AGM 2011

Report of the Board of Directors 2010

Report of the Board of Directors

(issued as of 8 March 2011)

Dear Shareholders,

This is the Report of the Board of Directors (the “Board Report”) on the activities of European Aeronautic Defence and Space Company EADS N.V. (the “Company” or “EADS” and together with its subsidiaries, the “Group”) during the 2010 financial year, prepared in accordance with Dutch regulations.

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

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1. General Overview

With consolidated revenues of €45.8 billion in 2010, EADS is Europe's premier aerospace and defence company and the second largest aerospace and defence company in the world. In terms of market share, EADS is among the top two manufacturers of commercial aircraft, civil helicopters, commercial space launch vehicles and missiles, and a leading supplier of military aircraft, satellites and defence electronics. In 2010, it generated approximately 73% of its total revenues in the civil sector and 27% in the defence sector.

EADS organises its businesses into the following four operating Divisions: (i) Airbus (including Airbus Commercial and Airbus Military), (ii) Eurocopter, (iii) Astrium and (iv) Cassidian.

2. Main Events for 2010

2010 was a year of substantial progress for EADS, with a strengthening recovery in the commercial aircraft market, reflected in Airbus new orders and deliveries, and a new agreement reached with launch customers which secures the future of the Company's A400M programme. In the face of pressure on government budgets and a slower recovery in the commercial helicopter market, EADS' Divisions took further steps to strengthen their competitive position, investing in new products and capacity and driving efficiency programmes. The Company's initiative to boost engagement among its 120,000 employees showed first improvements in 2010, as demonstrated by the results of the second annual employee engagement survey.

Revenues in 2010 reached a new high with €45.8 billion. They increased by 7 percent thanks to growth from both volume and mix effects across core business which more than offset a negative foreign exchange impact of around €500 million.

For the full year 2010, EADS reported an EBIT*[1] of €1.231 billion. The EBIT* before one-off of around €1.3 billion benefited from the underlying performance in Airbus legacy programmes and other core business activities. On 31 December 2010, the order book of EADS reached €448.5 billion. The Net Cash position of €11.9 billion is higher than anticipated, thanks to better performance and higher order intake.

In 2010 the order intake amounted to €83.1 billion, driven by the improved momentum in commercial aviation. Institutional markets including helicopters, defence and public budgets have to be monitored.

In its 10th anniversary year, the Group achieved significant milestones on a number of key programmes. The Customer Nations and EADS have concluded negotiations on the overall A400M discussions. Following the approval in France and Germany, negotiations on the export levy facility (ELF) scheme are to be finalised with some Customer Nations and are targeted for completion in 2011. In the meantime, the programme is delivering results with four development aircraft flying. The A400M maturity gate milestone was passed in February 2011, which clears the way for the start of series production. Civil certification is planned for 2011.

Manufacturing of the first A350 XWB began, while the A330 Multi-Role Tanker Transport (**MRTT**) received civil and military certification. Deliveries of the A380 increased, as did deliveries on the helicopter programmes NH90 and Tiger. The Ariane 5 launcher completed its 41st consecutive successful take-off. Finally, the Company executed a successful rebranding of EADS and its Divisions in September 2010, which reflects the unity and the strength of the Group.

To adapt to changes in the market environment, Eurocopter and Astrium drove transformation programmes (respectively called Shape and Agile). These programmes aim to prepare the business for sustainable future growth in a more competitive marketplace.

Power8, Airbus' turnaround programme launched in 2007, overachieved on its target of €2.1 billion of gross annual savings against the projected cost base. Airbus is channelling the momentum created into the follow-on programme, Power8 Plus. Launched in 2008, Power8 Plus aims at adding a further €650 million in gross annual savings for Airbus and an additional €350 million for the rest of the Group by the end of 2012. "Future EADS", launched at the end of 2008 and aiming at better integrating the organisational structure, improving the decision making processes and saving costs was progressing as planned in 2010. Other cost saving initiatives are currently being reviewed with effect up to the end of 2014.

Following the financial crisis, the global economy returned to growth faster than expected in 2010, with emerging markets driving the recovery. Continued financial market volatility shows how fragile economic recovery remains in developed markets, with the capital markets questioning the ability of sovereign nations to repay their debts. Also, despite some short term exchange rate improvement in 2010, persistent US dollar weakness has continued to disadvantage EU companies with a cost base

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[1] EBIT pre goodwill impairment and exceptionals

mainly in euros still whereas US manufacturers continue to derive benefit from more attractively priced exports.

In contrast to 2009, the commercial aviation business experienced a significant recovery in passenger demand and a return to profitability in 2010. However, there were significant regional differences, with Asian Pacific carriers contributing nearly half of the profit, while European airlines narrowly avoided a loss. Aircraft manufacturers succeeded in maintaining solid order books built over the preceding years through careful backlog management. Emerging markets were also driving additional demands that did not exist in the past. Defence and institutional activities which are normally more resilient to downturns were put under scrutiny, especially in Europe as well as in the US whereas in areas such as the Middle-East, defence spending has increased.

While European defence budgets are expected to experience cuts over the coming years, the impact on industry is still unclear. The need for some EU countries to reduce public sector spending but still maintain defensive capabilities has driven governments to look for ways to mitigate the impact on defence budgets. Compromises need to be found between maintaining procurement budgets on one hand and considering adaptations of the operational budgets on the other. Export of already domestic sales to avoid cuts in current contracts is also an option which has already been adopted by some EU players.

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

Airbus generated revenues of €30 billion in 2010, representing an increase of 7% compared to 2009. In 2010, Airbus achieved a new company record of 510 commercial aircraft deliveries to 94 customers (including 19 new ones). Deliveries included 401 A320 family aircraft, 91 A330/A340s and 18 A380s. Airbus Military delivered 20 light and medium military transport aircraft (CN235 and C295). Airbus outperformed its order intake target by recording a total of 644 gross commercial aircraft orders, thereof 452 A320 family aircraft and 32 new orders for the A380. The A350 XWB continued winning key strategic campaigns during 2010, boosting total orders for the family to 583 and the number of customers to 36 by year end. In 2010, Airbus launched the A320neo (new engine option), offering 15% less fuel burn compared to the current A320. The A400M accomplished more than 1,000 flight hours in over 300 test flights with four development aircraft, while moving ahead towards an imminent start of series production. Civil certification is planned to be obtained before the end of 2011. The A330-MRTT also passed a milestone achieving civil and military certification in 2010. Delivery of the first two MRTTs to the Royal Australian Air Force (RAAF) is in the final stages.

Eurocopter generated revenues of €4.8 billion in 2010, representing an increase of 6 % compared to 2009. 527 helicopters were delivered to customers in 2010 and new net orders totalled 346 helicopters. These orders, well balanced between civil (51%) and military activities (49%), included key Super Puma family contracts for Malaysia and Mexico and strategic Ecureuil orders in Russia and the US. Support and service activities were robust and accounted for 36% of revenues in 2010. Despite another challenging year for the industry, Eurocopter remained a leader on the worldwide civil and parapublic market with a 50% market share. 2010 was also a year of progress for Eurocopter's military programmes: 28 NH90 and 15 Tiger helicopters were delivered in 2010, twice as many as in 2009. The Tiger proved its operational reliability in Afghanistan with the French forces, while three new customers took delivery of their first NH90 helicopter during the year. A key innovation milestone was achieved in 2010 with the successful first flight of the X3 demonstrator, a new generation of high-speed helicopter. Eurocopter continued to expand its global footprint during the year.

At Astrium revenues in 2010 rose by 4% to €5 billion despite a difficult economic climate. New orders amounted to €6 billion, taking the order book to €15.8 billion at the end of the year. The Ariane 5 launcher continued to prove its reliability by completing six launches in one year, including three in two months. The Ariane 5 achieved its 41st successful launch in a row. Astrium is currently preparing the next generation of launcher, through the Ariane 5 ME (Mid-life Evolution) programme. During 2010, Astrium delivered 10 satellites to customers and signed contracts for eight new satellites: three for telecommunication and five for Earth observation. Within its defence activities, the M51 acceptance launch was successfully carried out. In services, orders almost tripled compared to 2009.

Revenues at Cassidian increased by 11% to €5.9 billion, driven by growth in Eurofighter, an increase in contributions from the newer security segments and missile businesses growth. Profitability increased slightly, despite higher self-funded research and development for future business and a charge resulting from the UK's cancellation of the FiReControl security contract. Regarding unmanned aircraft systems (UAS), 2010 was marked by the successful first flight of the Euro Hawk and completion of a series of four test flights for the Barracuda demonstrator, which demonstrated the ability to fly in civil airspace. Cassidian accomplished the delivery of the complete second batch of 35 DRAC systems, while also progressing with its self-funded Talarion programme. At Cassidian Systems, the Saudi Arabian border surveillance programme successfully passed test cases for the Northern border in 2010. With this programme, Cassidian confirms its competitive position as lead systems integrator for global security projects. The Division also expanded its security capabilities through the extension of TETRA networks in India and Bulgaria. Cassidian Electronics was awarded a new order for the development of the next generation of radar for the Eurofighter aircraft.

EADS continues to pursue the Vision 2020 goal of balancing revenues from the Airbus commercial aviation business with revenues from other Divisions. To prepare the future of the Company, EADS is investing in further research and development, with a particular focus on eco-efficiency, and exploring new growth opportunities on global markets.

In 2010, EADS proved its resilience to the economic crisis and is now emerging stronger. 2010 was a year of progress that helped pave the way for the development of EADS in its second decade.

3. Share Capital and Stock Price Evolution

3.1. Shareholding and voting rights

Issued Share Capital

As of 31 December 2010, EADS' issued share capital amounted to €816,402,722 divided into 816,402,722 shares of a nominal value of €1 each. The issued share capital of EADS as of such date represents 27.2% of the authorised share capital of €3,000,000,000 comprising 3,000,000,000 shares. The holder of one issued share has one vote and is entitled to the profit in proportion to his participation in the issued share capital.

Modification of Share Capital or Rights Attached to Shares

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

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

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

Pursuant to the shareholders' resolution adopted at the annual general meeting ("**AGM**") held on 27 May 2009, the powers to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors provided that such powers shall be limited to 1% of EADS' authorised share capital. Such powers have been granted for a period expiring at the AGM to be held on 26 May 2011. Shareholders will therefore be asked to renew this authority at such AGM.

At the AGM held on 1 June 2010, the Board of Directors was authorised, for a period of 18 months from the date of such AGM, to repurchase shares of EADS, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, EADS would not hold more than 10% of EADS' issued share capital. Shareholders will be asked to renew this authority at the AGM to be held on 26 May 2011.

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

Securities Granting Access to the Company's Capital

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

The table below shows the total potential dilution that would occur if all the stock options issued as at 31 December 2010 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights*
Total number of EADS shares issued as of 31 December 2010	816,402,722	97.3 %	813,207,546	97.3 %
Total number of EADS shares which may be issued following exercise of stock options	22,898,099	2.7 %	22,898,099	2.7 %
Total potential EADS share capital	839,300,821	100%	836,105,645	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 2010

During 2010, EADS repurchased in aggregate 2,528,772 shares directly or pursuant to contracts entered into with a bank to purchase EADS shares on EADS' behalf through derivative products in order to compensate the dilution effect resulting from the issuance of shares following the exercise of stock options under the Company's various stock option plans. Shareholders will be asked to approve the cancellation of 78,850 treasury shares at the AGM to be held on 26 May 2011.

In addition, in 2010, EADS employees exercised 297,661 stock options granted to them through the stock option plans launched by the Company in 2002 and 2003. As a result, 297,661 new shares were issued in the course of 2010.

Finally, the Board approved the replacement of the normal employee share ownership plan for 2010 with a worldwide 10 Years EADS – Special Anniversary Free Share Plan for about 120,000 eligible employees in 29 countries. Each eligible employee (including the Chief Executive Officer) was offered a grant of 10 free shares in EADS, resulting in the distribution of 1,184,220 shares in total. Such shares were distributed out of treasury and therefore had no impact on the issued share capital.

Shareholding structure and development in 2010

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

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

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

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

As at 31 December 2010, 22.46% 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 31 December 2010, is held 66.67% by Sogepa (a French state holding company) and 33.33% by Désirade (a French société par actions simplifiée wholly owned by Lagardère), held 22.46% of the share capital of EADS. Thus, 44.92% 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 5.47% of the share capital of EADS. The public (including EADS employees) and the Company held, respectively, 49.16% 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.

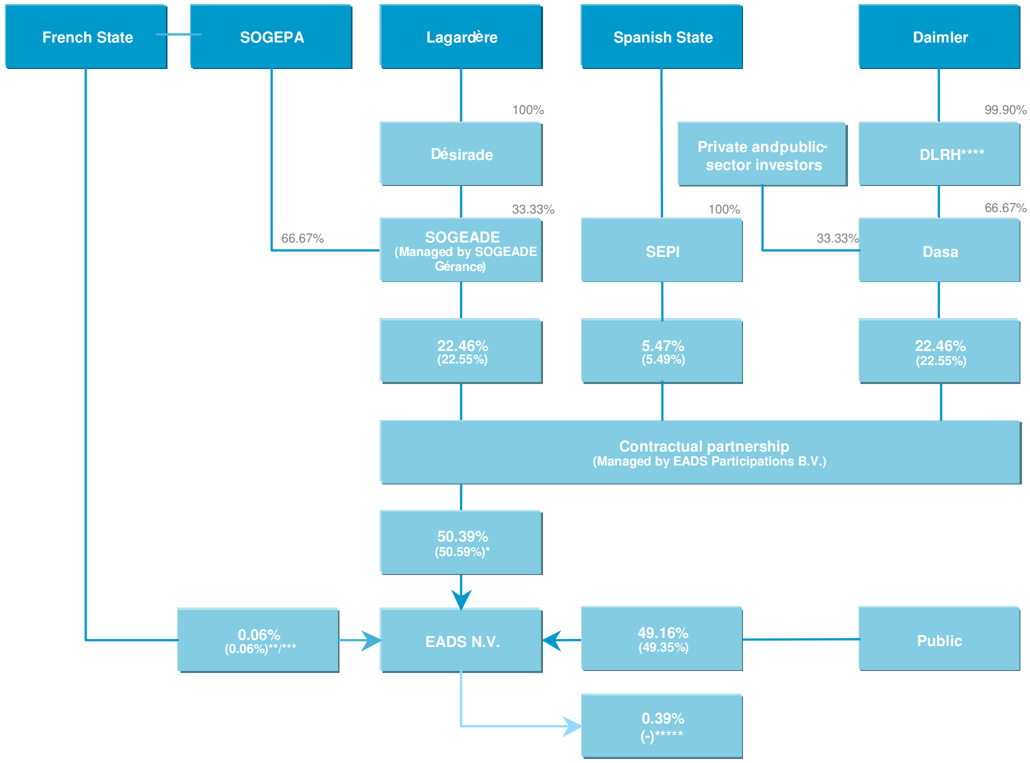
In April 2006, Daimler reduced by 7.5% its stake in EADS and Lagardère issued bonds redeemable into EADS shares, as a result of which it is committed to reduce its stake in EADS by 2.5% in June 2007, 2.5% in June 2008 and 2.5% in June 2009, i.e a total of 7.5%.

