2008	2007	2006
Total selling price	9	28	87
thereof received by cash and cash equivalents	9	28	87
Cash and cash equivalents included in the (disposed) subsidiaries	(7)	1	(1)
Cash Flow from disposals, net of cash	**2**	**29**	**86**

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

The aggregate cash flow from disposals, net of cash, in 2007 of 29 M € mainly includes the contribution in kind of Naval Business (Hagenuk, businesses in Germany and in UK) to Atlas for a cash consideration of 28 M €, whereas EADS increased its share in Atlas Elektronik from 40% to 49% in return. Additions and disposals of assets and liabilities relating to that transaction are included net in the following table. Further included in the cash flow from disposals, net of cash, are the sale of Alkan amounting to 10 M € and Barfield for (9) M €.

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

in M €	December 31, 2008	2007	2006
Intangible assets; property, plant and equipment	(8)	17	(18)
Financial assets	0	(3)	(4)
Inventories	(1)	(5)	(89)
Trade receivables	(3)	(19)	(17)
Other assets	0	(2)	(22)
Cash and cash equivalents	(7)	1	(1)
Assets	**(19)**	**(11)**	**(151)**
Provisions	4	(7)	132
Trade liabilities	2	(5)	18
Financing liabilities	0	8	1
Other liabilities	4	9	52
Liabilities	**10**	**5**	**203**
Book value of net assets	**(9)**	**(6)**	**52**
Goodwill arising from disposals	0	(12)	0
Result from disposal of subsidiaries	0	(10)	(139)
Less own cash and cash equivalents of disposed subsidiaries	7	(1)	1
Cash Flow from disposals, net of cash	**(2)**	**(29)**	**(86)**

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

Other Notes to the Consolidated Financial Statements (IFRS)

33. Litigation and claims

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

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 E.U.-U.S. Agreement on Trade in Large Civil Aircraft, the U.S. lodged a request on 6th October 2004 to initiate proceedings before the World Trade Organisation ("**WTO**"). On the same day, the E.U. launched a parallel WTO case against the U.S. in relation to its subsidisation of Boeing. On 31st May 2005, the U.S. and the E.U. each requested the establishment of a panel. At its meeting on 20th July 2005, the Dispute Settlement Body established the panels. Between November 2005 and the present, the parties filed numerous written submissions and attended several oral hearings in both cases. The parties continue to provide input in response to the WTO's written questions in advance of issuance of the WTO panels' reports. Exact timing of further steps in the WTO litigation process is subject to ruling of the panels and to negotiations between the U.S. and the E.U. Unless a settlement, which is currently not under discussion, is reached between the parties, the WTO panels have indicated that they will issue draft reports sometime in 2009.

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

In Germany, the German Federal Financial Supervisory Authority (the "BaFin") began its own investigations in 2006 for alleged breaches of market regulations and insider trading rules. However, the BaFin formally notified EADS on 2nd March 2007 that it had discontinued its investigation for suspected breaches of market regulations. Upon referral by the BaFin, German criminal proceedings regarding suspected insider trading offences are still pending against a small number of individuals at lower management level, while investigations against other individuals were discontinued without charges being brought.

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

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

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

34. Commitments and contingencies

Commitments and contingent liabilities

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

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for **on the balance sheet** either as (i) an operating lease (see Note 15 "Property, plant and equipment") or (ii) a loan from aircraft financing or (iii) a finance lease receivable (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets") or (iv) non-current assets classified as held for sale. As of December 31st, 2008, related accumulated impairment amounts to 52 M € (2007: 102 M €) for operating lease and to 244 M € (2007: 191 M €) for loans and finance lease receivables. As part of provisions for aircraft financing risks 21 M € (2007: 25 M €) are recorded (see Note 26 c.) "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 follows:

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

Total aircraft lease commitments of 1,085 M € as of December 31st, 2008 (2007: 1,205 M €), arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of 767 M € (2007: 851 M €). A large part of these lease commitments (610 M € and 699 M € as of December 31st, 2008 and 2007) 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 280 M € as of December 31st, 2008 (2007: 286 M €), as part of the provision for aircraft financing risk (see Note 26 c.) "Other provisions").

As of December 31st, 2008 and 2007, the total consolidated **– on and off balance sheet –** Commercial Aviation Sales Financing Exposure is as follows (Airbus 100% and ATR 50%):

	December 31,	
in M €	**2008**	**2007**
Total gross exposure	1,276	1,226
Estimated fair value of collateral (aircraft)	(679)	(622)
Net exposure (fully provided for)	**597**	**604**

Details of provisions / accumulated impairments are as follows:

	December 31,	
in M €	**2008**	**2007**
Accumulated impairment on operating leases (see Note 15 "Property, plant and equipment")	52	102
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")	244	191
Provisions for aircraft financing risk (on balance sheet) (see Note 26 c.) "Other provisions")	21	25
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 26 c.) "Other provisions")	280	286
Total provisions / accumulated impairments for sales financing exposure	**597**	**604**

Asset value guarantees – Certain sales contracts may include the obligation of an asset value guarantee whereby Airbus or ATR guarantee a portion of the value of an aircraft at a specific date after its delivery. Management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2019. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease (see Note 15 "Property, plant and equipment" and Note 31 "Deferred income"). In addition, EADS is contingently liable in case asset value guarantees with less than 10% are provided to customers as part of aircraft sales. Counter guarantees are negotiated with third parties and reduce the risk to which the group is exposed. As of December 31st, 2008, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to 946 M € (2007: 880 M €), excluding 476 M € (2007: 513 M €) 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 604 M € (2007: 501 M €) (see Note 26 c.) "Other provisions"). This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter guarantees into account.

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

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

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

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

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 843 M € (2007: 979 M €) as of December 31st, 2008, and relate mainly to procurement operations (e.g., facility leases, car rentals). Maturities are as follows:

in M €	
Not later than 2009	103
Later than 2009 and not later than 2013	316
Later than 2013	424
Total	**843**

35. Information about financial instruments

a) Financial risk management

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

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

Market risk

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

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

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

For financial reporting purposes, EADS mostly designates a portion of the total firm future cash flows as the hedged position to cover its expected foreign currency exposure. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. As hedging instruments, EADS primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and at Airbus to a minor extent non-derivative financial liabilities.

EADS 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 materialize in view of contractual evidence. The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot rates and interest rates as well as the robustness of the commercial cycle. For the non-aircraft business EADS hedges in- and outflows in foreign currencies from sales and purchase contracts following the same logic which are typically contracted in lower volumes.

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

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

The cash and cash equivalents and securities portfolio of the Group is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposits, overnight deposits, commercial papers, other money market instruments and bonds. For this portfolio, EADS holds on a regular basis an asset management committee which aims at limiting the interest rate risk on a fair value basis through a value-at-risk approach. EADS is mainly investing in short-term instruments in order to further minimize any interest risk in this portfolio. The remaining portion of securities is invested in short to mid term bonds. Any related interest rate hedges qualify for hedge accounting as either fair value hedges or cashflow hedges.

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

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

EADS VaR computation includes the Group's financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, finance lease receivables and liabilities, foreign currency trade payables and receivables, including intra-group payables and receivables affecting Group profit and loss.

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

- A 5-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 95 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 optimize the risk-return ratio of its financial asset portfolio. Further, the Group's investment policy defines for P&L and OCI certain limits on total risk for the portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the asset management committee.

A summary of the VaR position of EADS' financial instruments portfolio at December 31st, 2008 and December 31st, 2007 is as follows:

in M €	**Total VaR**	**Equity price VaR**	**Currency VaR**	**Interest rate VaR**
December 31, 2008				
FX hedges for forecast transactions or firm commitments	1,888	---	1,829	279
Financing liabilities, cash, cash equivalents, securities and related hedges	109	32	113	42
Finance lease receivables and liabilities, foreign currency trade payables and receivables	79	---	23	69
Correlation effect	(166)	---	(41)	(89)
All financial instruments	**1,910**	**32**	**1,924**	**301**
December 31, 2007				
FX hedges for forecast transactions or firm commitments	360	---	367	104
Financing liabilities, cash, cash equivalents, securities and related hedges	41	8	50	27
Finance lease receivables and liabilities, foreign currency trade payables and receivables	38	---	11	35
Correlation effect	(48)	---	(16)	(30)
All financial instruments	**391**	**8**	**412**	**136**

The increase of total VaR compared to December 31st, 2007 is mainly attributed to rising hedging volumes and sharp increased volatilities in the foreign currency exchange rates. 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 1,888 M € (2007: 360 M €) cannot be considered as a risk indicator for the Group in the economic sense.

Further, EADS also measures VaR of the Group-internal transaction risk arising on Group entities contracting in a currency different from its functional currency affecting Group profit and loss. However, these currency risks arise purely EADS internally and are in economic terms 100% compensated by the corresponding currency fluctuations recognised in a separate component of equity when translating the foreign entity into EADS functional currency. At December 31st, 2008 the related total VaR amounted to 263 M EUR (2007: 12 M €).

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 December 31st, 2008 and 2007, respectively) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, EADS may issue bonds, notes and commercial papers. In context of the financial crisis, EADS has decided to shorten the maturities and restructure the asset portfolio with focus on lower counterparty risk (e.g. Government investments). Adverse changes in the capital markets due to the global financial crisis could increase the Group's funding costs and limit its financial flexibility.