On 9 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 1 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.

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

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

The diagram below shows the ownership structure of EADS as at 31 December 2010 (% of capital and of voting rights (in parentheses) before exercise of outstanding stock options granted for the subscription of EADS shares). See "Notes to the Consolidated Financial Statements (IFRS) — Note 35: Share-Based Payment".



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

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

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

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

(*****) As at 31 December 2010, the Company holds, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 3,195,176 of its own shares. The EADS shares owned by the Company itself do not carry voting rights.

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

Right to attend Meetings

Each holder of one or more shares may attend shareholders’ meetings, either in person or by written proxy, 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.

Following the implementation of Directive 2007/36/EC (the “**Shareholders Directive**”) into Dutch law on 1 July 2010, the persons who have the right to attend and vote at shareholders’ meetings are those who are so on record in a register designated for that purpose by the Board of Directors on the twenty-eighth day prior to the day of the shareholders’ meeting (the “**Registration Date**”), irrespective of who may be entitled to the shares at the time of that meeting.

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

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

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

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

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

Pursuant to its Articles of Association, EADS may provide for electronic means of 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 the Company' share capital if they — individually or acting in concert (as such terms are defined below), directly or indirectly — have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions listed below, the requirement to make a public offer does not apply to persons, who at the time the takeover provisions under Dutch law came into force, already held — individually or acting in concert — 30% or more of the voting rights in the Company.

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

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

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

- Is a legal entity, independent from the target company, which has issued depositary receipts for the shares in the target company;
- Acquires significant control as a result of: (i) an intra-group transfer of the shares representing significant control; or (ii) a transfer between a parent company and its subsidiary;
- Acquires significant control acting in concert with one or more other natural persons, legal entities or companies, in which case the obligation to make a public offer lies with the natural person, legal entity or company that can exercise most of the voting rights in the general meeting of shareholders of the target company;
- Acts as a custodian (if and to the extent it cannot exercise any voting rights in its sole discretion).

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

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

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

Articles of Association

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

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

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

- To a transfer of shares to the Company itself or to the Foundation;

- To a securities custody, clearing or settlement institution acting in that capacity, provided that the provisions of Article 16 of the Articles of Association described above shall be applicable where shares are held for persons acting in breach of the provisions of Articles 15 and 16 of the Articles of Association described above;
- To a transfer of shares by the Company or to an issue of shares by the Company on a merger or on an acquisition by the Company of another company or business;
- To a transfer of shares from one party to another party who is a party to an agreement as envisaged under Dutch law to define “concert parties” where the agreement is entered into before 31 December 2000 (as amended, supplemented or replaced by a new agreement by the admission of one or more new parties or the exclusion of one or more parties) except that this exemption will not apply to a new party that individually or with its subsidiaries and/or group companies holds at least 33 1/3% of the control over shares or votes in the Company; this exemption is intended to exclude the parties to the Participation Agreement (See “3.4 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
- To a transfer by a shareholder to a subsidiary in which it holds more than 50% or by a shareholder to a company which holds more than 50% in such transferring shareholder.

Amendments to the Articles of Association

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

To align the Articles of Association with the new requirements of the Shareholders Directive as implemented into Dutch law, shareholders will be asked to approve certain amendments to the Articles of Association at the AGM to be held on 26 May 2011. The proposed amendments will be described in detail in the convening notice and related meeting documentation for this AGM, which will be published on the Company’s website (www. eads.com) at least 42 days before the day of the AGM in accordance with the Shareholders Directive.

3.2. Relationship with principal shareholders

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

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

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

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

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

Organisation of EADS Participations B.V.

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

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

Transfer of EADS Shares

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

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

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

Control of EADS

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

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

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

Pledge over EADS’ Shares Granted to EADS Participations B.V.

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

Related party transactions

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

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

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

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

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

Elements of ESOP and LTIP (Details)

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

- Item “4.5.1.2. Detailed Remuneration Policy”
- Item “4.5.4 Employee Share Ownership Plans”.

3.4. Share price evolution 2010

In 2010, EADS was the seventh best performer of the CAC 40 and outperformed the main indexes, CAC 40 and DAX, as well as the Dow Jones US Select Aerospace & Defense index. In a positive market environment, EADS benefited from a favourable dollar development, encouraging news on aircraft orders and the gradual derisking of the A400M and A380 programmes.

Early in the year, EADS share price benefited from a general market upturn. Following positive news on the continuation of the A400M programme, the EADS share rose strongly to €15.96 on 5 March, 2010. The share price decreased after EADS announced a more conservative than expected EBIT outlook for 2010 and, more generally, as markets became unsettled by sovereign debt issues. After returning to €13.56 on 7 May, the EADS stock rebounded strongly, however driven by positive market data. The weakening euro, which fell below US$1.20 on 6 June supported the advance, as did the announcement of new aircraft orders, in particular the Emirates order for 32 A380s. A conservative EBIT outlook for 2011, announced in November with the nine months results, again brought the upwards trend to a brief halt, causing the share price to dip back to €16.68 on 23 November. In December, however, the share advanced again in a strong commercial environment.

On 31 December, 2010, the EADS share price closed at €17.44, having gained 23.82% over the year. During the same period the CAC 40 fell -3.34%.

3.5. Dividend policy

EADS' dividend policy is determined by the Board of Directors, which may consider a number of factors, including the Group's financial performance, future cash needs as well as the dividends paid by other international companies in the same sector. EADS cannot guarantee the amount of dividends that may be paid in respect of any financial year.

Based on an Earnings per Share (EPS) of € 0.68, the EADS Board of Directors proposes payment on 6 June 2011 of a dividend of € 0.22 cents per share to the Annual General Meeting of shareholders (exceptionally, due to the significant loss incurred in 2009, no dividend payment was made that year). The record date should be 3 June 2011.

It is the group ambition to gradually improve profitability in the mid-term which is the key indicator for a better dividend distribution in the future.

3.6. Shareholder Communication Policy

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

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

4. Corporate Governance

4.1. Management and control

4.1.1. Composition, powers and rules

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

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

The Rules specify the composition, the role and the key responsibilities of the Board of Directors, and also determine the manner of appointment and the responsibilities of the Chairman and the Chief Executive Officer. 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 22 October 2007 and as referred to in paragraph 3.4 hereof) have agreed that the voting rights attached to the Indirect EADS Shares shall be exercised by EADS Participations B.V. to ensure that the Board of Directors of EADS comprises the Directors of EADS Participations B.V. and four additional independent Directors.

According to the Rules, an independent Director is defined as "a Director who is not an officer, director, employee, agent or otherwise has any significant commercial or professional connection with 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 of Directors comprises eleven members as follows:

- One Non-Executive Chairman, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- The Chief Executive Officer of EADS, appointed on joint proposal by the Daimler-Directors and the Sogeade-Directors;
- Two Directors nominated by Daimler;
- Two Directors nominated by Sogeade;
- One Director nominated by SEPI, so long as the Indirect EADS Shares held by SEPI represent 5% or more of the total number of EADS Shares but in any case until the AGM to be held in 2012; and
- Four independent Directors, jointly proposed by the Chairman and the Chief Executive Officer of EADS and individually approved by the Board of Directors.

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

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

The Board of Directors appoints a Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The Chairman ensures the smooth functioning of the Board of Directors in particular with respect to its relations with the Chief Executive Officer with whom he teams up for top level strategic discussions with outside partners, which are conducted under his supervision.

The Chairman shall have either French or German nationality, provided that the Chief Executive Officer is of the other nationality.

The Chairman can submit his resignation as Chairman to the Board of Directors or can be dismissed as Chairman by the Board of Directors, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors. The appointment further terminates if the Chairman is dismissed or resigns as Director. Immediately following the dismissal or resignation of the Chairman, and if the Daimler-Directors and the Sogeade-Directors do not immediately jointly designate a new Chairman, the Board of Directors appoints by simple majority a Director (with the same citizenship as the former Chairman) as interim Chairman for a period which expires at the earlier of either (i) twenty clear days after the Daimler-Directors and the Sogeade-Directors jointly designate a new Chairman (during which period, a Board of Directors meeting is called in order to appoint the new Chairman, upon the joint proposal of the Daimler-Directors and the Sogeade-Directors), or (ii) two months from that interim Chairman's appointment.

Upon request by any member of the Board of Directors made three years after the beginning of the Chairman's term and alleging that significant adverse deviation(s) from objectives and/or failure(s) to implement the strategy defined by the Board of Directors occurred, the Board of Directors shall meet, to decide whether deviations and/or failures actually occurred during this period and if so, to decide whether to renew its confidence to the Chairman (the "Vote of Confidence"). The Board of Directors resolves upon such Vote of Confidence by simple majority. The Chairman is removed if he does not obtain such Vote of Confidence, a new Chairman being then appointed in accordance with the above.

Upon the joint proposal by the Daimler-Directors and the Sogeade-Directors, the Board of Directors has appointed a Chief Executive Officer to be responsible for the day-to-day management of the Company. The way the Chief Executive Officer can resign or be dismissed and the way the Chief Executive Officer would, if any, be replaced are identical to those applying to the Chairman. The Vote of Confidence procedure stated above is also applicable to the Chief Executive Officer under the same conditions as for the Chairman.

Powers of the Board of Directors Members

The Company is represented by the Board of Directors or by the Chief Executive Officer. The Chief Executive Officer may not enter into transactions that form part of the key responsibilities of the Board of Directors unless these transactions have been approved by the Board of Directors.

The key responsibilities of the Board of Directors include amongst others:

- Approving any change in the nature and scope of the business of the Group;
- Approving any proposal to be submitted to the general meeting of shareholders in order to amend the Articles of Association (Qualified Majority, as defined below);
- Approving the overall strategy and the strategic plan of the Group;
- Approving 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; it being understood that (i) the Chairman and the Chief Executive Officer of Airbus shall be of the same citizenship, either French or German, and the Chief Executive Officer and the Airbus COO of the other citizenship, and (ii) the Chief Executive Officer and the Airbus Chief Executive Officer may not be the same person (Qualified Majority);
- Appointing the members of the Executive Committee (see below), as a whole team, not on an individual basis;
- Establishing and approving amendments to the Rules and to the rules for the Executive Committee (Qualified Majority);

- Deciding upon the appointments of the Airbus Shareholder Committee, the EADS Corporate Secretary and the chairmen of the Supervisory Board (or similar organ) of other important Group companies and business units;
- Approving material changes to the organisational structure of the Group;
- Approving investments, projects or product decisions or divestments of the Group with a value exceeding €350,000,000 (it being understood that this item shall require the Qualified Majority only for investments, projects or product decisions or divestments of the EADS Group with a value exceeding €500,000,000);
- Approving strategic alliances and co-operation agreements of the Group (Qualified Majority);
- Approving 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 AGM; and
- Approving of principles and guidelines governing the conduct of the Group in matters involving non-contractual liabilities (like environmental matters, quality assurance, financial announcement, integrity) as well as the corporate identity of the Group.

Voting and rules

Each Director has one vote, provided that, if there are more Sogeade-nominated Directors than Daimler-nominated Directors present or represented at the meeting, the Daimler-nominated Director who is present at the meeting can exercise the same number of votes as the Sogeade-nominated Directors who are present or represented at the meeting, and vice versa. All decisions of the Board of Directors are taken by a simple majority of votes (six Directors, present or represented, voting in favour of the decision), except for the votes relating to certain matters which can only be validly resolved upon a majority of votes including the unanimous vote of the two Sogeade-nominated Directors and the two Daimler-nominated Directors (the “Qualified Majority”). The quorum for the transaction of business at meetings of the Board of Directors requires the presence of at least one of the Sogeade-nominated Directors and one of the Daimler-nominated Directors. A Director can authorise another Director to represent him or her at a Board of Directors meeting and to vote on his or her behalf. Such authorisation must be in writing.

In the event of a deadlock in the Board of Directors, other than a deadlock giving Daimler the right to exercise the put option granted to it by Sogeade, the matter shall be referred to Arnaud Lagardère (or such person as shall be nominated by Lagardère) as representative of Sogeade and to the Chief Executive Officer of Daimler. In the event that the matter in question, including a deadlock giving Daimler the right to exercise the put option (but in this case with the agreement of Sogepa and Daimler) is a matter within the competence of the general meeting of EADS, a resolution on the issue shall be put to the general meeting, with the voting rights of Sogeade, Daimler and SEPI being negated.

Pursuant to the Rules, the Board of Directors may form committees from its members. In addition to the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee, the Board of Directors may form other committees to which it may transfer certain minor or ancillary decision-making functions although such assignment does not negate the joint responsibility of all Directors. The quorum for the transaction of business at any meeting of a committee requires the presence of at least one of the Sogeade-nominated Directors and one of the Daimler-nominated Directors. All decisions of a committee require the simple majority of the members.

In addition to the Rules, the work of the Board of Directors is governed by internal directors’ guidelines (the “Directors’ Guidelines”) adopted in light of corporate governance best practices. The Directors Guidelines are composed of a Directors’ charter (the “Directors’ Charter”) detailing the rights and duties of the members of the Board of Directors, an Audit Committee charter (the “Audit Committee Charter”), a Remuneration and Nomination Committee charter (the “Remuneration and Nomination Charter”) and a Strategic Committee charter (the "Strategic Committee Charter"), with each such charter setting forth the respective committees' roles.

Composition of the Board of Directors

Name	Age	Term started (as member of the Board of Directors)	Term expires	Principal function	Status
Bodo Uebber	51	2007	2012	Chairman of EADS	Non-Executive
Louis Gallois	67	2000, re-elected in 2005 and 2007	2012	Chief Executive Officer of EADS	Executive
Rolf Bartke	63	2007	2012	Chairman of Keiper-Recaro-Group	Nominated by Daimler
Dominique D'Hinnin	51	2007	2012	Co-Managing Partner of Lagardère SCA	Nominated by Sogeade
Juan Manuel Eguiagaray Ucelay	65	2005, re-elected in 2007	2012	Economic Advisor	Nominated by SEPI
Arnaud Lagardère	49	2003, re-elected in 2005 and 2007	2012	Managing Partner of Lagardère SCA	Nominated by Sogeade
Hermann-Josef Lamberti	55	2007	2012	Member of the Management Board of Deutsche Bank	Independent
Lakshmi N. Mittal	60	2007	2012	Chairman and Chief Executive Officer of ArcelorMittal	Independent
Sir John Parker	68	2007	2012	Chairman of National Grid PLC and Anglo American PLC	Independent
Michel Pébereau	69	2007	2012	Chairman of the Board of Directors of BNP Paribas	Independent
Wilfried Porth	52	2009	2012	Member of the Board of Management of Daimler	Nominated by Daimler

Note: Status as of 1 March 2011. The professional address of all members of the Board of Directors for any matter relating to EADS is Mendelweg 30, 2333 CS Leiden, The Netherlands.

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

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

The Board of Directors will propose candidates who can, in combination with the other Board of Directors members, manage EADS in a way that strengthens its position as a leader in the aerospace and defence industry. In this regard, the Board of Directors will take diversity - in particular with respect to gender - into account when assessing and proposing candidates for the any renewal of the entire Board of Directors.

4.1.2. Operation of the Board of Directors in 2010

Board of Directors meetings

The Board of Directors met 12 times during 2010 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%.

Throughout 2010, the Board of Directors monitored the progress of significant aircraft programmes, such as the A350 XWB, A380, NH90 and the Tiger helicopter. It was kept informed about the A380 Qantas engine incident and reviewed the status of the programme management improvement initiative throughout the Group. The Board of Directors approved the launch of the A320 with a new engine option (neo), as well as the US Tanker bid. It was also involved in the A400M contract negotiations.

Along with the objectives set forth in the Vision 2020, the Board also focused on cash management, the savings from improvement and efficiency programmes, compliance in key business processes and last but not least, employee engagement.

The Board of Directors also addressed: EADS' strategy (including the competitive environment), the Group's financial results and forecasts, a thorough review of the Enterprise Risk Management results and system, Investor Relations and financial communication policy, as well as legal risks. The Board of Directors approved a change in the company's Executives remuneration structure and system. It also focused on succession planning. Finally, it decided to replace the 2010 employee share ownership plan by a free share plan for every eligible EADS employee, in celebration of EADS' 10th anniversary.

Board Self-assessment

The Board of Directors carries out a yearly self-assessment of its performance, with an assessment also conducted by independent consultants every three years (as was the case in early 2010). A thorough discussion of the findings takes place at a subsequent meeting of the Board.

The Corporate Secretary conducted the most recent self-assessment in early 2011, which explored the role of the Board of Directors, its operations, how well it fulfils its mission, and the documentation and processes that influence its performance. The Directors concluded that as the Board gains in maturity its work as a team has grown increasingly efficient, allowing it to explore new domains and tackle relevant matters in the best interest of the Group.

The Directors consider the frequency and length of meetings adequate to cover all issues, although the addition of several unscheduled meetings for specific decisions makes EADS Board membership demanding. Supporting documentation has improved and is better focused to support decision-making, while remaining quite detailed. Information provided at meetings remains comprehensive due to the complexity of the business; the proportion of debate versus information delivery during meetings has improved.

With regard to teamwork, Directors unanimously find that discussions are uninhibited and that differing views are both encouraged and constructive. Moreover, the working relationship between the Board of Directors and the members of the Executive Committee is considered productive.

The Directors feel that the Board agenda is flexibly managed and allows them to fulfil their duty; attention to compliance permeates the work of the Board of Directors. They find that the Board of Directors is given more time to address longer term questions than in the past. The Board of Directors devoted a full day meeting to strategy for the second time in 2010, on an industrial site. This practice is considered beneficial and will be continued. Other meetings of the Board in 2010 related to, among others: discussing key programmes, particularly the A400M contract re-negotiation and A380 stabilisation; overhauling the executive remuneration system; adapting the business model of certain segments; launching new products and making business portfolio decisions.

Overall, the Board of Directors considers that it assembles a very international and varied set of skills, with competencies centred on business and finance; it believes that its renewal in 2012 will be an opportunity to fine-tune its composition, which may improve gender diversity.

With regard to Committees, their work is very thorough and professional, and the interaction of the Audit Committee and the Remuneration and Nomination Committee with the rest of the Board of Directors is satisfactory. Nevertheless, Committee meetings--which are increasingly held on different dates from Board meetings--should focus even further on special and technical issues before presentation to the full Board, to avoid repetition of work.

Finally, the Chairmanships of the Board and the Committees are recognised as very competent and dedicated. Since the last assessment, in 2010, the time and quality of strategic reviews (including the competitive landscape), the discussion of financial strategy, and the ability to anticipate and respond to significant questions are widely recognised improvements. There should be further focus on issues such as succession planning and talent development, organisation and the role of support functions and the methodology of the globalisation effort, and effectiveness of governance.

4.1.3. Board Committees

Summary of memberships in 2010

In 2010, membership on Board Committees was as follows:

Directors	Audit Committee	Remuneration & Nomination Committee	Strategic Committee
Bobo Uebber (Chairman)			**Chairman**
Louis Gallois (CEO)			**X**
Rolf Bartke	**X**		
Dominique D'Hinnin	**X**	**X**	
Juan Manuel Eguiagaray Ucelay			
Arnaud Lagardère			**X**
Hermann-Josef Lamberti	**Chairman**	**X**	
Lakshmi N. Mittal			
Michel Pébereau			**X**
Sir John Parker	**X**	**Chairman**	
Wilfried Porth		**X**	**X**

The Audit Committee

Pursuant to the Rules, the Audit Committee makes recommendations to the Board of Directors on the appointment of auditors and the determination of their remuneration, as well as the approval of the annual financial statements and the interim accounts, it discusses with the auditors their audit programme and the results of their audit of the accounts and it 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 audit matters are given due importance at meetings of the Board of Directors. The rules and responsibilities of the Audit Committee have been set out in 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. It also surveys the Group's ERM (Enterprise Risk Management) system and the Compliance Organisation.

The Chairman of the Board of Directors and the Chief Executive Officer are invited as guests to each meeting of the Committee. The Head of Accounting and the Chief Financial Officer are requested to attend meetings of the Audit Committee to answer questions.

The Audit Committee must meet four times a year, or more frequently, if necessary.

It met eight times during 2010, with an 88% average attendance rate, to review financial results, performance and disclosure.

It also reviewed the compliance organisation's processes and reinforcement, and its achievements. Finally, it focused on the ERM system effectiveness and the internal Audit activities.

The Remuneration and Nomination Committee

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

The guiding principle governing management appointments in the Group is that the best candidate should be appointed to the position ("best person for the job"), while at the same time seeking to achieve a diverse composition with respect to gender, experience, national origin, etc.

The implementation of these principles should not create restrictions on the diversity of nationalities within the EADS executive management team.

The Chairman of the Board of Directors and the Chief Executive Officer are invited as guests to each meeting of the Committee.

The Remuneration and Nomination Committee must meet twice a year, or more frequently, if necessary. It met four times during 2010, with an 88% average attendance rate.

In addition to making recommendations to the Board of Directors for major appointments within the Group, the Remuneration and Nomination Committee reviewed proposed changes to the Executives remuneration structure and system for 2011 onwards, the salary levels of the Executive Committee members for 2010, the long-term incentive plan, the variable pay for 2009, and more generally the succession planning. Based on the outcome of the Free Share plan, it also discussed a possible adaptation for the 2011 ESOP plan.

The Strategic Committee

The Strategic Committee is not a decision making body but a resource available to the Board of Directors for the preparation of decisions on strategic matters. Pursuant to the Rules, the Strategic Committee makes recommendations to the Board of Directors regarding strategic developments, corporate strategies, major merger and acquisition projects, major investments, projects or product decisions or divestments, as well as major research and development projects. The rules and responsibilities of the Strategic Committee have been set out in the Strategic Committee Charter.

The Strategic Committee must meet twice a year, or more frequently if necessary. It met twice during 2010, with a 90% average attendance rate. In addition to monitoring major strategic and divisional initiatives, acquisition targets and disinvestment candidates, and the top priorities of the Group for the year, it made recommendations to the Board of Directors linked to the competitive landscape and home countries industrial policy, company perception in key markets, the new constraints on defence budgets, and conducted a review of technology development in EADS.

4.1.4. Insider Trading Rules

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

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 of Directors shall be avoided (please refer to the Directors' Charter available on the Company's website (www.eads.com).

4.2. Dutch Corporate Governance Code

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

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

For the financial year 2010, EADS states the following:

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

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

Accordingly:

- Four members of the Board of Directors out of eleven are independent (whereas provision III.2.1 of the Dutch Code recommends that there be not more than one non-independent Board of Directors member);
- Members of the Board of Directors retire simultaneously on a five-yearly basis (whereas provision III.3.6 of the Dutch Code recommends that there be a retirement schedule to avoid, as far as possible, a situation in which many Non-Executive members of the Board of Directors retire at the same time);
- The Board of Directors is headed by the Chairman of the Board of Directors. In case of dismissal or resignation of the Chairman, the Board of Directors shall immediately designate a new Chairman. There is therefore no need for a vice-Chairman to deal with the situation when vacancies occur (whereas provision III.4.1(f) of the Dutch Code recommends that there is a vice-Chairman);
- EADS' Audit Committee does not meet without the Chief Executive Officer being present (whereas provision III.5.9 of the Dutch Code recommend this);
- EADS' Audit Committee includes two members of the Board of Directors designated by the controlling shareholders (whereas provision III.5.1 of the Dutch code recommends that there be not more than one non-independent Audit Committee member);
- EADS' Remuneration and Nomination Committee includes two members of the Board of Directors designated by the controlling shareholders (whereas provision III.5.1 of the Dutch code recommends that there be not more than one non-independent Committee member);
- EADS' Remuneration and Nomination Committee is not the relevant body responsible for the selection procedure and nomination proposals for members of the Board of Directors (whereas provision III.5.14 (a) of the Dutch Code recommends that such Committee shall focus on drawing up selection criteria and the appointment procedures for members of the Board of Directors; and provision III.5.14 (d) recommends that such Committee shall focus on making proposals for appointments and reappointments).

2. As for remuneration of member of the Board of Directors

EADS applies different rules for the remuneration of Executive (the Chief Executive Officer) and Non-Executive members of the Board of Directors, as explained in - 4.5.1. EADS' Remuneration Policy and 4.5.2. Remuneration of the members of the Board.

In case of dismissal from the Company of the Chief Executive Officer, a termination indemnity equal to one and a half times the annual total target salary would be paid subject to the following conditions (whereas provision II.2.8 of the Dutch Corporate Governance Code recommends that the maximum remuneration in the event of dismissal be one year's salary , and that if the maximum of one year's salary would be manifestly unreasonable for an Executive Board member who is dismissed during his first term of office, such Board of Directors member be eligible for severance pay not exceeding twice the annual salary): the Board of Directors has concluded that the Chief Executive Officer can no longer fulfil his position as a result of change of EADS' strategy or policies or as a result of a change in control of EADS. The termination indemnity would be paid only provided that the performance conditions assessed by the Board of Directors have been fulfilled by the Chief Executive Officer.

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

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

- Moreover, EADS has adopted Insider Trading Rules providing for specific internal rules, inter alia, governing members' of the Board of Directors holding and trading of shares in EADS and other companies. Therefore, in line with these rules and these regulations and common practices in the jurisdictions in which the Company is listed:
- EADS does not require members of the Board of Directors to hold their securities in the Company as a long-term investment (whereas provision III.7.2 of the Dutch Code recommends such a treatment);
- The term of the office of members of the Board of Directors is five years without limitation on renewal (whereas provisions II.1.1 and III.3.5 of the Dutch Code recommend that there be no more than three four-year terms for Non-Executive members of the Board of Directors and that there be four-year terms (without limitation on renewal) for Executive members of the Board of Directors);
- EADS does not follow various recommendations for dealings with analysts, including allowing shareholders to follow meetings with analysts in real time and publishing presentations to analysts on the website as set out in provision IV.3.1 of the Dutch Code.

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

For information on the composition and operation of the Board of Directors and its respective committees, please refer to section 4.1.1 "Composition, power and rules, section, 4.1.2 "Operation of the Board of Directors in 2010", section 4.1.3 "Board Committees".

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, please refer to section 3.1 "Shareholding and voting rights – Shareholding structure and development in 2010", section 3.2 "Relationships with principal shareholders", section 4.1.1 "Composition, powers and rules", section 3.1 "Shareholding and voting rights – Amendments to the Articles of Association" and section 3.1 "Shareholding and voting rights – Modifications of Share Capital or Rights attached to Shares".

4.3. Enterprise Risk Management System

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

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

The Board of Directors and EADS top management regard ERM as a key management process to steer the company and enable management to effectively deal with risks and opportunities. It is designed to achieve the following:

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

An integrated, comprehensive and lean organisation and process for risk management is necessary to ensure that EADS has a view on risks and opportunities, and that important processes, programmes and projects are covered.

ERM Process

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

The ERM system comprises an integrated hierarchical bottom-up and top-down process to enable better management and transparency of risks and opportunities. At the top, the Board of Directors and the Audit Committee discuss major risks and opportunities, related risk responses and opportunity capture as well as the status of the ERM system, including significant changes and planned improvements. This is based on a systematic bottom-up information including management judgement. The results are then fed back into the organisation. The design of the ERM system seeks to ensure compliance with applicable laws and regulations with respect to Internal Control (**IC**) and Risk Management (**RM**). It addresses both IC and RM in parallel.