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

In M €	Carrying amount	Contractual cash flows	< 1 year	1 year – 2 years	2 years – 3 years	3 years – 4 years	4 years – 5 years	More than 5 years
Dec 31, 2008								
Non derivative financial liabilities	(13,756)	(14,898)	(9,954)	(1,477)	(315)	(270)	(226)	(2,656)
Derivative financial liabilities	(2,865)	(2,333)	(517)	(355)	(499)	(438)	(173)	(351)
Total	**(16,621)**	**(17,231)**	**(10,471)**	**(1,832)**	**(814)**	**(708)**	**(399)**	**(3,007)**
Dec 31, 2007 [1)]								
Non derivative financial liabilities	(13,770)	(14,866)	(9,837)	(831)	(1,347)	(288)	(202)	(2,361)
Derivative financial liabilities	(294)	(384)	(135)	(131)	30	0	0	(148)
Total	**(14,064)**	**(15,250)**	**(9,972)**	**(962)**	**(1,317)**	**(288)**	**(202)**	**(2,509)**

1) The presentation for 2007 is adjusted according to the presentation for 2008.

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

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

Non-derivative financial liabilities comprise financing liabilities at amortized cost and finance lease liabilities as presented in the tables of Note 35b). Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments refundable advances are not included in the above mentioned table with an amount of 4,920 M € (2007: 5,315 M €).

Credit risk

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

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed on Group level. Counterparts for transactions on cash, cash equivalents and securities as well as for derivative transactions are limited to high credit quality financial institutions, corporates or sovereigns. For such financial transactions EADS has set up a credit limit system to actively manage and limit its credit risk exposure. This limit system assigns maximum exposure lines to counterparts of financial transactions, based at a minimum on their credit ratings as published by Standard & Poors, Moody's and Fitch IBCA. The respective limits are regularly monitored and updated. Further, EADS constantly aims for maintaining a certain level of diversification in its portfolio between individual counterparts as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparts. Additionally, the credit exposure of EADS is reviewed on a regular basis, taking into account various credit risk indicators and fundamental counterparty data, as well as sectoral and maturity allocations.

The Group is monitoring the performance of the individual financial instruments and the impact of the credit markets on their performance. EADS has procedures in place that allow to hedge, to divest from or to restructure financial instruments having undergone a downgrade of the counterparts' credit rating or showing an unsatisfactory performance. These measures aim to protect EADS to a certain extent against credit risks from individual counterparts. Nevertheless, a potential negative impact resulting from a market-driven increase of systematic credit risks cannot be excluded.

Sales of products and services are made to customers after having conducted an appropriate internal credit risk assessment. In order to support product sales, primarily at Airbus and ATR, EADS may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus and ATR take into account the airline's credit rating as well as risk factors specific to the intended operating environment of the aircraft and its expected future value. Market yields and current banking practices also serve to benchmark the financing terms offered to customers, including price.

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

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

In M €	**2008**	**2007**
Receivables, neither past due nor impaired	5,002	4,353
Not past due due to negotiations and not impaired	31	43
Receivables impaired individually	13	16
Receivables not impaired and past due ≤ 3 months	795	728
Receivables not impaired and past due >3 and ≤ 6 months	173	95
Receivables not impaired and past due >6 and ≤ 9 months	118	55
Receivables not impaired and past due >9 and ≤ 12 months	48	108
Receivables not impaired and past due > 12 months	277	347
Total	**6,457**	**5,745**

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 balance sheet date and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could realize 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 December 31st, 2008 and 2007 respectively:

December 31, 2008 **in M €**	**Fair Value through profit or loss**		**Fair Value for hedge rela-tions**	**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	-	-	-	-	-	646	646	634	1,280	1,280
- thereof at cost	-	-	-	296	1)	-	-	-	296	1)
- thereof Fair value via OCI	-	-	-	136	136	-	-	-	136	136
Current portion of other long-term financial assets	-	-	-	-	-	109	109	68	177	177
Non-current and current other financial assets	649	-	2,257	-	-	1,201	1,201	-	4,107	4,107
Trade receivables	-	-	-	-	-	5,267	5,267	-	5,267	5,267
Non-current and current securities	-	729	-	6,223	6,223	-	-	-	6,952	6,952
Cash and Cash Equivalents	-	625	-	3,913	3,913	2,207	2,207	-	6,745	6,745
Total	**649**	**1,354**	**2,257**	**10,568**	**10,272**	**9,430**	**9,430**	**702**	**24,960**	**24,664**
Liabilities	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	-	-	-	-	-	(4,342)	(4,497)	(162)	(4,504)	(4,659)
Non-current and current other financial liabilities	(322)	-	(2,857)	-	-	(6,034)	(6,034)[2]	-	(9,213)	(9,213)
Trade liabilities	-	-	-	-	-	(7,824)	(7,824)	-	(7,824)	(7,824)
Total	**(322)**	**-**	**(2,857)**	**-**	**-**	**(18,200)**	**(18,355)**	**(162)**	**(21,541)**	**(21,696)**

1) Fair value is not reliably measurable.

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

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

December 31, 2007 **in M €**	**Fair Value through profit or loss**		**Fair Value for hedge rela-tions**	**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	-	-	-	-	-	582	582	472	1,054	1,054
- thereof at cost	-	-	-	293	-[1)]	-	-	-	293	-[1)]
- thereof Fair value via OCI	-	-	-	206	206	-	-	-	206	206
Current portion of other long-term financial assets	-	-	-	-	-	60	60	106	166	166
Non-current and current other financial assets [2)]	201	-	5,194	-	-	970	970	-	6,365	6,365
Trade receivables	-	-	-	-	-	4,639	4,639	-	4,639	4,639
Non-current and current securities	-	285	-	4,004	4,004	-	-	-	4,289	4,289
Cash and Cash Equivalents	-	503	-	5,507	5,507	1,539	1,539	-	7,549	7,549
Total	**201**	**788**	**5,194**	**10,010**	**9,717**	**7,790**	**7,790**	**578**	**24,561**	**24,268**
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	-	-	-	-	-	(4,624)	(4,698)	(190)	(4,814)	(4,888)
Non-current and current other financial liabilities [2)]	(91)	-	(1,211)	-	-	(5,865)	(5,865) [4)]	-	(7,167)	(7,167)
Trade liabilities	-	-	-	-	-	(7,398)	(7,398)	-	(7,398)	(7,398)
Total	**(91)**	**-**	**(1,211)**	**-**	**-**	**(17,887)**	**(17,961)**	**(190)**	**(19,379)**	**(19,453)**

1) Fair value is not reliably measurable.

2) The presentation for 2007 is adjusted according to the presentation for 2008.

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.

4) The European Governments refundable advances of 5,315 M € are measured at amortised cost; a fair value can not be measured reliably due to their risk sharing nature and uncertainty about the repayment dates.

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

By applying a valuation technique, such as present value of future cash flows, fair values are based on estimates. However, methods and assumptions followed to disclose data presented herein are inherently judgmental and involve various limitations like estimates as of December 31st, 2008 and 2007, 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 realization.

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

Currency and Interest Rate Contracts – The fair value of these instruments is the estimated amount that the Company would receive or pay to settle the related agreements as of December 31st, 2008 and 2007. EADS used standard valuation methods using standard software. The valuation is based on freely available market data from different sources using standard cash flow discounting. For options the Black-Scholes formula has been applied.

The fair value of ***financing liabilities*** as of December 31st, 2008 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 December 31st, 2008 and 2007 respectively are recognised at fair value through profit or loss:

in M €	Nominal amount at initial recognition as of December 31, 2008	Fair value as of December 31, 2008	Nominal amount at initial recognition as of December 31, 2007	Fair value as of December 31, 2007
Designated at fair value through profit or loss at recognition:				
- Money Market Funds (accumulating)	1,074	1,076	504	503
- Foreign currency Funds of Hedge Funds	275	230	234	234
- Uncapped Structured Interest Rate Notes	50	48	50	51
Total	**1,399**	**1,354**	**788**	**788**

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 1,787 M € (2007: 2,941 M €).