The ERM process consists of the following four elements:

▪ **ERM operational process**	***8 ERM components (Risk and Opportunity Management - ROM)*** to enhance operational risk and opportunity management throughout EADS by using a consistent standard: Operational ROM Procedures: (1) Objective Setting, (2) R/O Identification, (3) R/O Assessment, (4) R/O Response, (5) Control Activities, (6) Monitoring General ROM Procedures: (7) Information & Communication, (8) Internal Environment
▪ **ERM reporting process**	Procedures for the status reporting of the ERM system and the risk/opportunity situation
▪ **ERM compliance process**	Procedures to substantiate the Board of Directors and Audit Committee, EADS CEO and EADS CFO assessment of the effectiveness of the EADS ERM system
▪ **ERM support process**	Procedures to increase the quality and provide further substantiation of the quality of the EADS ERM system

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

For a discussion of the main risks to which the Group is exposed, see "5.4 Risk Factors".

ERM Governance and Responsibility

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

- The Board of Directors and Audit Committee supervise the overall effectiveness of the ERM system;
- The EADS Chief Executive Officer is responsible for an effective EADS ERM system, the related internal environment (i.e. values, culture) and risk philosophy. He defines the level of risk that EADS wishes to accept on a corporate level;
- The EADS Chief Financial Officer is accountable for the ERM system design and the implementation of the ERM process throughout EADS;
- The EADS ERM department guides the ERM implementation and configuration throughout the Group and is headed by the EADS Chief Risk Management Officer;
- 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 its objectives. They take responsibility for the implementation of appropriate response activities to reduce probability and impact of risk exposures, and conversely for the implementation of appropriate responses to increase probability and impact of opportunities. They are responsible for the communication of risks and opportunities which affect others within EADS.

ERM Effectiveness

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

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

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

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

When the ERM system is determined to be effective, the Board of Directors and the EADS CEO and EADS CFO have reasonable assurance and are made aware, in a timely manner, of the extent to which EADS is moving toward achievement of its strategic and operational objectives, and that EADS' reporting is reliable and applicable laws and regulations are being complied with.

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

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

Developments in 2010 and Outlook

During 2010, EADS' approach to ERM has been further developed and integrated into the business and is increasingly used as a management and decision making tool. The quality of the ERM system has improved. Major cornerstones are:

- Implementation of new governance and a more structured process, as set forth in the updated EADS ERM Policy;
- Establishment and progress on major Group-wide ERM improvement projects;
- Increased focus on risk culture/understanding of ERM through joint efforts of top management and ERM department, including ERM training sessions;
- ERM compliance process successfully finalised for 2010, i.e., ERM confirmation letters were received and all ERM top management discussions took place;
- Choice of one IT tool for ERM Group-wide and integrated roadmap.

Looking ahead, EADS seeks to:

- Reduce risk criticality and encourage seizing of opportunity by use of the ERM methodology;
- Further raise the quality of ERM in the organisation and further develop lean ERM effectiveness measurement;
- Further implement and harmonise the Group-wide ERM IT tool;
- Establish a skills model and career path for risk managers.

EADS continuously seeks to evaluate and improve the operating effectiveness of the ERM system. For example, in 2010, EADS conducted an internal audit of various business controls designed to ensure compliance with applicable laws and regulations. While progress continues to be made in this area – including through the roll-out of a revised Group Ethics Code ("Integrity & Transparency") and implementation of a new ethics alert system ("OpenLine") in 2010 – EADS will use the recommendations from this audit to further strengthen its business controls related to compliance in the future; decisions have already been made to modify reporting lines in the compliance organisation, and to implement a new process to be reflected in the book of EADS Corporate Management Principles and Responsibilities ("Blue Book").

Board declaration – Limitations

The Board of Directors believes to the best of its knowledge that the internal risk management and control system over financial reporting has worked properly in 2010 and provides reasonable assurance that the financial reporting does not contain any errors of material importance.

No matter how well designed, all ERM systems have inherent limitations, such as vulnerability to circumvention or management overrides of the controls in place. Consequently, no assurance can be given that EADS' ERM system and procedures are or will be, despite all care and effort, entirely effective.

4.4. Compliance Programme

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

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

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

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

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

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

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

In 2010, programme progress reports were presented twice to the Board of Directors and Audit Committee.

In the future, EADS will continue to lead efforts to establish consistent global standards for compliance in the aerospace and defence industry, in particular business ethics. As such standards become more consistent globally with a more level playing field for all, EADS will seek to turn its commitment to ethics and integrity into a sustainable competitive advantage.

4.5. Remuneration Report

4.5.1. EADS' Remuneration Policy

4.5.1.1. General Principles

Strategy

EADS' remuneration strategy is to provide a remuneration that:

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

Benchmark

The remuneration policy is benchmarked regularly against the practice of other global companies, using peer group data and general industry data of consulting firms. The reference data is a weighted average of French, German and UK information, in the home countries of EADS. The total target remuneration for executives is targeted at the median level compared to the benchmark data.

Assessment of the Appropriateness of Board and Executive Committee Remuneration

In March 2010, an assessment performed by an independent expert confirmed that EADS' Board and Executive Committee remuneration, terms and conditions were in line with the relevant European benchmarks and that EADS was compliant with the specific requirements and regulations set forth in the relevant corporate governance frameworks.

Regular Review

The Remuneration and Nomination Committee is charged with reviewing and making recommendations to the Board on remuneration policy and issues, with the Board making the final decision. Pursuant to its charter, the Remuneration and Nomination Committee must ensure that the rules for determining the variable portion of executives' remuneration are consistent with EADS' annual performance and the long-term strategy, and that this variable portion is linked to previously-determined, measurable targets which must be achieved both in the short term and the long term.

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

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

Changes for 2011

Based on the results of the assessment performed by an independent expert and the Remuneration and Nomination Committee's review, the remuneration policy was redesigned to further improve the performance culture of the company from 2011 onwards. This will be achieved through (i) the implementation of a new process for setting collective financial targets and (ii) placing a stronger focus on behaviour and operational ability with respect to setting of individual targets.

(i) Setting of collective financial targets

The process for setting collective financial targets will be reinforced to be a more proactive and interactive core process between the Board of Directors and the Executive Committee. It will aim at achieving both the long-term strategic goals set forth under Vision2020 and the short-term objectives based on the annual Operative Planning.

The process will take place in two consecutive steps: Around mid-year, the Board will set the 'ambitious target' for the collective financial KPI, taking into account market benchmarks of peers and other relevant industries. This represents the 150% achievement level of the variable remuneration and the LTIP. At year-end, the target setting for the year(s) to come will be finalized together with the Operative Planning.

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

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

(ii) Setting of Individual targets

The individual targets used for determination of the annual variable remuneration will be adjusted to foster inter-organizational collaboration and to intensify the focus of each executive on compliance with expected management behavior as defined by the EADS Leadership Competencies, on company values and on lessons learned from the "EADS Engagement Survey".

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

(iii) Performance Spread

The performance spread (achievement level) of the annual variable remuneration has been changed from 0 - 175% to 0 - 200%. This is designed to enable the company to better recognize outstanding achievements of the businesses and of the individuals than in the past.

4.5.1.2. Detailed Remuneration Policy

Non-Executive members of the Board

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

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

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

Chief Executive Officer

The Chief Executive Officer (the sole Executive member of the Board) does not receive fees for participation in Board meetings or any dedicated compensation as member of the Board. Rather, the remuneration policy for the Chief Executive Officer for 2010 (as well as the other members of the Executive Committee) is designed to balance short term operational performance with the mid- and long term objectives of the company and consists of the following main elements:

Remuneration Element	Main drivers	Performance measures	% of total target remuneration/ % of vesting
Base salary	Reward market value of job/position	Individual performance	EADS CEO and Airbus CEO**: 45% of total target remuneration Other members of the Executive Committee: 50% of total target remuneration
Annual variable remuneration	Reward annual performance based on achievement of company performance measures and individual/team objectives, including financial and non-financial targets and behaviours	Collective part (50% of target variable remuneration): EBIT (50%), Cash (25%) and Capital Employed (25%) [NB: footnote explains the future, table explains 2010] achievement*** Individual part (50% of target variable remuneration): achievement of annual individual objectives	EADS CEO and Airbus CEO**: 55% of total target remuneration (range from 0% to 175%****) Other members of the Executive Committee: 50% of total target remuneration (range from 0% to 175%****)
Long term incentive plan	Reward long term company performance on financial targets	The number of performance units which will vest is based on 3 year absolute average earnings per share at EADS level	Vested performance units will range from 50% to 150% of initial grant*

*In case of absolute negative results during the performance period, the Board of Directors can decide to review the vesting of the performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).
** Starting in 2011, the Airbus CEO's base salary and annual variable remuneration will each constitute 50% of his total target remuneration as for all other EADS Executive Committee members, except for the EADS CEO.
*** Starting in 2011, the performance measures for the collective part of the annual variable remuneration will be EBIT (50%) and Free Cash Flow (50%) only. Capital Employed will no longer be used.
**** Starting in 2011, the spread of the achievement level may vary between 0 and 200%.

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

Annual Variable Remuneration

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

- Collective Financial Targets (representing 50% of the annual variable remuneration) to reward company performance at Group level or Division level (if applicable). EBIT, Cash and Capital Employed are the financial indicators chosen to measure company performance in 2010 (EBIT weighted at 50%, Cash weighted at 25% and Capital Employed weighted at 25%). Starting in 2011, only EBIT and Cash (weighted 50% each) will be used for collective performance measurement);
- Individual Targets (representing 50% of the annual variable remuneration) to reward individual performance measured against the achievement of individual/team objectives, which also comprise non-financial indicators that are relevant to the Company's long-term value creation and behavioral objectives.

Based on the level of performance, the collective as well as the individual achievement can vary from 0% to 175% (0% to 200% starting in 2011) of the target variable remuneration. On target achievement at 100% for both individual and collective financial targets would indicate meeting personal and company performance targets.

Long-Term Incentive Plans (LTIP)

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

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

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

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

A minimum of 50% of performance units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT of EADS Group) during the performance period, the Board can decide to review the vesting of the Performance units including the 50% portion which is not subject to performance conditions (additional vesting condition).

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

In November 2010, the Board approved the granting of 2,891,540 Performance units on target and 977,780 Restricted units, to 1,711 EADS executives and selected non-executives.

The proposed 2011 LTIP would be a Performance and Restricted Unit Plan, with the same general principles as described above. The plan would offer the granting of about 4,000,000 (or more) Performance and Restricted units on target. This number of allocations will be strongly dependent on the number of beneficiaries and on the evolution of the share price used as calculation basis at grant date (face value methodology). The value of each unit would be based on an average price of the EADS share at the respective dates of vesting. The grant value of the Performance units granted to the Chief Executive Officer will not represent more than 50% of his total target remuneration.

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

4.5.2 Remuneration of the members of the Board

The amounts of the various components constituting the remuneration granted to the Chief Executive Officer and to Non-Executive Directors during 2010, together with additional information such as the number of performance units and details of the pension benefits entitlements of the Chief Executive Officer, are set out in “Notes to the Company Financial Statements — Note 11: Remuneration”.

They are summarised below as well:

Total remuneration and related compensation costs:

The total remuneration and related compensation costs of the members of the Board of Directors and former Directors related to 2010 and 2009 can be summarised as follows:

Non-Executive members of the Board of Directors		**2010**		**2009**
		in €		**in €**
Fixed Fees*		1,170,000		1,075,000
Fees		520,000		455,000
* The Fixed Fees related to 2009 were paid in 2010; the Fixed Fees related to 2010 will be paid in 2011.				

Executive members of the Board of Directors		**2010**		**2009**
		in €		**in €**
Base Salary		900,000		900,000
Annual Variable Pay (related to reporting period including part paid by EADS NV)		1,732,500		(1,141,250 waived at CEO’s request)

The cash remuneration of the Non-Executive members of the Board of Directors related to 2010 was as follows:

2010	Fixed Fees** in €	Fees for participation in meetings in €	Total in €
Directors			
Bodo Uebber	210,000	120,000	330,000
Rolf Bartke	100,000	50,000	150,000
Dominique D'Hinnin	120,000	60,000	180,000
Juan Manuel Eguiagaray Ucelay	80,000	60,000	140,000
Arnaud Lagardère	100,000	20,000	120,000
Hermann-Josef Lamberti	130,000	45,000	175,000
Lakshmi N. Mittal*	80,000	40,000	120,000
Sir John Parker	130,000	45,000	175,000
Michel Pébereau	100,000	35,000	135,000
Wilfried Porth	120,000	45,000	165,000
TOTAL	**1,170,000**	**520,000**	**1,690,000**

* All Fees will be paid in 2011.
** The Fixed Fees related to 2009 were paid in 2010; the Fixed Fees related to 2010 will be paid in 2011.

The cash remuneration of the Executive member of the Board of Directors related to 2010 was as follows:

2010	Base Salary in €	Annual Variable Pay in € related to 2010
Directors		
Louis Gallois	900,000	1,732,500

For the first time since his appointment in 2006, the annual total target remuneration of the Executive member of the Board of Directors (CEO) will increase. This 10% increase from €2,000,000 to €2,200,000 (€990,000 Base Salary / €1,210,000 Annual Variable Remuneration on target), will apply in 2011, subject to approval at the next annual shareholders' meeting of the company.

Given the improvement in the Group's results and other milestones achieved, the Board has recommended that under the current circumstances, all directors accept their remuneration related to 2010. For the CEO, this includes the annual variable remuneration to which he is entitled in respect of 2010.

Long term incentives

The table below gives an overview of the performance units granted to the Chief Executive Officer in 2010 pursuant to the LTIP:

	Unit plan: number of performance units*	
	Granted in 2010	Vesting dates
Louis Gallois	54,400	Vesting schedule is made up of 4 payments over 2 years: (i) 25% expected in May 2014; (ii) 25% expected in November 2014; (iii) 25% expected in May 2015; (iv) 25% expected in November 2015.

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

Pension benefits

The twelve members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS 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. However, in order to reach this 60% replacement ratio the respective member of the Executive Committee must also have 12 years of seniority within the Group.

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

For the Chief Executive Officer, the amount of the pension defined benefit obligation (i.e. the book cash value) amounted to €2.3 million as of 31 December 2010, while the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2010 represented an expense of €0.6 million. This obligation has been accrued in the consolidated financial statements.

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

Termination indemnity

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

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

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

Non-competition clause

A non-competition clause is included in the contract of the Chief Executive Officer. This clause is applicable for a one-year period, starting at the end of the mandate contract, and is renewable for one year at the Company's initiative.

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

Other benefits

The Chief Executive Officer is entitled to a company car. The value of his company car as at 31 December 2010 is €24,120 (excluding VAT).

4.5.3. Remuneration of the members of the Executive Committee

The members of the Executive Committee, including the Chief Executive Officer, are entitled to receive for the year 2010 total remuneration on a full year basis of €18,345,127. This remuneration is divided for the EADS Chief Executive Officer and Airbus Chief Executive Officer into a 45% fixed part and a 55% variable part on target and for the other members of the Executive Committee into a 50% fixed part and a 50% variable part on target.

The total remuneration paid by EADS and all its Group companies to Mr Louis Gallois, Chief Executive Officer, during the year 2010, was €900,000 (this sum includes the payments of his January to December 2010 base salary and no variable pay for 2009, as he waived such variable pay in 2010).

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

4.5.4. Employee Share Ownership Plan

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

In 2010, the normal ESOP plan was replaced by a worldwide 10 Years EADS – Special Anniversary Free Share Plan for about 118,000 employees in 29 countries. Each eligible employee (including the Chief Executive Officer) was granted 10 free shares in EADS. This exceptional free share grant was implemented in order to:

- Celebrate the initial public offering of EADS-ten years ago;
- Strengthen the employee’s sense of belonging to EADS;
- Pursue the Group’s employee shareholding development policy.

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

Future ESOP

The Company intends to implement an ESOP in 2011, subject to approval by the Board of Directors. The 2011 ESOP is expected to be a share matching plan whereby the company would match a certain number of directly acquired shares with a grant of free shares. The total offering would be up to approximately 3.2 million shares of the Company, i.e. up to 0.39% of its issued share capital, open to all qualifying employees (including the Chief Executive Officer).

Non-Executive members of the Board are not eligible to participate in Future ESOP in 2011.

4.5.5. Miscellaneous

Policy for loans and guarantees granted

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

5. Financial and other Highlights

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

Accounting for the A400M programme

EADS resumed the percentage of completion method based on milestones for the A400M programme from January 2010 onwards, i.e. A400M related contract revenues and contract costs are recognised as revenues and expenses respectively by reference to the stage of completion of the A400M contract activity at the reporting date.

Overall the A400M flight test programme continues to progress better than expected. The ongoing technical progress of the A400M programme - reflected in the first flight of the fourth test aircraft on 20 December 2010, a successful test flight programme logging more than 1,000 flight test hours by the end of December 2010 as well as the first paratrooper jump through the ramp and paratrooper doors - resulted in the recognition of A400M related revenues of €1,043 million including also a partial utilisation of the A400M loss provision (€157 million).

On 5 November 2010 EADS/Airbus/AMSL concluded the negotiations with OCCAR and the seven A400M launch customer nations with an agreement further detailing the principle agreement ("A400M Understanding") reached in March 2010. The revised OCCAR agreement is subject to ratification by each customer nation before final adoption. While the overall economics of the "A400M Understanding" remain unchanged, the government payments are now more back-loaded than previously expected. Negotiations on the related export levy facility (ELF) scheme are to be finalized with some nations in line with the "A400M Understanding" (following approval in France and Germany) as well as negotiations with certain suppliers. The full receipt of the €1.5 billion ELF is conditional to the finalization of the ELF contract negotiations with all OCCAR nations targeted for completion in 2011. In the meantime, the programme is delivering results with four development aircraft flying. The A400M maturity gate milestone was passed in February 2011, which clears the way for the start of series production. Civil certification is planned for 2011.

The A400M loss provision as at 31 December 2010 amounting to €2,344 million (prior year-end: €2,464 million) has been updated based on the best estimate of EADS' management, reflecting the current status of the elements of the ongoing negotiations between AMSL and OCCAR / the Launch Nations as of 31 December 2010 as well as the expected total costs of the A400M programme updated in December 2010 with reference to 174 firm aircraft orders. As previously stated, a further reassessment of the revenue assumptions could have a significant impact on future results.

During 2010 the international market interest in the A400M airlifter has increased, especially reflected during the RIAT and Farnborough Air Show 2010 by various delegations.

5.1. Consolidated Financial Statements (IFRS)

5.1.1. Consolidated Income Statement (IFRS)

Table 1: Consolidated Income Statement (IFRS)

Table 1 - Consolidated Income Statements (IFRS)

in millions of €	**2010**	**2009**
Revenues	45,752	42,822
Cost of sales	(39,528)	(38,383)
Gross margin	**6,224**	**4,439**
Selling expenses	(1,024)	(924)
Administrative expenses	(1,288)	(1,272)
Research and development expenses	(2,939)	(2,825)
Other income	171	170
Other expenses	(102)	(102)
Share of profit from associates under the equity method	127	115
Other income from investments	18	19
Profit (loss) before finance costs and income taxes	**1,187**	**(380)**
Total finance costs	(371)	(592)
Income taxes	(244)	220
Profit (loss) for the period	**572**	**(752)**
Attributable to:		
Equity owners of the parent **(Net income (loss))**	553	(763)
Non-controlling interests	19	11

5.1.2. Revenues

In 2010, EADS' revenues increased 7 percent to €45.8 billion (FY 2009: €42.8 billion) thanks to growth from both volume and mix effects across core businesses, reduced by a negative foreign exchange impact of around €500 million. Physical deliveries remained at a high level with 510 aircraft at Airbus Commercial, 527 helicopters at Eurocopter and the 41st consecutive successful Ariane 5 launch. The percentage-of-completion methodology was resumed on the A400M programme based on the allocation of internal milestones. This has resulted in revenues of around €1 billion being booked on the programme with zero margin due to the associated provision utilisation.

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 €)	2010	2009
Profit (loss) before finance costs and income taxes	**1,187**	**(380)**
Exceptional depreciation and disposal	44	58
EBIT pre goodwill impairment and exceptionals	**1,231**	**(322)**

EADS' reported EBIT* stood at €1,231 million (FY 2009: €-322 million). It benefited from good underlying performance in all core business activities in the Divisions, especially the Airbus legacy programmes. As expected, A380 continues to weigh significantly on the EBIT*. Compared to 2009, EBIT* was weighed down by the deterioration of hedge rates (FY2009: ~€ 1 = $ 1.26 versus FY2010: ~€ 1 = $ 1.35); however, 2009 was impacted by the A400M programme charge of €1.8 billion. In 2010, EADS has further refined its natural hedging strategy, impacting reported EBIT* and other financial result but with no impact on EBIT* before one-off and Net Income.

EBIT* before one-off (adjusted EBIT*) – an indicator capturing the underlying business margin by excluding non-recurring charges or profits caused by movements in provisions or foreign exchange impacts – stood at €1.3 billion (FY 2009: €2.2 billion) for EADS and at around €280 million for Airbus Commercial.

Net Income amounted to €553 million (FY 2009: €-763 million), or earnings per share of €0.68 (earnings per share FY 2009: €-0.94). The finance result amounts to €-371 million (FY 2009: €-592 million). The interest result of €-99 million (FY 2009: €-147 million) mainly reflects lower interest expenses. Meanwhile, the other financial result improved considerably by around €170 million year-on-year to €-272 million (FY 2009: €-445 million) driven mainly by lower unwinding of discounted provisions in 2010 than in 2009. The unwinding of discount mainly decreases due to lower outstanding provisions.

Table 3 – EBIT* and Revenues by Division

by Division	EBIT*			Revenues		
(Amounts in millions of Euro)	FY 2010	FY 2009	Change	FY 2010	FY 2009	Change
Airbus Division (1)	305	-1,371	-	29,978	28,067	+7%
Airbus Commercial	291	386	-25%	27,673	26,370	+5%
Airbus Military	21	-1,754	-	2,684	2,235	+20%
Eurocopter	183	263	-30%	4,830	4,570	+6%
Astrium	283	261	+8%	5,003	4,799	+4%
Cassidian	457	449	+2%	5,933	5,363	+11%
Headquarters / Consolidation	-22	55	-	-1,174	-1,073	-
Other Businesses	25	21	+19%	1,182	1,096	+8%
Total	1,231	-322	-	45,752	42,822	+7%

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

1) Following integration of former Military Transport Aircraft Division into Airbus Division, Airbus is reporting in two segments: Airbus Commercial and Airbus Military. The Airbus Commercial perimeter includes EFW and aerostructures but excludes the A400M activity. Airbus Military includes the former Military Transport Aircraft Division as well as all A400M activity. Eliminations are treated at the Division level.

5.1.4. Consolidated Statements of Financial Position (IFRS)

Table 4 – Consolidated Statements of Financial Position (IFRS)

in millions of €	December 31 2010	 2009	Change
Intangible Assets	11,299	11,060	239
Property, Plant and Equipment	13,504	12,586	918
Investments in associates under the equity method	2,451	2,514	-63
Other investments and other long-term financial assets	2,386	2,210	176
Other non-current assets	1,975	2,783	-808
Deferred tax assets	4,250	2,656	1,594
Non-current securities	5,332	3,983	1,349
Non-current assets	**41,197**	**37,792**	**3,405**
Inventories	20,862	21,577	-715
Trade receivables	6,632	5,587	1,045
Other current assets	3,632	4,238	-606
Current securities	5,834	4,072	1,762
Cash and cash equivalents	5,030	7,038	-2,008
Current assets	**41,990**	**42,512**	**-522**
Total assets	**83,187**	**80,304**	**2,883**
Equity attributable to equity owners of the parent	8,841	10,535	-1,694
Non-controlling interests	95	106	-11
Total equity	**8,936**	**10,641**	**-1,705**
Non-current provisions	8,213	8,137	76
Long-term financing liabilities	2,870	2,867	3
Deferred tax liabilities	1,195	751	444
Other non-current liabilities	18,203	15,532	2,671
Non-current liabilities	**30,481**	**27,287**	**3,194**
Current provisions	5,766	5,883	-117
Short-term financing liabilities	1,408	2,429	-1,021
Trade liabilities	8,546	8,217	329
Current tax liabilities	254	220	34
Other current liabilities	27,796	25,627	2,169
Current liabilities	**43,770**	**42,376**	**1,394**
Total equity and liabilities	**83,187**	**80,304**	**2,883**

Non-current assets

Intangible assets of €11,299 million (prior year-end: €11,060 million) include €9,809 million (prior year-end: €9,741 million) of goodwill. This mainly relates to Airbus Commercial (€6,425 million), Cassidian (€2,533 million), Astrium (€644 million) and Eurocopter (€117 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 €+172 million, property, plant and equipment increase by €+746 million to €13,504 million (prior year-end: €12,586 million), including leased assets of €759 million (prior year-end: €703 million). Property, plant and equipment also comprise “Investment property” amounting to €77 million (prior year-end: €78 million).

Investments in associates under the equity method of €2,451 million (prior year-end: €2,514 million) mainly reflect the decrease in the value of the equity investment in Dassault Aviation, amounting to €2,318 million (prior year-end: €2,380 million).

Other investments and other long-term financial assets of €2,386 million (prior year-end: €2,210 million) are related to Airbus for an amount of €1,765 million (prior year-end: €1,691 million), mainly concerning the non-current portion of aircraft financing activities including a foreign exchange rate effect of €+94 million.

Other non-current assets mainly comprise non-current derivative financial instruments and non-current prepaid expenses. The decrease by €-808 million to €1,975 million (prior year-end: €2,783 million) is mainly caused by the negative variation of the non-current portion of fair values of derivative financial instruments (€-705 million).

Deferred tax assets of €4,250 million (prior year-end: €2,656 million) are presented as non-current assets as required by IAS 1. The increase is mainly due to the negative variation of fair values of derivative financial instruments.

The fair values of derivative financial instruments are included in other non-current assets (€602 million, prior year-end: €1,307 million), in other current assets (€364 million, prior year-end: €937 million), in other non-current liabilities (€2,109 million, prior year-end: €732 million) and in other current liabilities (€821 million, prior year-end: €220 million) which corresponds to a total net fair value of €-1,964 million (prior year-end: €1,292 million). The volume of hedged US dollar-contracts increases from US dollar 60.8 billion as at 31 December 2009 to US dollar 70.2 billion as at 31 December 2010. The US dollar vanilla options of US dollar 2 billion as of 31 December 2009 were sold. Collars in the amount of US dollar 2.3 billion were purchased. The US dollar spot rate became more favorable (USD / € spot rate of 1.34 at 31 December 2010 vs. 1.44 at 31 December 2009). The average US dollar hedge rate for the hedge portfolio of the Group improves from 1.39 USD / € as at 31 December 2009 to 1.38 USD / € as at 31 December 2010.

Current assets

Inventories of €20,862 million (prior year-end: €21,577 million) decrease by €-715 million. This is partly driven by lower unfinished goods and services at Astrium (€-112 million) and at Airbus Commercial programs (€-97 million). The successful ramp-up of deliveries results in a reduction of finished goods of €-186 million, especially thanks to less aircraft on stock. Advance payments provided to suppliers mainly decrease at Airbus (€-334 million) partly compensated by higher advance payments made at Eurocopter (€+78 million) and at EADS North America (€+49 million).

Trade receivables increase by €+1,045 million to €6,632 million (prior year-end: €5,587 million), mainly caused by Airbus (€+321 million), Eurocopter (€+263 million), Cassidian (€+223 million) and Astrium (€+211 million).

Other current assets include “Current portion of other long-term financial assets”, “Current other financial assets”, “Current other assets” and “Current tax assets”. The decrease of €-606 million to €3,632 million (prior year-end: €4,238 million) comprises among others a decrease of €-573 million in positive fair values of derivative financial instruments.