Investments in foreign currency Funds of Hedge Funds have been designated at fair value through profit and 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 December 31, 2008	**Remaining period**								
in M €	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Foreign Exchange Contracts:									
Net forward sales (purchase) contracts	9,695	9,869	6,275	4,774	3,212	1,546	1,044	(44)	**36,371**
Purchased USD put options	1	2,515	3,162	790	0	0	0	0	**6,468**
Structured USD forwards:									
- Purchased USD call options	1,504	924	1,462	1,418	0	0	0	0	**5,308**
- Purchased USD put options	1,504	924	1,462	1,418	0	0	0	0	**5,308**
- Written USD call options	1,504	924	1,462	1,418	0	0	0	0	**5,308**
FX swap contracts	4,793	0	25	35	130	225	0	0	**5,208**

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

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

Year ended December 31, 2008	**Remaining period**							
in M €	**2009**	**2010**	**2011**	**2012**	**2013 – 17**	**2018**	**2019**	**Total**
Interest Rate Contracts	753	1,792	277	170	0	1,235	1,224	**5,451**

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

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 December 31st, 2008 and 2007:

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

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

The development of the foreign exchange rate hedging instruments recognised in AOCI is as of December 31st, 2008 and 2007 as follows:

in M €	**Equity attributable to equity holders of the parent**	**Minority interests**	**Total**
January 1, 2007	**3,189**	**1**	**3,190**
Unrealized gains and losses from valuations, net of tax	1,364	1	1,365
Transferred to profit or loss for the period, net of tax	(1,002)	0	(1,002)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	362	1	363
December 31, 2007 / January 1, 2008	**3,551**	**2**	**3,553**
Unrealized gains and losses from valuations, net of tax	(2,050)	(1)	(2,051)
Transferred to profit or loss for the period, net of tax	(1,684)	0	(1,684)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	(3,734)	(1)	(3,735)
December 31, 2008	**(183)**	**1**	**(182)**

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

	December 31,			
	2008		2007	
in M €	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign currency contracts – Cash Flow Hedges	2,256	(2,469)	5,192	(124)
Foreign currency contracts – not designated in a hedge relationship	323	(230)	154	(48)
Interest rate contracts – Cash Flow Hedges	0	0	2	(12)
Interest rate contracts – Fair Value Hedges	1	(74)	0	(67)
Interest rate contracts – not designated in a hedging relationship	0	(3)	27	(43)
Embedded foreign currency derivatives	3	(89)	20	0
Total	**2,583**	**(2,865)**	**5,395**	**(294)**

At December 31st, 2008, the group has interest swap agreements in place with notional amounts totalling 1,500 M € (as at December 31st, 2007: 1,500 M €). The swaps are used to hedge the exposure to changes in the fair value of its EMTN bonds (see Note 27 "Financing liabilities"). The fair value profit on the interest rate swaps of 68 M € (2007: fair value loss of 23 M €) has been recognised in financial result and offset against an equal reduction on its EMTN bonds.

Derivatives which are not designated for hedge accounting are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months in case of serial production. In case of long term production, a hedging derivative is classified as non-current when the hedged items' remaining maturity is beyond EADS' normal operating cycle; and as a current asset or liability when the remaining maturity of the hedged item is in EADS' normal operating cycle.

No material ineffectiveness arising from hedging relationship has been determined.

e) Net gains or losses

EADS net gains or (losses) recognised in profit or loss in 2008 and 2007 respectively were as follows:

in M €	**2008**	**2007**
Financial assets or financial liabilities at fair value through profit and loss:		
- Held for trading	(149)	(307)
- Designated on initial recognition	64	154
Available-for-sale-financial assets:		
- Result before taxes removed from OCI and recognised in profit and loss	6	48
Loans and receivables	(160)	(127)
Financial liabilities measured at amortised cost	79	77

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

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

The following net gains and losses have been recognised directly in equity in 2008 and 2007:

in M €	2008	2007
Available-for-sale-financial assets:		
- Unrealized gains or losses recognised directly in OCI	(6)	(4)

f) Total interest income and total interest expenses

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

in M €	2008	2007
Total interest income on financial asset	501	347
Total interest expense on financial liabilities	(581)	(701)

g) Impairment losses

The following impairment losses on financial assets are recognised in profit and loss in 2008 and 2007 respectively:

in M €	2008	2007
Available-for-sale financial assets	(23)	(13)
Loans and receivables	(114)	(120)
Other [1)]	(36)	(24)
Total	**(173)**	**(157)**

1) Concerns finance lease receivables.

36. Share-based Payment

a) Stock Option Plans and Long Term Incentive Plans (LTIP)

Based on the authorization given to it by the shareholders' meetings (see dates below), the Group's Board of Directors approved (see dates below) stock option plans in 2006, 2005, 2004, 2003, 2002, 2001 and 2000. These plans provide to the members of the Executive Committee as well as to the Group's senior management the grant of options for the purchase of EADS shares. At its December 18th, 2006 meeting, the Board of Directors of the Company, using the authorisation given to it by the shareholders' meeting of May 4th, 2006 approved the granting of performance shares and restricted shares to eligible employees of the Company.

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

At its December 7th, 2007 meeting, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company.

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

In 2008, compensation expense for Stock Option and Long Term Incentive Plans was recognised for an amount of 22 M € (in 2007: 39 M €). For the 14,200 options exercised during the year 2008, the average share price at the date of exercise has been 18.56 €.

The fair value of units granted per vesting date is as follows (LTIP plan 2008):

In € (per unit granted)	**FV of restricted units to be settled in cash**	**FV of performance units to be settled in cash**
May 2012	11.68	11.68
November 2012	11.63	11.63
May 2013	11.59	11.59
November 2013	11.54	11.54

The lifetime of the performance and restricted units (2008) is contractually fixed (see within the description of the "tenth tranche"). The measurement is based on the share price as of the balance sheet date (€12.03 as of December 31st, 2008) and also takes into account the present value of the expected dividend payments.

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

Input parameters for the Black Scholes Option Pricing Model

	LTIP 2006	**LTIP 2005**
Share price **(€)**	25.34	32.79
Exercise price **(€)**	25.65[1)]	33.91
Risk-free interest rate **(%)** [2)]	4.13	3.24
Expected volatility **(%)**	30.7	24.8
Estimated Life **(years)**	5.5	5.5

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

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

EADS uses the historical volatilities of its share price as an indicator to estimate the volatility of its stock options granted. To test whether those historical volatilities sufficiently approximate expected future volatilities, they are compared to the implied volatilities of EADS options, which are traded at the market as of grant date. Such options typically have a shorter life of up to two years. In case of only minor differences between the historical volatilities and the implied volatilities, EADS uses historical volatilities as input parameters to the Black Scholes Option Pricing Model (please refer to Note 2 "Summary of significant accounting policies"). For measurement purposes performance criteria are considered to be met.

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

The principal characteristics of the options, performance and restricted shares as well as performance and restricted units as at December 31st, 2008 are summarized in the various tables below:

	First tranche	Second tranche
Date of shareholders' Meeting	May 24th,2000	May 24th, 2000
Date of Board of Directors Meeting (grant date)	May 26th, 2000	October 20th, 2000
Number of options granted	5,324,884	240,000
Number of options outstanding	1,555,220	32,000
Total number of eligible employees	850	34
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law – Dutch Regulations").	
Expiry date	July 8th, 2010	July 8th, 2010
Conversion right	One option for one share	One option for one share
Vested	100%	100%
Exercise price	€20.90	€20.90
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	2,892,020	188,000

	Third tranche	Fourth tranche
Date of shareholders' Meeting	May 10th, 2001	May 10th, 2001
Date of Board of Directors Meeting (grant date)	July 12th, 2001	August 9th, 2002
Number of options granted	8,524,250	7,276,700
Number of options outstanding	3,499,919	2,547,121
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	July 12th, 2011	August 8th, 2012
Conversion right	One option for one share	
Vested	100%	100%
Exercise price	€24.66	€16.96
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	3,492,831	4,305,066

	Fifth tranche	Sixth tranche
Date of shareholders' Meeting	May 6th, 2003	May 6th, 2003
Date of Board of Directors Meeting (grant date)	October 10th, 2003	October 8th, 2004
Number of options granted	7,563,980	7,777,280
Number of options outstanding	4,729,593	6,057,766
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	9th October 2013	7th October 2014
Conversion right	One option for one share	
Vested	100%	100% [1)]
Exercise price	€15.65	€24.32
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	2,517,623	2,400

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

	Seventh tranche
Date of shareholders' Meeting	May 11th, 2005
Date of Board of Directors Meeting (grant date)	December 9th, 2005
Number of options granted	7,981,760
Number of options outstanding	6,294,951
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	December 8th, 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	May 4th, 2006
Date of Board of Directors Meeting (grant date)	December 18th, 2006
	Stock option plan
Number of options granted	1,747,500
Number of options outstanding	1,678,000
Total number of eligible beneficiaries	221
Date from which the options may be exercised	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law – Dutch Regulations").
Date of expiration	December 16th, 2016
Conversion right	One option for one share
Vested	50%
Exercise price	€25.65
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	0

	Performance and restricted shares plan	
	Performance shares	**Restricted shares**
Number of shares granted	1,344,625	391,300
Number of shares outstanding	1,291,375	378,475
Total number of eligible beneficiaries	1,637	
Vesting date	The performance and restricted shares will vest if the participant is still employed by an EADS company and, in the case of performance shares, upon achievement of mid-term business performance. The vesting period will end at the date of publication of the 2009 annual results, expected in March 2010.	
Number of vested shares	1,750	0

	Ninth tranche	
Date of Board of Directors Meeting (grant date)	December 7th, 2007	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted	1,693,940	506,060
Number of units outstanding	1,653,500	496,260
Total number of eligible beneficiaries	1,617	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2011 • 25% expected in November 2011 • 25% expected in May 2012 • 25% expected in November 2012	

	Tenth tranche	
Date of Board of Directors Meeting (grant date)	November 13th, 2008	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted	2,192,740	801,860
Total number of eligible beneficiaries	1,684	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2012 • 25% expected in November 2012 • 25% expected in May 2013 • 25% expected in November 2013	

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

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

Third Tranche	Number of Options				
	Options granted	Balance at January 1	Exercised	Forfeited	Balance at December 31
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

Fourth Tranche	Number of Options				
	Options granted	Balance at January 1	Exercised	Forfeited	Balance at December 31
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

Fifth Tranche	Number of Options				
	Options granted	Balance at January 1	Exercised	Forfeited	Balance at December 31
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

Sixth Tranche	Number of Options				
	Options granted	Balance at January 1	Exercised	Forfeited	Balance at December 31
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

Seventh Tranche	Number of Options				
	Options granted	Balance at January 1	Exercised	Forfeited	Balance at December 31
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

Eighth Tranche	Number of Options				
	Options granted	Balance at January 1	Exercised	Forfeited	Balance at December 31
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

Total options for all Tranches	**46,436,354**	**-**	**(13,397,940)**	**(6,643,844)**	**26,394,570**

Performance / restricted shares plan 2006	Number of Shares				
	Shares granted	Balance at January 1	Vested	Forfeited	Balance at December 31
Performance shares in 2006	1,344,625	-	-	-	1,344,625
Performance shares in 2007	-	1,344,625	(875)	(15,375)	1,328,375
Performance shares in 2008	-	1,328,375	(875)	(36,125)	1,291,375
Restricted shares in 2006	391,300	-	-	-	391,300
Restricted shares in 2007	-	391,300	-	(4,550)	386,750
Restricted shares in 2008	-	386,750	-	(8,275)	378,475
Total shares	**1,735,925**	**1,715,125**	**(1,750)**	**(64,325)**	**1,669,850**

Ninth Tranche	Number of Units				
	Units granted	Balance at January 1	Vested	Forfeited	Balance at December 31
Performance units in 2007	1,693,940	-	-	-	1,693,940
Performance units in 2008	-	1,693,940	(1,680)	(38,760)	1,653,500
Restricted units in 2007	506,060	-	-	-	506,060
Restricted units in 2008	-	506,060	-	(9,800)	496,260
Total units	**2,200,000**	**2,200,000**	**(1,680)**	**(48,560)**	**2,149,760**

Tenth Tranche	Number of Units				
	Units granted	Balance at January 1	Vested	Forfeited	Balance at December 31
Performance units in 2008	2,192,740	-	-	-	2,192,740
Restricted units in 2008	801,860	-	-	-	801,860
Total units	**2,994,600**	**-**	**-**	**-**	**2,994,600**

b) Employee Stock Ownership Plan (ESOP)

In 2008, the Board of Directors approved an additional ESOP following seventh ESOPs established in 2007, 2005, 2004, 2003, 2002, 2001 and in 2000. For the 2008 ESOP, eligible employees were able to purchase a maximum of 500 shares per employee of previously unissued shares. The offer was broken down into two tranches which were available for all employees to choose. The subscription price for tranche A was 11.70 €. The subscription price for tranche B was the highest of the subscription price for tranche A or 80% of the average opening market prices for EADS shares on the Paris stock exchange over the twenty trading days preceding 30th May 2008, resulting in a subscription price of 12.79 €.

During a lockup period of at least one year under tranche A or five years under tranche B, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who subscribed to tranche A have in addition the ability to vote at the annual shareholder meetings. EADS issued and sold 2,031,820 ordinary shares with a nominal value of 1.00 € under both tranches. Compensation expense of 6 M € (in 2007: 9 M €) was recognised in connection with the ESOP 2008.

37. Related party transactions

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

The transactions with the joint ventures mainly concern the Eurofighter program.

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

in M €	Sales of goods and services and other income in 2008	Purchases of goods and services and other expense in 2008	Receivables due as of December 31st, 2008	Payables due as of December 31st, 2008	Other Liabilities/ Loans received as of December 31st, 2008
French State	1,085	2	1,195	3	2,094
Spanish State (SEPI)	198	0	49	0	316
Daimler AG	7	19	1	0	0
Lagardère group	0	0	0	2	15
Total transactions with shareholder	**1,290**	**184**	**1,245**	**5**	**2,425**
Total transactions with joint ventures	**1,566**	**24**	**629**	**27**	**1,399**
Total transactions with associates	**987**	**8**	**388**	**2**	**0**

As of December 31st, 2008, EADS CASA granted guarantees to the Spanish State in the amount of 331 M EUR.

The following table discloses the related party transactions on a full EADS' share as of December 31st, 2007:

in M €	Sales of goods and services and other income in 2007	Purchases of goods and services and other expense in 2007	Receivables due as of December 31st, 2007	Payables due as of December 31st, 2007	Other Liabilities/ Loans received as of December 31st, 2007
French State	1,587	17	882	0	2,087
Spanish State (SEPI)	316	0	122	0	352
Daimler AG	4	12	2	4	0
Lagardère group	2	0	0	2	14
Total transactions with shareholder	**1,909**	**29**	**1,006**	**6**	**2,453**
Total transactions with joint ventures	**1,638**	**28**	**371**	**42**	**616**
Total transactions with associates	**687**	**20**	**317**	**3**	**0**

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

Remuneration – The annual remuneration and related compensation costs of all of key management personnel, i.e. Non Executive Board Members, Executive Board Members and Members of the Executive Committee, can be summarized as follows:

2008 in M €	**Compensation expense**	**Pension** Defined benefit obligation 1)	**Pension** Pension expense 2)
Non Executive Board Members 3)	0.5	-	-
Executive Board Member 4)	2.4	1.4	0.6
Other Executive Committee Members 5)	15.4	23.1	1.9

1) Amount of the net pension defined benefit obligation
2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2008
3) Non Executive Board Members in office as at December 31st, 2008
4) The Chief Executive Officer was the sole Executive Board Member in office as at December 31st, 2008
5) Executive Board Members in office as at December 31st, 2008, including specific exceptional bonus if any and EADS N.V. compensation.

2007 in M €	**Compensation expense**	**Pension** Defined benefit obligation 1)	**Pension** Pension expense 2)
Non Executive Board Members 3)	0.8	-	-
Executive Board Member 4)	2.4	0.8	0.6
Other Executive Committee Members 5)	12.9	15.5	1.7

1) Amount of the net pension defined benefit obligation
2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2007
3) Non Executive Board Members in office as at December 31st, 2007
4) The Chief Executive Officer was the sole Executive Board Member in office as at December 31st, 2007
5) Including former Executive Board Members who ceased their membership with the Board in 2007 but who were still Executive Committee Members in office as at December 31st, 2007; excluding former Executive Committee Members who were no longer in office as at December 31st, 2007 including specific exceptional bonus if any and EADS N.V. compensation.

Additionally, performance units granted in 2008 to the Chief Executive Officer and to the other Executive Committee Members represented 336,500 units.

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

For more information in respect of remuneration of Directors, see "Notes to the Company Financial Statements - Note 11: Remuneration".

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

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

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

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

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

Executive Committee members are also entitled to a Company car.

38. Interest in Joint Ventures

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

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

in M €	2008	2007
Non current assets	667	693
Current assets	3,051	3,004
Non current liabilities	446	466
Current liabilities	2,702	2,670
Revenues	1,652	1,729
Profit for the period	145	121

39. Earnings per Share

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

	2008	2007	2006
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))	1,572	(446) M €	99 M €
Weighted average number of ordinary shares	806,978,801	803,128,221	800,185,164
Basic earnings (losses) per share	1.95 €	(0.56) €	0.12 €

Diluted earnings per share - For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's categories of dilutive potential ordinary shares are stock options as well as performance and restricted shares. In 2008, the average share price of EADS did not exceed the exercise price of stock options under any stock option plan (in 2007: 1st, 2nd, 4th and 5th stock option plan; in 2006: 1st, 2nd, 3rd, 4th, 5th and 6th stock option plans). Hence, no shares related to stock options (2007: 2,420,180 shares; 2006: 4,130,499 shares) were considered in the calculation of diluted earnings per share. Since the average price of EADS shares during 2008 exceeded the price for performance and restricted shares, 618,141 shares related to performance and restricted shares (in 2007 and 2006: no shares) were considered in the calculation.

	2008	**2007**	**2006**
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))	1,572 M €	(446) M €	99 M €
Weighted average number of ordinary shares (diluted)	807,596,942	805,548,401	804,315,663
Diluted earnings (losses) per share	1.95 €	(0.55) €	0.12 €

40. Number of Employees

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

41. Events after the balance sheet date

On November 3, 2008, EADS and DAHER announced the conclusion of the agreement for DAHER to acquire a 70% majority share in EADS Socata which became effective on January 7th, 2009. The association of DAHER and EADS Socata will allow the creation of a European industrial leader in the area of Aerostructures, Business Aviation and Services and the development of joint projects in these areas.

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

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

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

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

In 2005, the liquidator of the special purpose vehicle GFAC, a joint venture between Swissair and GATX, sued Airbus at a court in New York to recover USD 227 M in pre-delivery payments, together with interest and costs. The lawsuit followed Airbus' termination of the Purchase Agreement with GFAC in October 2001 for 38 SA and LR aircraft, in the context of Swissair's bankruptcy. On February 6th, 2009 the judge decided in favor of GFAC. Although Airbus has asked the court to reconsider its decision at a hearing on March 18th, 2009 and will also file an appeal, it cannot be excluded that Airbus will, on that day, be ordered to pay an amount equal to the pre-delivery payments plus legal interest.

These consolidated financial statements have been authorized for issuance by the Board of Directors on March 9th, 2009.