Cash and cash equivalents decrease from €7,038 million to €5,030 million.

Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to €8,841 million (prior year-end: €10,535 million). The decrease in equity is mainly due to other comprehensive income for the period of €-2,232 million mainly due to the change of fair values in cash flow hedges, partly compensated by the profit for the period.

Non-controlling interests slightly decrease to €95 million (prior year-end: €106 million).

Non-current liabilities

Non-current provisions of €8,213 million (prior year-end: €8,137 million) comprise the non-current portion of pension provisions with a decrease of €-43 million to €5,037 million (prior year-end: €5,080 million).

Moreover, other provisions are included in non-current provisions, which increase by €+119 million to €3,176 million. The increase mainly reflects provisions for aircraft financing activities (€+52 million) due to foreign exchange rate effects and provisions for personnel expenses (€+46 million).

Long-term financing liabilities, which mainly comprise bonds, increase by €+3 million to €2,870 million (prior year-end: €2,867 million).

Other non-current liabilities, comprising "Non-current other financial liabilities", "Non-current other liabilities" and "Non-current deferred income", increase in total by €+2,671 million to €18,203 million (prior year-end: €15,532 million). The increase mainly comes from the non-current portion of liabilities for derivative financial instruments (€+1,377 million), amounting to €2,109 million (prior year-end: €732 million) and from the non-current portion of government receipts for development programmes (€+1,086 million).

Current liabilities

Current provisions decrease by €-117 million to €5,766 million (prior year-end: €5,883 million) and comprise the current portions of pension (€184 million) and other provisions (€5,582 million). A decrease of provisions for restructuring measures (€-108 million) and of provisions for loss making contracts (€-90 million) is partly compensated by an increase in provisions for outstanding costs (€+114 million).

Short-term financing liabilities of €1,408 million (prior year-end: €2,429 million) decrease by €-1,021 million mainly due to the repayment of the first tranche of the EMTN bond with an amount of €1 billion in March 2010.

Other current liabilities include "Current other financial liabilities", "Current other liabilities" and "Current deferred income". They increase by €+2,169 million to €27,796 million (prior year-end: €25,627 million). Other current liabilities mainly comprise current customer advance payments of €23,285 million (prior year-end: €21,271 million), increasing by €+2,014 million.

5.1.5. Net Cash

EADS' Net Cash position amounted to €11.9 billion (year-end 2009: €9.8 billion) after a €553 million contribution to pension fund assets. It continues to be a solid foundation for the Group's operational needs as well as future growth.

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

Free Cash Flow before customer financing of €2,644 million (FY 2009: €991 million) is significantly above expectations thanks to better operational and inventory management performance and stronger pre delivery payments at Airbus Commercial than expected. The improvement compared to last year is driven by the working capital. At Airbus Commercial, inventory reduction is driven by delivery patterns. The inflow of advances linked to Airbus commercial activity in 2010 was stronger than expected and was above 2009, particularly in the fourth quarter, reflecting the increase in future deliveries and commercial aircraft orders. This positive effect was more than offset by lower advance payments at Astrium and Cassidian compared to the 2009 level which was driven by exceptional order intake booked that year. Due to a combination of appetite from lessors and banking market recovery, customer financing generated a positive contribution of around €60 million compared to a 2009 outflow of €400 million. Investing activities consumed around €2.3 billion, mainly as investment ramps up on the

A350 XWB programme. Free Cash Flow after customer financing amounted to €2,707 million (FY 2009: €585 million).

5.1.6. Order Intake and Order Book

The Group's order intake of €83.1 billion was significantly higher than one year ago (FY 2009: €45.8 billion), driven by the higher level of commercial aircraft orders at Airbus. Net orders of 574 aircraft include 32 A380s and 78 A350 XWB. By the end of December 2010, EADS' order book stood at a record €448.5 billion (year-end 2009: €389.1 billion), reflecting the improved commercial aircraft momentum. The Airbus Commercial order book also benefited from a positive revaluation impact of around €25 billion due to the strengthening value of the U.S. dollar against the euro at the end of December 2010 compared to the end of December 2009. The defence order book stood at €58.3 billion (year-end 2009: €57.3 billion).

Table 5 – Order Intake and Order Book by Division

by Division (Amounts in millions of Euro)	Order Intake(2)			Order Book(2)		
	FY 2010	FY 2009	Change	31st Dec 2010	31st Dec 2009	Change
Airbus Division (1)	68,223	23,904	+185%	400,400	339,722	+18%
Airbus Commercial	68,210	23,461	+191%	378,907	320,321	+18%
Airbus Military	152	637	-76%	22,819	20,686	+10%
Eurocopter	4,316	5,810	-26%	14,550	15,064	-3%
Astrium	6,037	8,285	-27%	15,760	14,653	+8%
Cassidian	4,312	7,959	-46%	16,903	18,796	-10%
Headquarters / Consolidation	-1,409	-1,080	-	-1,639	-1,120	-
Other Businesses	1,668	969	+72%	2,519	1,952	+29%
Total	83,147	45,847	+81%	448,493	389,067	+15%

1) Following integration of former Military Transport Aircraft Division into Airbus Division, Airbus is reporting in two segments: Airbus Commercial and Airbus Military. The Airbus Commercial perimeter includes EFW and aerostructures but excludes the A400M activity. Airbus Military includes the former Military Transport Aircraft Division as well as all A400M activity. Eliminations are treated at the Division level.

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

5.1.7. EADS Division Details

Airbus' consolidated revenues of €29,978 million show an increase of 7 percent compared to the same period last year (FY 2009: €28,067 million). The Airbus consolidated EBIT* amounted to €305 million (FY 2009: €-1,371 million).

Airbus Commercial revenues amounted to €27,673 million (FY 2009: € 26,370 million). Deliveries increased to 510 commercial aircraft, of which 508 aircraft accounted for revenue recognition (FY 2009: 498 aircraft). Compared to one year ago, Airbus Commercial revenues reflect a favourable volume and mix effect which includes a higher number of A380 deliveries. The negative impact on revenues from foreign exchange is around €500 million. Two A330-200 aircraft were delivered under operating lease and therefore do not count for revenue and margin recognition. The remaining two Single Aisle aircraft delivered under operating lease in the first half of 2010 have now been sold down into the market, bringing total deliveries for revenues and margin recognition to 132 aircraft for the last quarter. Airbus Commercial EBIT* decreased to €291 million (FY 2009: €386 million). Compared to 2009, the Airbus Commercial EBIT* before one-off (FY 2009: around €1 billion; FY 2010: around €280 million) benefits from favourable volume and mix effects, pricing improvement net of escalation and Power8 savings. It is reduced by a hedge rate deterioration of around €940 million, cost escalation and costs associated with business growth.

Airbus Military revenues increased to €2,684 million (FY 2009: €2,235 million), driven by higher A400M revenue recognition but lower revenues in Medium & Light (M&L) and Tankers. On the A400M, consistent with the return to the percentage-of-completion methodology, the internal milestones passed during 2010 have triggered revenues of around €1 billion with zero margin due to the associated provision utilisation. Deliveries amounted to 20 M&L aircraft (FY 2009: 16 aircraft). Airbus Military EBIT* amounted to €21 million (FY 2009: €-1,754 million, weighed down by the A400M provision). It reflects a favourable mix in M&L and Tankers.

In 2010, Airbus Commercial set another record for deliveries. The market rebound, driven by continuing appetite for growth in emerging markets, led to 644 new gross commercial orders (FY 2009: 310). 574 aircraft net orders were booked, including 32 additional A380 and 78 A350 XWB bringing the A350 XWB order total to 583 aircraft from 36 customers. The A320neo (new engine option), offering 15 per cent less fuel burn, was launched in the fourth quarter and has seen early market success. Airbus Military booked gross orders for 21 aircraft (CN235 and C-295) in 2010.

On the A350 XWB, EADS´ top risk programme, Airbus has made good progress in 2010 with the beginning of manufacturing for sub components and sub assemblies at section level; however, the time schedule remains challenging. Entry-into-Service is scheduled for H2 2013.

As expected, the A380 programme is stabilising and Airbus is making significant progress on the learning curve, leading to an improvement of the gross margin per aircraft.

The A400M programme is delivering results with four development aircraft flying. The A400M maturity gate milestone passed in February 2011 clears the way for the start of series production. Civil certification is planned for 2011. The A330-based Multi-Role Tanker Transport (MRTT) aircraft achieved civil and military certification and the UK Future Strategic Tanker Aircraft conducted its first flight.

As of 31 December 2010, Airbus' consolidated order book was valued at €400.4 billion (year-end 2009: €339.7 billion). Airbus Commercial backlog, which benefited from a positive revaluation impact of around €25 billion due to the strengthening value of the U.S. dollar against the euro at the end of December 2010 compared to the end of December 2009, accounted for €378.9 billion (year-end 2009: €320.3 billion) which represents 3,552 units (year-end 2009: 3,488 aircraft). The Airbus Military order book includes 241 aircraft. It increased by 10 percent to €22.8 billion (year-end 2009: €20.7 billion); the A400M order book has benefited from a positive adjustment to reflect the customer negotiation outcome.

In 2010, revenues for **Eurocopter** amounted to €4,830 million (FY 2009: € 4,570 million). Deliveries totalled 527 helicopters (FY 2009: 558 helicopters), including 28 NH90 and 15 Tiger, double the 2009 level. The Dutch and French navies received the first NH90 naval versions. Revenues also reflect a favourable mix from higher support and governmental revenues. The Division's EBIT* decreased to €183 million (FY 2009: €263 million); it was impacted by higher product investment and negative one-time effects of around €120 million, driven mainly by the NH90 and a restructuring charge.

2010 saw the start of flight testing with the X3 high-speed hybrid demonstrator aircraft, a key focus of Eurocopter innovation strategy, along with the maiden flights of the second EC175 prototype and the Korean Utility Helicopter. Eurocopter strengthened its training and support/services capabilities during 2010 in such regions as China and India and developed a new global logistics platform in France.

The 2010 net order trend with 346 net orders registered was stable compared to 2009 (344 net orders) despite a lower level of gross orders because cancellations were lower at 49 compared to 105 in 2009. Recovery in the civil market is slow, in particular due to the high number of second-hand helicopters in the market. Eurocopter has proactively started to adapt to this challenge with its SHAPE programme launched in early 2010. Good progress has been made on the reduction of workforce and operating costs. Eurocopter's order book amounted to € 14.6 billion (year-end 2009: € 15.1 billion) with 1,122 helicopters (year-end 2009: 1,303 helicopters).

Astrium revenues in 2010 increased by four percent to €5,003 million (FY 2009: €4,799 million), marking a year of strong programme execution at the Division. This resulted in revenue performance above expectations, more than compensating the one-time catch up effect for in-orbit incentive schemes booked in 2009. 2010 milestones include the start of M51 ballistic missile deliveries for the French Navy. Ten Astrium-built satellites were launched and are performing successfully and Ariane 5 delivered its 41st consecutive launch success bringing the total number to six for 2010. EBIT* improved by 8 percent to €283 million (FY 2009: €261 million), reflecting growth and productivity in defence and military services as well as operational improvement in institutional activities.

Astrium also launched a transformation programme, AGILE, to increase efficiency and prepare for a changing competitive environment.

Order intake reached €6.0 billion in 2010 supported by continued commercial momentum (FY 2009: €8.3 billion, including the Ariane 5 PB batch of 35 launchers). 2010 orders include the M51 evolution and maintenance contracts and two optical reconnaissance satellites for the French Defence Procurement Agency (DGA). Furthermore, the Skynet5 contract with the British Ministry of Defence was extended. The European Space Agency awarded contracts to begin the first development phase of Ariane 5 ME (Mid-life evolution) and to undertake initial development studies for a Next Generation Launcher (NGL). At the end of December 2010, the order book for Astrium increased to €15.8 billion (year-end 2009: €14.7 billion).

Revenues of **Cassidian** in 2010 increased by 11 percent to €5,933 million compared to the previous year (FY 2009: €5,363 million). This strong revenue increase reflects volume growth from core and export in Eurofighter and Missile programmes and progress in Lead Systems Integrator border security contracts. EBIT* stood stable at €457 million (FY 2009: €449 million). It reflects margin growth in mature programmes and significant growth in self-funded R&D for next generation products. It was weighed down by net one-time effects of around €20 million. This includes the cancellation of the FiReControl contract by the UK government. R&D investment is focused mainly on Unmanned Aerial Systems (UAS) and secure communications.

EADS continues to investigate requirements and funding solutions for the Talarion UAS with customers, stressing the need for a timely commitment to the programme by governments. A successful first flight for EuroHawk and continued testing of the Barracuda demonstrator confirm technical capability in this business field.

Cassidian is beginning to feel the first pressure from the home countries defence budget situation with some delayed order intake and higher R&D; however, 2010 demonstrated robust performance. The German government is expected to communicate on its plans in the spring. In the meantime, a transformation plan is under preparation for the new business environment, which will see growth in the security business.

In 2010, Cassidian advanced with its globalisation strategy, joining forces with Odebrecht in Brazil in the field of defence and security technology as well as creating an engineering centre and a joint venture with Larsen & Toubro in India.

The order intake level of €4.3 billion (FY 2009: €8.0 billion) in a more challenging market was below the revenue level. At the end of December 2010, the Division's order book remained solid at €16.9 billion (year-end 2009: €18.8 billion).

Headquarters and Other Businesses (not belonging to any Division)

Revenues of Other Businesses increased by 8 percent to €1,182 million (FY 2009: €1,096 million). This increase was driven predominantly by the ramp-up in Light Utility Helicopter (LUH) deliveries at EADS North America. EBIT* of Other Businesses grew to €25 million (FY 2009: €21 million) thanks to increases at ATR and Sogerma which was reduced by higher investment at EADS North America. The increase at ATR included a positive one-time effect from foreign exchange of around €15 million.

ATR delivered 52 aircraft in 2010 (FY 2009: 53 aircraft) and received 78 firm net orders (FY 2009: 26 net orders) as well as 33 options. Order intake was higher than expected with a very active market on the new -600 version. ATR market share amounted to around 65 percent in 2010, confirming its leadership on the segment. New orders include 20 ATR 72-600 from Brazilian carrier Azul Linhas Aéreas and ATR gained a new operator in Trinidad and Tobago Airlines, which placed an order for 9 ATR 72-600. In 2010, ATR delivered its 900th aircraft to Brazilian Airline TRIP Linhas Aéreas. At the end of December 2010, ATR's order book stood at 159 aircraft (year-end 2009: 133 aircraft) and production rates are expected to increase in 2011 thanks to a notable improvement in its market and financing environment.

Addressing a potential key helicopter campaign in the U.S., EADS North America conducted the first flight of its Armed Aerial Scout 72X Technical Demonstration Aircraft in December. It also delivered the 150th UH-72A Lakota Light Utility Helicopter to the U.S. Army in February 2011 – with every delivery on time and on budget. On 31 December 2010, the order book of Other Businesses stood at €2.5 billion (year-end 2009: €2.0 billion).

5.2. EADS N.V. Company Financial Statements

Table 6 – Balance sheet EADS NV

	December, 31	
(in millions of €)	**2010**	**2009**
Goodwill	4,354	4,354
Financial fixed assets	7,960	9,578
Non-current securities	5,172	3,809
Fixed assets	**17,486**	**17,741**
Receivables and other assets	4,874	4,383
Securities	5,756	4,045
Cash and cash equivalents	3,199	5,377
Non-fixed assets	**13,829**	**13,805**
Total assets	**31,315**	**31,546**

Stockholders' equity [1)]	**8,841**	**10,535**
Financing liabilities	2,194	1,941
Non-current liabilities	**2,194**	**1,941**
Financing liabilities	29	0
Other current liabilities	20,251	19,070
Current liabilities	**20,280**	**19,070**
Total liabilities and stockholders' equity	**31,315**	**31,546**

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

Table 7 – Income Statement EADS NV

(in millions of €)	**2010**	**2009**
Income from investments	463	(953)
Other results	90	190
Net result	**553**	**(763)**

5.3. Information on 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	10 May 2000	26 May 2011 [t]
Ernst & Young Accountants LLP Boompjes 258, 3011 XZ Rotterdam — The Netherlands Represented by C.T. Reckers	24 July 2002	26 May 2011

(*) A resolution will be submitted to the General Meeting of Shareholders called for 26 May 2011, in order to appoint Ernst &Young Accountants LLP and KPMG Accountants N.V. as the Company's auditors for the 2011 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 operation of EADS could be materially adversely affected by the risks described below. These are not the only risks EADS faces. Additional risks and uncertainties not presently known to EADS or that it currently deems immaterial may also impair its business and 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

Exposure to Foreign Currencies

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

Exposure to Sales Financing Risk

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

Exposure to Counterparty Credit Risk

In addition to the credit risk relating to sales financing as discussed above, EADS is exposed to credit risk to the extent of (i) non performance by its counterparties for financial instruments, such as hedging instruments and cash investments, and (ii) price risks arising from the credit spreads embedded in cash investments. There can be no assurances that despite the implementation of a credit limit system and the diversification of counterparties, EADS will not lose the benefit of certain derivatives, or cash investments, in case of a systemic market disruptions.

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.

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

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 demand for air travel and cargo activity, which are in turn primarily influenced by economic or gross domestic product (**GDP**) growth. EADS expects that the market for commercial aircraft will continue to be cyclical, and that downturns in broad economic trends may have a negative effect on its future results of operation and financial condition.

For example, the recovery in the market for civil helicopters following the recent economic downturn remains tenuous, in particular due to the high number of second hand helicopters in the market. While the order cancellation trend slowed in 2010, customers may refrain from placing new orders or seek to postpone or cancel otherwise binding contractual orders for the foreseeable future.

Impact of Terrorism, Epidemics and Catastrophic Events

As past terrorist attacks (such as in New York and Madrid) and the spread of epidemics (such as H1N1 flu) have demonstrated, terrorism and epidemics may negatively affect public perception of air travel safety and comfort, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest in a given region may also affect the willingness of the public to travel by air. Furthermore, major airplane crashes may have a negative effect on the public’s or regulators’ perceptions of the safety of a given class of aircraft, form of design, airline or air traffic. In response to such events, and the resulting negative impact on the airline industry or particular airlines, EADS may suffer from a decline in demand for all or certain types of its aircraft or other products, and EADS’ customers may postpone delivery or cancel orders.

Moreover, EADS’ operations may be disrupted by the occurrence of these and other events, including information technology or infrastructure attacks or failures, damaging weather or other acts of nature and other crises that may affect an organisation as complex as EADS. Any such disruptions could have a significant adverse effect on EADS’ future results of operations and financial condition as well as its reputation.

Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. In particular, government interventions to mitigate the impacts from the recent economic downturn have resulted in a significant deterioration of the fiscal position and increased public debt levels of the main industrialised countries, leading several of them to seek to reduce their future public spending. This is especially true with respect to defence and security budgets, where certain countries have proposed substantial reductions. Depending on how such budget reductions are finally implemented, the termination or reduction of funding for existing or new programmes may have a negative effect on EADS’ future results of operations and financial condition.

Further, a significant portion of EADS backlog is concentrated in certain regions or countries, including the United States, 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’ future results of operation and financial condition.

Availability of Government and Other Sources of Financing

Since 1992, the EU and the US 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 US sought to unilaterally withdraw from this agreement, which eventually led to the US and the EU making formal claims against each other before the World Trade Organization (**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 US 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, in part as a result of the proceedings mentioned above. Moreover, the availability of other outside sources of financing will depend on a variety of factors. EADS may therefore not be able to successfully obtain additional outside financing on favourable terms, or at all, which may limit EADS' future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

Emergence of Public-Private Partnerships and Private Finance Initiatives

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

Competition and Market Access

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

Technologically Advanced Products and Services

EADS offers its customers products and services that are 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.

In addition to any costs resulting from product warranties, contract performance or required remedial action, such problems may result in increased costs or loss of revenues – in particular as a result of contract cancellations – which could have a negative effect on EADS' future results of operation and financial condition. Any problems in this respect may also have a significant adverse effect on the competitive reputation of EADS' products.

Major Research and Development Programmes

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

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

In 2008, EADS launched a Group-wide cost savings programme referred to as "Power8 Plus", with the goal of achieving €650 million in gross annual savings for Airbus and an additional €350 million for the rest of the Group by the end of 2012. EADS is also currently working on a further integration and cost savings programme referred to as "Future EADS". In addition, all divisions are running their transformation and cost cutting plans to adapt to their new competitive environment and EADS is working on further other cost saving initiatives for effect up to the end of 2014 to improve the competitiveness, compensate inflation and achieve profitability targets.

Anticipated cost savings mentioned above are based on preliminary estimates, however, and actual savings under these programmes may vary significantly. EADS' failure to successfully implement these planned cost reduction measures, or the possibility that these efforts may not generate the level of cost savings it expects going forward, could negatively affect its future results of operation and financial condition. In addition to the risk of not achieving the anticipated level of cost savings from the programmes above, EADS may also incur higher than expected implementation costs. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated.

Dependence on Certain Suppliers and Subcontractors

EADS is dependent on numerous key suppliers and subcontractors to provide it with the raw materials, parts and assemblies that it needs to manufacture its products. Certain of these suppliers may experience financial or other difficulties in the future, in particular those with a significant foreign currency mismatch between revenues denominated in US dollars and a substantial portion of costs incurred in euro. Depending on the severity of these difficulties, some suppliers could be forced to reduce their output, shut down their operations or file for bankruptcy protection, which could disrupt the 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 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.

EADS' suppliers or subcontractors may also make claims or assertions against it for higher prices or other contractual compensation, in particular in the event of significant changes to development or production schedules, which could negatively affect EADS' future profitability.

Finally, if the macro-economic environment leads to higher than historic average inflation, the labour and procurement costs of EADS may increase significantly in the future. This may lead to higher component and production costs which could in turn negatively impact EADS' future profitability and cash flows, to the extent EADS is unable to pass these costs on to its customers or require its suppliers to absorb such costs.

Industrial Ramp-Up

As a result of the large number of new orders for aircraft recorded in recent years, EADS intends to accelerate its production rate in order to meet the agreed upon delivery schedules for such new aircraft. As it nears full capacity, EADS' ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given high demand by EADS and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of buyer furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, in particular at Airbus, which carry their own resource demands. Therefore, the failure of any or all of these factors could lead to missed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders.

Programme-Specific Risks

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

- *A350 XWB programme.* In connection with the A350 XWB programme, EADS faces the following main challenges: (i) ensuring the maturity of technology linked to composite aspects, (ii) meeting the technical performance targets for the aircraft and respecting the development schedule, (iii) ensuring the production ramp-up and the ramp-up of key skilled personnel, e.g. for composite stress and design, (iv) securing the achievement of recurring cost targets, (v) ensuring that the new Airbus industrial organisation resulting from Power8 supports effective development, (vi) ensuring the performance of the risk sharing partners, including those selected for sites divested by Airbus and those involved in the extended enterprise framework, (vii) maintaining customer satisfaction with a new customisation policy which is a key enabler for the production ramp-up, and (viii) managing customer contracts in coherence with the industrial delivery plan;
- *A380 programme.* In connection with the A380 programme, EADS faces the following main challenges: (i) management of stress in the supply chain as a result of the steep ramp-up in production in coming years, (ii) successful implementation of a digital mock-up for future A380 production, (iii) managing maturity in service and (iv) avoidance of production disruptions and related costs, in particular following a Rolls Royce engine failure at the end of 2010 which could have a knock-on effect for deliveries in 2011;
- *A400M programme.* In connection with the A400M programme, EADS faces the following main challenges: (i) managing a flight test programme that differs significantly from that of commercial Airbus aircraft, (ii) integrating the civil systems (flight management, navigation, etc.) with the complex military systems, (iii) ensuring that the aircraft is both commercially certified and meets the range of military qualifications required by programme customers, (iv) managing the anticipated difficulties on the ramp-up, and (v) meeting the new negotiated time schedule;
- *A320neo programme.* In connection with the A320neo programme, EADS faces the following main challenges: (i) management of stress in the supply chain as a result of the industrial ramp-up, (ii) meeting the engine development status and its schedule, and (iii) ensuring the availability of skilled personnel for the programme;
- *NH90 programme.* In connection with the NH90 programme, EADS faces the following main challenges: (i) meeting the development schedule, the cost objectives and the technical content (full operational configuration of the 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; and
- *Lead systems integration.* In connection with lead systems integration projects (in particular Saudi border surveillance contract) , EADS faces the following main challenges: (i) meeting the schedule and cost objectives with a high number of sites to deliver and the integration of commercial off-the-shelf (COTS) products (radars, cameras, sensors) with their interfaces into the system, (ii) assuring an efficient project and staffing ramp-up, and (iii) managing the rollout including subcontractors as well as training and organisational adaptation of the customer.

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

Intellectual Property

EADS relies upon patent, copyright, trademark and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its intellectual property rights in technology and products used in its operations. Despite these efforts to protect its intellectual property rights, any of EADS' direct or indirect intellectual property rights could be challenged, invalidated or circumvented. In addition, although EADS believes that it lawfully complies with the intellectual property rights granted to others, it has been accused of infringement on occasion and could have additional claims asserted against it in the future. 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 Laws and Regulations

The export market is a significant market for EADS. There can be no assurance (i) that the export controls to which EADS is subject will not become more restrictive, (ii) that new generations of EADS products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors will not make it impossible to obtain export licenses for one or more clients or constrain EADS' ability to perform under previously signed contracts. EADS is also subject to a variety of other laws and regulations that may adversely affect its business and financial condition, including among others, those regulations relating to commercial relationships, the use of its products and dealings with foreign officials.

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

Litigation

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

Industrial and Environmental Risks

Given the scope of its activities and the industries in which it operates, EADS is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. EADS therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety. In addition, the various products manufactured and sold by EADS must comply with relevant environmental, health and safety and substances/preparations related laws and regulations in the jurisdictions in which they operate. In the event of an accident or other serious incident, EADS may be required to conduct investigations and undertake remedial activities. Employees, customers and other third parties may also file claims for personal injury, property damage or damage to the environment (including natural resources). Any problems in this respect may also have a significant adverse effect on the competitive reputation of EADS' products.

5.5. Human Resources

5.5.1. Workforce Information

As of 31 December 2010, the EADS workforce was composed of 121,691 employees. The number of employees compared to 2009 increased slightly in all Divisions. No major changes in consolidation or Division affiliation affected the headcount evolution in the course of 2010.

In 2010, the workforce consisted of 96.6% full time employees. Depending on country and hierarchy level, the average contractual working time is between 35 and 40 hours a week.

In 2010, 5,047 employees worldwide entered employment with EADS (5,663 in 2009). At the same time, 3,213 employees left EADS (3.308 in 2009).

In total, 94.1% of EADS' active workforce is located in Europe on more than 100 sites.

5.5.2. Organisation of Human Resources management

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

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

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

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

In 2009, EADS has started a multi-year group wide Engagement Initiative for all the Group employees based on a survey which highlights areas of satisfaction and of frustration amongst the employees.

Following the results of the first survey, in 2010 the main focus of action was recognition of employees, reinforcement of leadership basics, better communication and improvement of empowerment and proximity of managers as well as HR support for the employees.

The second engagement survey, conducted in October 2010, showed a significantly increased participation rate (from 69% in 2009 to 80.5% in 2010) demonstrating that employees are taking this process seriously. The results showed an improvement, confirming the measures taken leading us in the right direction. In particular the investment in the focus areas mentioned above was largely acknowledged by employees. All in all, those teams, that have consistently followed up on actions committed to following the results of the first survey improved their engagement level. In 2011, measures on TRUST, empowerment, proximity and innovation are continued. However, a strong focus will also be put on developing local team level activities with the local support of HR.

5.6. Environmental matters

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

Following the creation of the EADS Environmental network, the group's first environmental policy was published in 2008; it was translated into a corporate environmental roadmap, issued a year later, which dictates regulatory compliance and continuous improvement in environmental management, and defines specific goals of eco-efficient operations, products and services. To heighten the sense of importance, and incorporate systematically "eco-efficiency" in the corporate culture, EADS has elevated the concept to the rank of 10th group wide top priority in 2010: The eco-efficiency concept professes the reconciliation of environmental protection with business economy (maximizing economic value creation while minimizing environmental impact) and stresses environmental compliance and management as much as business opportunities.