Appendix
"Information on Principal Investments" – Consolidation Scope

Appendix "Information on principal investments"- Consolidation Scope

	2008	%	2007	%	Company	Head office
Airbus						
	F	100,00	F	100,00	AD Grundstückgesellschaft GmbH	Pöcking (Germany)
	F	100,00			AFS Cayman Limited	Cayman Isle
	F	100,00	F	100,00	AFS Cayman 11 Limited	Cayman Isle
	F	100,00	F	100,00	AIFS (Cayman) ltd.	Cayman Isle
	F	100,00	F	100,00	AIFS Cayman Liquidity Ltd.	Cayman Isle
	F	100,00	F	100,00	AIFS Leasing Company Limited	Ireland
			F	100,00	Airbus A320 Financing Limited	Ireland
	F	100,00	F	100,00	Airbus China Limited	Hong-Kong
	F	100,00	F	100,00	Airbus Deutschland GmbH	Hamburg (Germany)
	F	100,00	F	100,00	Airbus Espana SL	Madrid (Spain)
	F	100,00	F	100,00	Airbus Finance Company Ltd	Dublin (Ireland)
	F	100,00	F	100,00	Airbus Financial Service Unlimited	Ireland
	F	100,00	F	100,00	Airbus France S.A.S	Toulouse (France)
	F	100,00	F	100,00	Airbus Holding SA	France
	F	100,00	F	100,00	Airbus Invest	Toulouse (France)
	F	100,00	F	100,00	Airbus North America Customer Servics, Inc. (ASCO)	U.S.A.
	F	100,00	F	100,00	Airbus North America Engineering	U.S.A.
	F	100,00	F	100,00	Airbus North America Sales Inc.	U.S.A.
	F	100,00	F	100,00	Airbus Americas Inc.	U.S.A.
	F	100,00	F	100,00	Airbus S.A.S	Toulouse (France)
	P	51,00			Airbus (TIANJIN) Final Asssembly Company Ltd	Tianjin (China)
	P	51,00			Airbus (TIANJIN) Jigs & Tools Company Ltd	Tianjin (China)
	F	100,00			Airbus (TIANJIN) Delivery Center Ltd	Tianjin (China)
	F	100,00	F	100,00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
	F	100,00	F	100,00	Airbus UK Limited	UK
	F	100,00	F	100,00	Avaio Limited	Isle Of Man
	F	100,00	F	100,00	Aviateur Aerospace Limited	Ireland
	E	20,00	E	20,00	Aviateur Capital Limited	Ireland
	F	100,00	F	100,00	Aviateur Eastern Limited	Ireland
	F	100,00	F	100,00	Aviateur Finance Limited	Ireland
	F	100,00	F	100,00	Aviateur International Limited	Ireland
	F	100,00	F	100,00	Aviateur Leasing Limited	Ireland
	F	100,00			CTC GmbH	Stade (Germany)
			F	100,00	Norbus	U.S.A.
	F	100,00	F	100,00	Star Real Estate SAS	Boulogne (France)
	F	100,00	F	100,00	Tasc aviation FZCo	United Arab Emirates
Additionally consolidated are 32 SPEs.						
Military						
	F	90,00	F	90,00	Airbus Military S.L.	Madrid (Spain)
	F	100,00	F	100,00	EADS CASA North America, Inc	Chantilly, Virginia (USA)
	F	100,00	F	100,00	EADS CASA S.A. (Unit: EADS CASA Military Transport Aircraft)	Madrid (Spain)
	F	77,21	F	77,21	EADS PZL "WARSZAWA-OKECIE" S.A.	Warsaw (Poland)
	E	40,00			AirTanker Holdings Ltd.	London (U.K.)
	E	40,00			AirTanker Ltd.	London (U.K.)
	E	40,00			AirTanker Finance Ltd.	London (U.K.)
Eurocopter						
	F	100,00	F	100,00	AA military maintenance Pty. Ltd.	Brisbane (Australia)
	F	100,00	F	100,00	AA New Zealand Pty. Ltd.	Bankstown (Australia)
	F	100,00	F	100,00	American Eurocopter Corp.	Dallas, Texas (USA)
	F	60,00	F	60,00	American Eurocopter LLC	Dallas, Texas (USA)
	F	100,00	F	100,00	Australian Aerospace Ltd.	Bankstown (Australia)
	F	100,00	F	100,00	EIP Holding Pty. Ltd.	Bankstown (Australia)
	F	75,00	F	75,00	Eurocopter South East Asia Pte. Ltd.	Singapore (Singapore)
	F	100,00	F	100,00	Eurocopter Canada Ltd.	Ontario (Canada)
	F	100,00	F	100,00	Eurocopter Deutschland GmbH	Donauwörth (Germany)
	F	100,00	F	100,00	Eurocopter España S.A.	Madrid (Spain)
	F	100,00	F	100,00	Eurocopter Holding S.A.	Paris (France)
	F	100,00	F	100,00	Eurocopter S.A.S.	Marignane (France)
	F	100,00	F	100,00	Eurocopter Training Services S.A.S	Marignane (France)
	F	100,00			Korean Helicopter Development Support	Sacheon-si (South Korea)
	F	85,66	F	76,52	Helibras - Helicopteros do Brasil S.A.	Itajuba (Brazil)
	E	25,00	E	25,00	HFTS Helicopter Flight Training Services GmbH	Hallbergmoos (Germany)
Defence & Security						
	F	100,00	F	100,00	Aircraft Services Lemwerder GmbH	Lemwerder (Germany)
	F	100,00	F	100,00	Apsys	Suresnes (France)
	E	16,20	E	16,20	Arbeitsgemeinschaft Marinelogistik	Bremen (Germany)
	E	14,70	E	14,70	Atlas Defence Technology SDN.BHD	Kuala Lumpur (Malaysia)
	P	49,00	P	49,00	Atlas Elektronik PTY Limited	St. Leonards (Australia)
	P	49,00	P	49,00	Atlas Elektroniks GmbH	Bremen (Germany)
	P	49,00	P	49,00	Atlas Elektronik UK (Holdings) Limited	Newport, Wales (UK)
	P	49,00	P	49,00	Atlas Elektronik UK Limited	Newport, Wales (UK)
	P	49,00	P	49,00	Atlas Hydrographic Holdings PTY Limited	St. Leonards (Australia)
	P	49,00	P	49,00	Atlas Hydrographics GmbH	Bremen (Germany)
	P	49,00	P	49,00	Atlas Maridan ApS	Horsholm (Denmark)
	P	49,00	P	49,00	Atlas Naval Systems Malaysia SDN.BHD.	Kuala Lumpur (Malaysia)
	F	55,00	F	55,00	Aviation Defense Service S.A.	Saint-Gilles (France)
	P	37,50	P	18,75	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
	E	19,60	E	19,60	CybiCOM Atlas Defence (Proprietary) Limited	Umhlanga Rocks (South Africa)
			F	100,00	Defense Security Systems Solutions Inc.	San Antonio, Texas (USA)
	F	100,00	F	100,00	Dornier Consulting GmbH	Friedrichshafen (Germany)
	F	100,00	F	100,00	Dornier Flugzeugwerft GmbH	Friedrichshafen (Germany)

2008	%	2007	%	Company	Head office
F	100,00	F	100,00	EADS CASA S.A. (Unit: Military Aircraft)	Madrid (Spain)
F	100,00	F	100,00	EADS Defence & Security Systems Limited	Newport, Wales (UK)
F	100,00	F	100,00	EADS Defence & Security Systems Limited - Holding	Newport, Wales (UK)
F	100,00	F	100,00	EADS Defence & Security Systems SA	Elancourt (France)
F	100,00			EADS Defence and Security Saudi Ltd	Riyadh Olaya District (Saudi Arabia)
F	100,00	F	100,00	EADS Deutschland GmbH – Defence Headquarter	Unterschleißheim (Germany)
F	100,00	F	100,00	EADS Deutschland GmbH - Military Aircraft TB 51	Munich (Germany)
F	100,00	F	100,00	EADS Deutschland GmbH – Verteidigung und Zivile Systeme	Ulm (Germany)
		F	100,00	EADS North America Defense Company	Arlington, Virginia (USA)
F	100,00	F	100,00	EADS Operations & Services UK	Newport, Wales (UK)
F	100,00	F	100,00	EADS Secure Networks Oy	Helsinki (Finland)
F	100,00	F	100,00	EADS Secure Networks SAS	Elancourt (France)
		F	100,00	EADS Air Services	Boulogne (France)
F	100,00	F	100,00	EADS System & Defence Electronics Belgium	Oostkamp (Belgium)
F	100,00	F	100,00	EADS Secure Networks Deutschland GmbH	Ulm (Germany)
		F	100,00	EADS Telecom Deutschland GmbH	Unterschleissheim (Germany)
F	100,00	F	100,00	EADS Defence & Secutity Solutions Espana S.A.U.	Madrid (Spain)
F	100,00	F	100,00	EADS Telecom Mexico SA de CV	Mexico DF (Mexico)
F	100,00	F	100,00	EADS Cognac Aviation Training Services	Paris (France)
E	30,00	E	30,00	ESG Elektroniksystem- und Logistikgesellschaft	Munich (Germany)
F	100,00	F	100,00	Fairchild Controls Corporation	Frederick Maryland (USA)
F	100,00	F	100,00	FmElo Elektronik- und Luftfahrtgeräte GmbH	Ulm (Germany)
F	100,00	F	100,00	Gesellschaft für Flugzieldarstellung mbH	Hohn, Germany
F	100,00	F	100,00	Get Electronique S.A.	Castres (France)
E	45,00			Grintek Ewation (Pty) Ltd	Pretoria (South Africa)
P	49,00	P	49,00	Hagenuk Marinekommunikation GmbH	Flintbek (Germany)
F	100,00	F	100,00	IFR France S.A.	Blagnac (France)
P	37,50	P	37,50	LFK – Lenkflugkörpersysteme GmbH	Unterschleißheim (Germany)
F	100,00	F	100,00	M.P. 13	Paris (France)
P	50,00	P	50,00	Maîtrise d'Oeuvre SyStème	Issy les Moulineaux (France)
P	37,50	P	37,50	Marconi Overside Ldt.	Chelmsford (UK)
F	100,00	F	100,00	Matra Défense	Velizy (France)
P	37,50	P	37,50	Matra Electronique	La Croix Saint-Ouen (France)
F	100,00	F	100,00	Matra Holding GmbH	Frankfurt (Germany)
P	37,50	P	37,50	MBDA France	Velizy (France)
P	37,50	P	37,50	MBDA Holding	Velizy (France)
P	37,50	P	37,50	MBDA Inc	Westlack, CA (USA)
P	37,50	P	37,50	MBDA Italy SpA	Roma (Italy)
P	37,50	P	37,50	MBDA M S.A.	Chatillon sur Bagneux (France)
P	37,50	P	37,50	MBDA SAS	Velizy (France)
P	37,50	P	37,50	MBDA Services	Velizy (France)
P	37,50	P	37,50	MBDA Treasury	Jersey (UK)
P	37,50	P	37,50	MBDA UK Ltd.	Stevenage, Herts (UK)
E	26,80	E	26,80	Patria Oyj	Helsinki, Finland
F	80,00	F	80,00	Pentastar Holding	Paris (France)
F	100,00			Plant CML	Temecula, CA (USA)
F	100,00	F	100,00	Proj2	Paris (France)
		P	18,75	Propulsion Tactique S.A.	La Ferte Saint Aubin (France)
		F	100,00	Racal Instruments US	San Antonio, Texas (USA)
F	100,00	F	100,00	Racal Instruments Group Ltd. UK	Wimborne, Dorset (UK)
E	18,75	E	18,75	Roxel	Saint-Médard-en-Jalles (France)
F	100,00	F	100,00	Sofrelog S.A.	Bozons (France)
P	49,00	P	49,00	Sonartech Atlas Pty Ltd.	St. Leonards (Australia)
F	100,00	F	100,00	Sycomore S.A.	Boulogne-Billancourt(France)
		F	100,00	Talon Instruments	San Dimas, CA (USA)
P	25,13	P	25,13	TAURUS Systems GmbH	Schrobenhausen (Germany)
P	37,50	P	37,50	TDW- Ges. für verteidigungstechnische Wirksysteme GmbH	Schrobenhausen (Germany)
F	100,00	F	100,00	Test & Services France	Velizy (France)
		F	100,00	Test & Services North America	Irvine, California (USA)
F	100,00	F	100,00	TYX Corp.	Reston, VA (USA)
E	50,00	E	50,00	United Monolithic Semiconductors France SAS	Orsay (France)
E	50,00	E	50,00	United Monolithic Semiconductors Holding	Orsay (France)
E	50,00	E	50,00	United Monolithics Semiconductor GmbH	Ulm (Germany)
F	90,00	F	90,00	UTE CASA A.I.S.A.	Madrid (Spain)

Astrium

F	100,00	F	100,00	Astrium GmbH - Satellites	Munich (Germany)
F	100,00	F	100,00	Astrium GmbH - Space Transportation	Munich (Germany)
F	100,00	F	100,00	Astrium Holding SAS	Paris (France)
F	100,00	F	100,00	Astrium Ltd. - Satellites	Stevenage (UK)
F	100,00	F	100,00	Astrium SAS - Satellites	Toulouse (France)
F	100,00	F	100,00	Astrium SAS - Space Transportation	Les Muraux (France)
F	100,00	F	100,00	Astrium SAS - Services	Paris (France)
F	100,00	F	100,00	Astrium Services GmbH	Ottobrunn (Germany)
F	100,00			Astrium Services SAS	Paris (France)
F	70,00			Axio-Net GmbH	Hannover (Germany)
F	100,00	F	100,00	Computadoras, Redes e Ingenieria SA (CRISA)	Madrid (Spain)
F	100,00	F	100,00	Dutch Space B.V.	Leiden (Netherlands)
		F	100,00	EADS Astrium Jersey Ltd.	Jersey (UK)
F	100,00	F	100,00	EADS Astrium N.V.	The Hague (Netherlands)
F	100,00	F	100,00	EADS Astrium SL	Madrid (Spain)
F	100,00	F	100,00	EADS CASA Espacio S.L.	Madrid (Spain)
F	100,00	F	100,00	EADS Deutschland GmbH – Space Services	Munich (Germany)
F	100,00			GPT Special Project Management Limited	Riyadh (Saudi Arabia)
E	20,73			I-Cubed (I3C)	Fort Collins, USA
F	100,00			Imass Ltd	Newcastle (UK)
F	100,00	F	100,00	Infoterra GmbH	Friedrichshafen (Germany)
F	100,00	F	100,00	Infoterra Ltd	Southwood (UK)
F	100,00	F	100,00	Infoterra SAS	Toulouse (France)
F	100,00	F	100,00	Matra Marconi Space UK Ltd.	Stevenage (UK)
F	74,90	F	75,00	MilSat Services GmbH	Bremen (Germany)
		F	100,00	MMS Systems Ltd	Stevenage (UK)
E	47,40	E	47,40	Nahuelsat S.A.	Buenos Aires (Argentina)

2008	%	2007	%	Company	Head office
F	100,00	F	100,00	Astrium Services UK Ltd	Stevenage (UK)
F	100,00	F	100,00	Paradigm Secure Communications Ltd	Stevenage (UK)
F	100,00	F	100,00	Paradigm Services Ltd	Stevenage (UK)
F	89,98	F	89,98	Sodern S.A.	Limeil Brevannes (France)
F	100,00			Space Management & Servcies SAS	Paris (France)
F	81,03	E	40,03	Spot Image SAS	Toulouse (France)
F	81,03			Spot Image Corporation Inc.	Chantilly, VA (USA)
F	81,03			Spot Imaging Services Pty Ltd	Weston Creek (Australia)
F	56,72			Spot Asia Pte Ltd	Singapore
F	44,57			Beijing Spot Image Co Ltd	Pekin (China)
F	41,30			Tokyo Spot Image	Tokyo (Japan)
F	78,38			Surrey Satellite Technology Ltd	Survey (UK)
F	100,00	F	100,00	TESAT-Spacecom Geschäftsführung GmbH	Backnang (Germany)
F	100,00	F	100,00	TESAT-Spacecom GmbH & Co. KG	Backnang (Germany)

Other Businesses

2008	%	2007	%	Company	Head office
P	50,00	P	50,00	ATR Eastern Support	Singapour (Singapour)
P	50,00	P	50,00	ATR GIE	Toulouse (France)
P	50,00	P	50,00	ATR India Customer Support	Bangalore (India)
P	50,00	P	50,00	ATR International SARL	Toulouse (France)
P	50,00	P	50,00	ATR North America Inc.	Washington D.C., (USA)
P	50,00	P	50,00	ATR Training Center SARL	Toulouse (France)
P	50,00	P	50,00	ATRiam Capital Ltd.	Dublin (Ireland)
F	50,10	F	50,10	Composites Aquitaine S.A.	Salaunes (France)
F	50,00	F	50,00	Composites Atlantic Ltd.	Halifax (Canada)
F	100,00	F	100,00	EADS ATR S.A.	Toulouse (France)
		E	49,99	EADS Revima APU S.A.	Caudebec en Caux (France)
		F	100,00	EADS Revima S.A.	Tremblay en France (France)
F	100,00	F	100,00	EADS Seca S.A.	Le Bourget (France)
F	100,00	F	100,00	EADS Socata S.A.	Louey (France)
F	100,00	F	100,00	EADS Sogerma S.A.	Mérignac (France)
F	100,00	F	100,00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
P	50,00			Airbus Freighter Conversion GmbH	Dresden (Germany)
F	100,00	F	100,00	Maroc Aviation S.A.	Casablanca (Morocco)
F	100,00	F	100,00	Noise Reduction Engineering B.C.	Washington, D.C. (USA)
F	100,00	F	100,00	Socata Aircraft Inc.	Miami, Florida (USA)
F	100,00			EADS North America Defense Security Systems Solutions Inc.	San Antonio, Texas (USA)
F	100,00			EADS North America Defense Test and Services, Inc.	Irvine, California (USA)
F	100,00			EADS North America, Inc.	Arlington, Virginia (USA)
F	52,00			EADS North America Tankers, LLC	Arlington, Virginia (USA)

Additionally consolidated are 6 SPEs.

Headquarters

2008	%	2007	%	Company	Head office
E	23,16	E	23,15	Aero Precision	Deerfield Beach (USA)
F	100,00			AL Objekt Taufkirchen Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald (Germany)
F	75,00	F	75,00	DADC Luft- und Raumfahrt Beteiligungs AG	Munich (Germany)
E	46,32	E	46,30	Dassault Aircraft Services	(USA)
E	46,32	E	46,30	Dassault Aviation	Paris (France)
E	46,32	E	46,30	Dassault Falcon Jet	Teterboro N.J. (USA)
E	46,32	E	46,30	Dassault Falcon Jet	Wilmington (USA)
E	46,32	E	46,30	Dassault Falcon Service	Bonneuil en France
E	46,32	E	46,30	Dassault Procurement Services Inc	Paramus N.J. (USA)
F	99,12	F	97,16	Dornier GmbH – Zentrale	Friedrichshafen (Germany)
F	100,00	F	100,00	EADS Airbus Holding SAS	Paris (France)
F	100,00	F	100,00	EADS CASA France	Paris (France)
F	100,00	F	100,00	EADS CASA S.A. (Headquarters)	Madrid (Spain)
F	100,00			EADS CASA S.A. Shared Service Center, Spain	Madrid (Spain)
F	100,00	F	100,00	EADS Deutschland GmbH – Zentrale	Munich (Germany)
F	100,00	F	100,00	EADS Deutschland GmbH, Innovation Work	Munich (Germany)
F	100,00	F	100,00	EADS Deutschland GmbH, LO - Liegenschaften OTN	Munich (Germany)
F	100,00			EADS Deutschland GmbH, Shared Service Center, Germany	Munich (Germany)
F	100,00	F	100,00	EADS Finance B.V.	Amsterdam (Netherlands)
F	100,00	F	100,00	EADS France HQ	Paris (France)
F	100,00	F	100,00	EADS France - Innovation Work	Suresnes (France)
F	100,00			EADS Management Service GmbH	Munich (Germany)
F	100,00	F	100,00	EADS North America Holdings Inc.	Arlington (USA)
F	99,12	F	97,16	EADS Real Estate Dornier Grundstücke GmbH & Co. KG	Taufkirchen (Germany)
F	100,00	F	100,00	EADS Real Estate Objekt Nabern GmbH & Co. KG	Taufkirchen (Germany)
E	23,16	E	23,15	Falcon Training Center	France
F	100,00	F	100,00	Manhattan Beach Holding Company	Frederick, Maryland (USA)
F	100,00	F	100,00	Matra Aerospace Inc.	Arlington (USA)
E	46,32	E	46,30	Midway	USA
F	100,00			OBRA Grundstücks-Verwaltungsgesellschaft mbH	Grünwald (Germany)
F	100,00			OOO "EADS"	Moscow, Russia
E	46,13	E	46,16	Sogitec Industries	Suresnes (France)

F: Fully consolidated
P: Proportionate
E: Equity method

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

Auditors' Report on the Consolidated Financial Statements (IFRS)

To: The EADS N.V. shareholders**:**

Auditors' Report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements 2008 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, which comprise the consolidated balance sheet as at 31 December 2008, the profit and loss account, statement of recognized income and expenses and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of Matter

Without qualifying our opinion above, we draw attention to all of the specific disclosures made by the Company in its notes to the consolidated financial statements under Note 3 “Accounting for the A400M Program” in relation with the risks and uncertainties attached to the A400M program.

Report on other legal and regulatory requirements

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

Rotterdam, 9 March 2009

KPMG Accountants N.V.
L.A. Blok

Amsterdam, 9 March 2009

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

Company Financial Statements and Notes

Company Financial Statements

Balance Sheet of the Company Financial Statements

in €m		At December 31,	
Assets	Note	**2008**	**2007**
Fixed assets			
Goodwill	2	4,354	4,354
Financial fixed assets	2	9,575	11,303
Non-current securities	4	3,035	2,685
		16,964	**18,342**
Non-fixed assets			
Receivables and other assets	3	5,398	5,526
Securities	4	3,909	1,595
Cash and cash equivalents	4	5,321	6,444
		14,628	**13,565**
Total assets		**31,592**	**31,907**
Liabilities and stockholders` equity			
Stockholders` equity [1])	5		
Issued and paid up capital		815	814
Share premium		7,836	7,968
Revaluation reserves		237	3,973
Legal reserves		3,379	2,844
Treasury shares		(109)	(206)
Retained earnings		(2,708)	(1.857)
Result of the year		1,572	(446)
		11,022	**13,090**
Non current liabilities			
Financing liabilities	6	332	316
Other non-current liabilities	6	1,501	1,532
		1,833	**1,848**
Current liabilities			
Other current liabilities	7	18,737	16,969
		18,737	**16,969**
Total liabilities and stockholders` equity		**31,592**	**31,907**

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

Income Statement of the Company Financial Statements

in €m		**2008**	**2007**
Income from investments		1,763	(380)
Other results		(191)	(66)
Net result	8	**1,572**	**(446)**

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 2008 financial statements of EADS N.V.

The description of the company's activities and the group structure, as included in the notes to the consolidated financial statements, also apply to the company financial statements. In accordance with article 402 Book 2 of the Dutch Civil Code the income statement is presented in abbreviated form.

1.2 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, EADS N.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. As from 2005, the Netherlands Civil Code allows that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of EADS N.V. are the same as those applied for the consolidated EU-IFRS financial statements. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as EU-IFRS). Please see Note 2 of the consolidated financial statements for a description of these principles.

Participating interests including subsidiaries, over which significant influence is exercised, are stated on the basis of the equity method.

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

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

2. Fixed assets

At the end of 2008, goodwill acquisition cost amounts to € 5,676 million (2007: € 5,676 million) and the cumulative amortization and impairments to € 1,322 million (2007: € 1,322 million).

The movements in financial fixed assets are detailed as follows:

in €m	Subsidiaries	Participations	Loans	Total
Balance at 31 December 2007	**10,033**	**94**	**1,176**	**11,303**
Additions	110		212	322
Redemptions			(72)	(72)
SOP/ESOP	22			22
Net income from investments	1,754	9		1,763
Actuarial gains/losses IAS 19	(310)			(310)
Dividends received	(79)	(3)		(82)
Translation differences/other changes	(3,292)	(21)	(58)	(3,371)
Balance at 31 December 2008	**8,238**	**79**	**1,258**	**9,575**

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.

Loans provided to affiliated companies amount to € 1,252 million (2007: € 1,167 million). On average, the interest rate of the loans is 5.4%. An amount of € 545 million has a maturity between five and ten years and an amount of € 301 million matures after ten years. The item redemptions mainly reflects the redemption of a loan provided to Paradigm Secure Communications.

3. Receivables and other assets

in €m	2008	2007
Receivables from subsidiaries	4,963	5,317
Other assets	435	209
Total receivables and other assets	**5,398**	**5,526**

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

The receivables and other assets are due within one year. In 2007 an amount of € 47 million was due after one year.

4. Securities, Cash and cash equivalents

The securities comprise mainly available-for-sale Securities. The available-for-sale security portfolio contains a non-current portion of € 3,035 million (2007: €2,685 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 2006	**816**	**8,160**	**3,657**	**2,835**	**(349)**	**(2,203)**	**99**	**13,015**
Capital increase	3	43						46
Net income							(446)	(446)
ESOP/SOP IFRS 2						48		48
Cash distribution		(97)						(97)
Transfer to legal reserves				204		(204)		
Cancellation of shares	(5)	(138)			143			
Others			316	(195)		403		524
Appropriation of result						99	(99)	
Balance at 31 December 2007	**814**	**7,968**	**3,973**	**2,844**	**(206)**	**(1,857)**	**(446)**	**13,090**
Capital increase	2	22						24
Net income							1,572	1,572
ESOP/SOP IFRS 2						22		22
Cash distribution		(97)						(97)
Transfer to legal reserves				117		(117)		
Sale of treasury shares					39			39
Cancellation of shares	(1)	(57)			58			
Others			(3,736)	418		**(310)**		(3,628)
Appropriation of result						(446)	446	
Balance at 31 December 2008	**815**	**7,836**	**237**	**3,379**	**(109)**	**(2,708)**	**1,572**	**11,022**

For further information to the Stockholders' equity, please see Note 24 of the consolidated financial statements.

As of 31 December 2008, the item 'Revaluation reserves' relates to € 420 million (2007: € 423 million) resulting from the fair value of Securities classified as available for sale, compensated by negative fair values of cash flow hedges, recognised directly in equity with an amount of € 183 million (2007: € 3,550 million positive fair values).

The legal reserves are related to EADS' share in the undistributed results from investments for € 977 million (2007: € 841 million) internally generated capitalized development costs of € 881 million (2007: € 900 million), € 1,521 million (2007: € 1,103 million) resulting from currency translation effects of affiliated companies.

The internally generated development costs reflect capitalised development costs in the consolidated subsidiaries and allocated to other legal reserves in accordance with Article 2:389 paragraph 6 of the Dutch Civil Code.

The retained earnings include actuarial losses arising from defined benefit plans, recognised in equity, with an amount of € 1,270 million (2007: € 960 million).

Pursuant to Dutch law, limitation exist relating to the distribution of stockholders' equity with an amount of € 4,614 million (2007: € 7,631 million). The limitations relate to capital stock of € 815 million (2007: € 814 million), to revaluation reserves of € 420 million (2007: € 3,973 million) and to legal reserves of € 3,379 million (2007: € 2,844 million). In general, gains related to available for sale securities, fair values of cash flow hedges, currency translation effects of affiliated companies and capitalised development costs reduce the distributable stockholders' equity.

6. Non current liabilities

The financing liabilities include a long term loan, granted by the European Investment Bank to EADS in the amount of US$ 421 million and a shareholder loan granted by SOGEADE in the amount of € 29 million. For further details, please see Note 27 of the consolidated financial statements.

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

7. Other current liabilities

in €m	2008	2007
Liabilities to subsidiaries	17,003	15,881
Liabilities to related companies	1,404	986
Other liabilities	330	102
Total	**18,737**	**16,969**

The liabilities to subsidiaries comprise mainly liabilities in connection with the cash pooling in EADS N.V.

8. Net result

The net income in 2008 amounts to € 1,572 million (2007: loss of € 446 million).

9. Financial instruments

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest risks. EADS uses financial instruments in order to limit these financial risks. Information to the terms and conditions of the financial instruments and the respective fair values is provided in Note 35 of the consolidated financial statements.

10. Commitments and contingent liabilities

EADS N.V. issues guarantees on behalf of consolidated companies with an amount of € 120 million. The commitments of these companies to third parties mainly relate to their operating business as described in Note 34 to the consolidated financial statements. The company is heading a fiscal unity, which also includes EADS Finance B.V. and therefore the company is several and jointly liable for income tax liabilities of the fiscal unity as a whole.

11. Remuneration

The total **remuneration** of the Non Executive and the Executive members of the Board of Directors and former directors in 2008 and 2007 can be summarized as follows:

Non Executive members of the Board:

	2008 in Euro	2007 in Euro
Fixum	263,125	240,000
Bonus (related to reporting period)	-	550,370
Fees	322,500	390,000

Executive members of the Board:

	2008 in Euro	2007 in Euro
Fixum	900,000	2,729,179
Bonus (related to reporting period)	1,545,500	4,028,998

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 in respect of 2008 (***)**		**Directors' remuneration in respect of 2007**		
	Fixum	**Attendance Fees**	**Fixum**	**Variable compensation (Bonus)**	**Attendance Fees**
Rüdiger Grube	52 500 €	52 500 €	30 000 €	109 813 €	85 000 €
Rolf Bartke	5 625 €	45 000 €	-	11 766 €	15 000 €
Dominique D'Hinnin	5 625 €	40 000 €	-	11 766 €	15 000 €
Juan Manuel Eguiagaray Ucelay	30 000 €	45 000 €	30 000 €	62 750 €	50 000 €
Arnaud Lagardère	54 375 €	10 000 €	60 000 €	113 734 €	60 000 €
Hermann-Josef Lamberti	5 625 €	40 000 €	-	11 766 €	10 000 €
Lakshmi N. Mittal (**)	-	-	-	-	-
Sir John Parker	5 625 €	25 000 €	-	11 766 €	20 000 €
Michel Pébereau	20 000 €	25 000 €	-	41 833 €	25 000 €
Bodo Uebber	20 000 €	40 000 €	-	41 833 €	10 000 €
Former Non Executive Board members (*)					
Manfred Bischoff	15 000 €	-	60 000 €	31 375 €	50 000 €
François David	24 375 €	-	30 000 €	50 984 €	30 000 €
Michael Rogowski	24 375 €	-	30 000 €	50 984 €	20 000 €
TOTAL	**263 125 €**	**322 500 €**	**240 000 €**	**550 370 €**	**390 000 €**

(*)Prorata in accordance with their periods of membership with the Board of Directors. Most of the current non Executive Board members were appointed in May or October 2007
Fixum and variable compensation are based on their presence in the prior year
(**) Remuneration waived at the Director's request
(***) Starting 1st January 2008, non Executive Board members are no longer entitled to receive variable compensation (bonus)

The remuneration of the Executive members 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 2008**		**Directors' remuneration in respect of 2007 (*)**	
	Fixum	**Variable compensation (Bonus)**	**Fixum**	**Variable compensation (Bonus) (**)**
Louis Gallois	900 000 €	1 545 500 €	900 000 €	1 515 250 €
Thomas Enders (***)	-	-	750 000 €	1 214 373 €
Jean-Paul Gut (***)	-	-	495 839 €	525 000 €
Hans-Peter Ring (***)	-	-	583 340 €	774 375 €
Total	**900 000 €**	**1 545 500 €**	**2 729 179 €**	**4 028 998 €**

(*) The remuneration disclosed above does not include any termination indemnities for Jean-Paul Gut related to 2007 which were disclosed in the 2007 annual report.
(**) In previous years, the part of the Executive Board members' compensation which is paid by EADS NV was disclosed within the fixum. The EADS NV compensation is now disclosed as a component of the variable compensation related to the reporting period.
(***) Prorata in accordance with their period of membership with the Board of Directors.

The bonus conditions are disclosed in the Board Report, chapter 4.4.1.2.

The table below gives an overview of the interests of the current Executive Board Director under the various **long term incentive plans** of EADS:

Stock option plans

Number of options

year of plan	initially granted	as at Jan. 1 2008	granted in 2008	exercised during 2008	as at Dec. 31 2008	exercise price in Euro	expiry date
Louis Gallois							
2006	67,500	67,500	-	-	67,500	25.65	Dec. 16, 2016

Performance share plan

Number of performance shares (*):

year of plan	initially granted	as at Jan. 1 2008	granted in 2008	vested during 2008	as at Dec. 31 2008	vesting date
Louis Gallois						
2006	16,875	16,875	-	-	16,875	Publication of the 2009 annual results, expected in March 2010

(*) Vesting of all performance shares granted to the Chief Executive Officer is subject to performance conditions

Performance unit plans

Number of performance units (**):

	granted in 2007	vesting date
Louis Gallois	33,700	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2011 • 25% expected in November 2011 • 25% expected in May 2012 • 25% expected in November 2012

(**) Vesting of all performance units granted to the Chief Executive Officer is subject to performance conditions

	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

(**) 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 26,327,070 at December 31, 2008.

During the year 2008, none of the Executive Committee members, including former Executive Board Directors, have exercised options granted under the various EADS stock option plans. Exercises of options by the EADS Executive Committee members are disclosed on the EADS internet website in accordance with the applicable regulations.

Performance and Restricted share plans

To the current members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted shares amounted to 1,652,975 at December 31, 2008.

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 5,070,660 at December 31, 2008.

The expense accounted for in 2008 for stock options, performance shares and performance units granted to the Chief Executive Officer was € 0.5 million.

For further information on these various plans, please see Note 36 of the consolidated IFRS financial statements.

The **pension benefit** obligation for the Executive Committee members is as follows:

The members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS at the age of 60 or 65.

These rights can gradually increase to 60% after a second term, usually after ten years of service in the EADS Executive Committee.

These pension schemes have been implemented through collective executive pension plans in France and Germany. These pension promises have also separate rules e.g. for minimum length of service and other conditions to comply with national regulations.

For the Chief Executive Officer, the amount of the pension defined benefit obligation amounted to € 1.4 million as of December 31, 2008, while the amount of current service and interest cost related to his pension promise accounted for during fiscal year 2008 represented an expense of € 0.6 million. This obligation has been accrued for in the financial statements.

Other benefits

All amounts reported above for the Executive Board Directors (current and former) are free of benefits in kind, as explained below, they are entitled to, as well as all national social and income tax impacts.

The Chief Executive Officer is entitled to a company car. The value of his company car is 23,977 €.

EADS has not provided any loans to / advances to / guarantees on behalf of Directors.

For further information on the remuneration, please see Note 37 of the consolidated financial statements.

12. Employees

The number of persons employed by the company at year end 2008 was 2 (2007: 3)

13. Related party transactions

In 2007, Lagardère and the French State granted to EADS their received dividend for 2006 in the amount of € 29 million as an interest free loan.

14. Auditor Fees

Services of Statutory Auditors and Members of their Network rendered to the Group for the financial years 2008 and 2007

	KPMG Accountants N.V.				Ernst & Young Accountants			
	2008		2007		2008		2007	
	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%
Audit								
Audit process, certification, examination of individual and consolidated accounts	4,872	67,5	5,291	73,2	4,684	84,7	4,571	86,7
Additional tasks	821	11,4	491	6,8	548	9,9	284	5,4
Sub-total	**5,693**	**78,9**	**5,782**	**80,0**	**5,232**	**94,6**	**4,855**	**92,1**
Other services as relevant								
Legal, tax, employment	1,191	16,5	897	12,4	160	2,9	333	6,3
Information Technology	251	3,5	117	1,6	0	0,0	0	0,0
Other (to be specified if >10% of the fees for the audit)	82	1,1	428	6,0	138	2,5	82	1,6
Sub-total	**1,524**	**21,1**	**1,442**	**20,0**	**298**	**5,4**	**415**	**7,9**
Total	**7,217**	**100,0**	**7,224**	**100,0**	**5,530**	**100,0**	**5,270**	**100,0**

Supplementary Information

To: The EADS N.V. shareholders**:**

Auditors' Report

Report on the company financial statements

We have audited the accompanying company financial statements 2008 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the company financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the company financial statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of Matter

Without qualifying our opinion above, we draw attention to all of the specific disclosures made by the Company in its notes to the consolidated financial statements under Note 3 “Accounting for the A400M Program” in relation with the risks and uncertainties attached to the A400M program.

Report on other legal and regulatory requirements

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

Rotterdam, 9 March 2009

KPMG Accountants N.V.
L.A. Blok

Amsterdam, 9 March 2009

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

Other Supplementary Information

1. Appropriation of result

Articles 30 and 31 of the Articles of Association provide that the board of directors shall determine which part of the result shall be attributed to the reserves. The general meeting of shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the profit of € 1,572 million as shown in the income statements for the financial year 2008 is to be added to retained earnings and that a payment of a gross amount of € 0.20 per share shall be made to the shareholders from distributable reserves.

2. Subsequent events

For further information please see Note 41 of the consolidated financial statements.