5.6.1. Managing Environmental impact of activities and products throughout the life cycle

Environmental Management System (EMS)

ISO 14001 is an internationally recognized standard of EMS efficiency for businesses and organisations. Over 90% of EADS employees operate under an ISO 14001 and further progress was achieved in 2010 in terms of ISO 14001 coverage and certification renewal. The site and product life cycle orientation of EMS purports to create economic value by reducing environmental costs and exposure at each stage of the product life, from design to operations up to end of life.

At the research and development stage

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

- MOZAIC, COMET, IAGOS, and QUANTIFY (projects to monitor gas and water vapour in the upper troposphere and better understand air components, meteorology and climate change phenomenon);
- CORINE (a European Union funded project focusing on a collaborative eco-design tool for small and medium size companies); or
- Clean Sky (a seven-years, €1.6 billion joint technology initiative, seeking to meet the ACARE research objectives). As much as 80% of the Research and Technology budgets in Airbus and Eurocopter are devoted to finding ways to increase eco-efficiency and reduce pollution.

At the supply chain level

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

At the manufacturing level

Production processes are being reviewed in order to include eco-efficiency criteria in Capex and production processes on a systematic basis.

The plan to reduce the overall Energy/CO_2 footprint as part of the vision 2020 includes a series of measures towards more sustainable sources of energy and more energy efficient infrastructures e.g. renewable energy heating systems in assembly line buildings such as geothermal in Getafe, solar panels in San Pablo, biomass boilers in Broughton, photovoltaic cells and bio climatic A350 building in Toulouse, New Eco shaped building in Hamburg, and optimized natural light windows in Tianjin).

To monitor progress, and to comply with reporting obligations, EADS-wide Environmental reporting has been ramping up for the past two years. In the frame of EADS Corporate Responsibility and Sustainability Report, CO_2 and energy indicators were externally audited in March 2010.

Aircraft operations:

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

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

In line with the ambitious ACARE targets, some Top Level Aircraft Requirements were set for the environmental performance of the A320neo Family. For instance, based on realistic airline operations assumptions, the fuel burn target (of: -15% aircraft level fuel burn relative to today's A320) translates into a saving of close to 4000t of CO_2 per year.

In February 2010, Eurocopter started fostering the adoption of a noise and emissions rating for helicopters: official marketing started at the HAI show, and the concept is being promoted for ICAO validation. Besides, Eurocopter presented the blue edge blades and blue pulse controls concepts in the frame of the Bluecopter initiative.

Beyond aircraft development, EADS is assuming a leading role in developing integrated solutions for enhanced environmental performance including modernization of Air Traffic Management (ATM). EADS divisions have been involved in the “Single European Sky ATM research” joint undertaking (SESAR) since inception; Airbus also participates in NextGen, the corresponding US project, to ensure interoperability of systems.

EADS is pioneering sustainable[2] biofuels, made from bio-mass feedstock that fix carbon dioxide as they grow, thereby offsetting emissions when they are burned. EADS has been working with universities, fuel companies and start-up companies, as well as standard-setting organisations, to develop “drop-in” biofuels (that work with existing aircraft and infrastructure). In 2010, Airbus supported a project by TAM airline to develop a complete value chain in Brazil, starting with an A320 flight using a kerosene and biofuel blend on one engine. Lufthansa now intends to regularly operate A321 passenger flights between Hamburg and Frankfurt from April 2011, flying one engine with the same blend.

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

End of life and recycling of aircraft

This process deserves consideration: over 6,000 aircraft will be recycled over the next 20 years, as they are replaced by more fuel and CO_2 efficient aircraft. Airbus has developed sustainable dismantling and recycling techniques that comply with environmental, health and safety requirements, and it is increasingly incorporating this knowledge upstream into aircraft design.

5.6.2. EADS: a warehouse of technology, contributing to the environmental Offer

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

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

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

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

In 2010, (i) Europe's ice research satellite CryoSat-2, built by Astrium, was placed in its polar orbit to provide unique measurements of the arctic and Antarctic ice covers; (ii) the Franco-Spanish SMOS (Soil Moisture and Ocean Salinity mission) satellite for which Astrium built a breakthrough radiometric instrument, was launched to effect measures on a global scale, and better understand the Earth's water cycle and ultimately climate change; (iii) a significant agreement was signed with the AFD (Agence Française de Développement) for the provision of satellite observation data to countries that own tropical forests, allowing them to assess their CO_2 retention capacity for the carbon-credit market.

5.7. Research and Technology Management

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

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

The R&T activities for advanced concepts include Integrated Demonstrators and Technological/Operational Studies. Today, all EADS Divisions work to generate new product concepts in line with the Company's vision and to maximize its future business potential. These concepts explore and generate completely new ideas, while pushing the limits of what is technically possible. During 2010, the research portfolio was currently focused around four growth axes: mobility, sustainable aviation (e.g. biofuel developments and diesel-electric propulsion concepts), safety and security (e.g. ULIS and aircraft safety) and services (e.g. in service health monitoring, mid-life upgrades, MRO).

EADS also dedicates resources to assess emerging ideas and concepts through several programs including *Free Scouting and the EADS Nursery*. EADS R&T management endeavors to develop Key Product Technologies, which means, for example, constantly looking for new ideas, materials and equipment and experimenting with them on prototypes before they are deployed on a large scale. In doing so, the Company develops privileged relationships which equal 354 partnerships in over 30 countries. EADS R&T activities in these areas are aimed to identify emerging concepts and to further develop these technologies. EADS identifies emerging technologies through its internal research network known as Technological Capability Centers: that will drive future performance for seven key technology areas: Composites Technologies, Metallic Technologies & Surface Engineering, Structures Engineering, Production & Aeromechanics, Sensors, Electronics & Systems Integration, Engineering, Physics, IT and Energy & Propulsion.

R&T management also includes the “architect’s toolbox” which develops and masters the state of the art tools, and enables EADS to be an efficient industrial architect. The toolbox encompasses virtual product engineering as well as safe and mature on board software development.

EADS CTO has developed a plan to leverage and further mature its participation in venture capital funds in order to identify and source emerging technologies. It is of key importance for EADS to detect disruptive technologies that could contribute to the Company’s portfolio of products. Through EADS Innovation Works, the research arm of the CTO and partnerships with external laboratories around the world, EADS monitors and evaluates closely different technologies such as fuel cells, secure communications, photonics, nanotechnologies and hybrid materials – among many others.

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

6. Financial Targets for 2011

EADS’ 2011 guidance is based on an assumption of € 1 = $ 1.35 for average and year-end closing spot rates.

In 2011, Airbus should deliver 520 to 530 commercial aircraft and its gross orders should be above its deliveries. EADS’ 2011 revenues should be above the 2010 revenues.

EADS expects 2011 EBIT* before one-off to remain stable compared to the 2010 level, at around € 1.3 billion. Increasing volume and price improvement at Airbus Commercial are roughly compensated by the deterioration of hedge rates, increasing R&D and less favourable mix of activities at Cassidian. Going forward, the reported EBIT* and EPS performance of EADS will be dependent on the Group’s ability to execute on the A400M, A380 and A350 XWB programmes, in line with the commitments made to its customers. Reported EBIT* and EPS also depend on exchange rate fluctuations.

At € 1 = $ 1.35, EADS expects 2011 EPS to be above the 2010 level of € 0.68.

Free Cash Flow is expected to be positive. It is the most volatile item and EADS will give a more precise guidance later in the year.

In 2012, the Group expects a significant improvement in its EBIT* before one off thanks to higher volume, better pricing and further improvement of A380 performance at Airbus.

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 - 5.4 Risk factors.

7.1. Group strategic challenges

EADS has one of the broadest aerospace platform portfolios and has the world's largest order backlog in 2010, 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 Group businesses by 2020 incl. services. For some of the main European defence budgets, significant reductions have been announced in the coming year and some capabilities may no longer be sustainable on a national level. Consequently, EADS has to ensure close cooperation with all its customers and careful cash management in order to protect the group and weather the current environment.

To support the business and long term positioning of EADS, organic growth needs to be fostered and 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, the Middle-East and the Americas.

EADS has defined its option for a strategic vision, where priority is given to platforms and systems and services. This option provides a new growth engine fuelled by the expansion of the in service fleet and the expected 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 remain 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, international cooperation and mutualisation of funds to compensate for declining / flat budgets. IT and cyber security threats has also emerged as a key issue to which more and more focus is given by governments and where counter measures and protections increase in demand.

Also, EADS will continue to develop/secure core competencies/technologies for platforms and systems. 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 and communications.

EADS will also continue to drive necessary improvements to achieve a best in class operational and financial efficiency within 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 growth, particularly of more profitable segments.

EADS will continue to pursue its industrial globalisation, EADS must continue to reduce vulnerability to euro versus US$ exchange rate with a 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 Brazil, Russia, India and China, 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 in 2020. To enhance EADS US industrial base, the long term goal will also be to achieve $10 billion revenues in North America mainly addressing a defence, security and space related customer base and gain a prime position with US Government. In general, reasonable acquisitions will be required as a mean to achieve Vision 2020 goals and in particular to expand EADS global reach.

Defence budgets in home countries will experience cuts over the coming years, although the impact on industry is not yet clear. In the US, specific defence programs are facing severe cuts. In other countries, focus on operational efficiencies while protecting investments in new equipment, is being preferred. For example, as part of its effort to reduce defence spending, Germany has decided to transform the Bundeswehr into a fully professional service by 2011. These budget trends may drive a further consolidation/restructuring within selected segments of the defence industry. In this context, EADS must constantly monitor the development of potential opportunities, in particular acquisitions in areas of strategic interest such as aerospace platforms, defence-, security- and space- systems and electronics as well as related activities in service support throughout the overall EADS portfolio.

Another trend, which could help balance budget reductions in EU is the increased spending in emerging countries. For example over the ten past years, Saudi Arabia and India's defence budgets have increased by two thirds; and Brazil's by more than a third. Defence exports from the EU and North America have also increased dramatically in recent years to Turkey, Pakistan, Singapore, the Baltic States, the UAE, Qatar, Malaysia, and Japan.

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, evolves and will continue to evolve significantly 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.

EADS was created with the ambition to become an integrated industrial group with worldwide leadership in A&D. EADS' 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. At Group level, the integration programme "Future EADS" is underway and will continue to reinforce efficiencies, integration and synergies. These initiatives should, however, not distort the operational capabilities and accountabilities of the Divisions, as financial objectives have to be met and industrial programmes executed at this level.

Finally, EADS needs motivated and competent employees. EADS leadership culture is based on mutual trust, empowerment, recognition and accountability. Employee development is core activity of EADS managers. To this end, it is the duty of EADS and its management to provide employees 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

Airbus

Looking ahead to 2011, Airbus commercial is targeting a further increase in deliveries to between 520 and 530, with strong airline demand for new and more eco-efficient aircraft leading to new orders exceeding the number of deliveries.

Airbus Military will begin A400M series production and proceed towards civil certification of the aircraft, which it plans to obtain before the end of the year.

In financial terms, profitability is likely to remain stable in the short term but should significantly improve in the medium term.

Eurocopter

Recovery in the civil segment is slow, in particular due to a high number of second-hand helicopters on the market. An upturn is expected from 2012 onwards. In the military market, the outlook is subject to governments' budget policies which may weigh on military and parapublic orders.

In 2011 Eurocopter will pursue its innovation strategy investing in new product and services development and upgrade. The network of industrial capabilities and training and maintenance centres will be further extended. These strategic actions will secure the competitiveness of Eurocopter's products and services for the future.

The SHAPE transformation programme, which aims to generate, compared to the 2009 cost basis, savings of €200 million by the end of 2011, was implemented early 2010 to counter the economic downturn and respond to competitive challenges and is more than half way towards achieving its cost savings target. In addition, SHAPE has already delivered results in terms of new product developments, enhanced customer service, innovation and streamlined organization. Additional benefits from the SHAPE programme are expected in 2011.

Astrium

Astrium's medium-term market may become more competitive with government budgets under pressure and increasing global competition.

Multi-year military and civil institutional contracts will limit the impact of the deteriorating competitive landscape in 2011. However, Services business lines such as Telecommunication and Geo-Information are likely to be affected by lower military and governmental demand, leading to short term stabilisation of revenues.

Longer term, the profitability of the Division should gradually improve due to new ways of working after the implementation of the transformation programme AGILE.

Cassidian

Cassidian will seek to consolidate its position in its European home markets in the context of contracting domestic budgets. In parallel, Cassidian is focusing activities on strategic growth markets such as India, Brazil and the Middle East region with the objective of developing a long-term industrial presence. Cassidian's large system integration capabilities and its experience in leveraging complex technologies and customer proximity will remain the key enablers in securing the future growth of these activities. This medium to long term transformation process aims to achieve a well balanced and optimised positioning of Cassidian from a geographic and solution offering perspective.

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

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

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

- The financial statements for the year ended 31 December 2010 give a true and fair view of the assets, liabilities, financial position and profits or losses of EADS and undertakings included in the consolidation taken as a whole; and
- This Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2010 financial year of EADS and undertakings included in the consolidation taken as a whole, and the principal risks facing EADS have been described herein.

The Board of Directors

Bodo Uebber, Chairman

Louis Gallois, Chief Executive Officer

Rolf Bartke, Director

Dominique D'Hinnin, Director

Juan Manuel Eguiagaray Ucelay, Director

Arnaud Lagardère, Director

Hermann-Josef Lamberti, Director

Lakshmi N. Mittal, Director

Sir John Parker, Director

Michel Pébereau, Director

Wilfried Porth, Director

Leiden, 8 March 2011

Financial Statements 2010

EADS N.V.
Consolidated Financial Statements 2010
(IFRS)

EADS N.V.

Consolidated Income Statements (IFRS)

for the years ended 31 December 2010, 2009 and 2008

In € million	Note	2010	2009	2008
Revenues	6, 7	**45,752**	**42,822**	**43,265**
Cost of sales	8	(39,528)	(38,383)	(35,907)
Gross margin		**6,224**	**4,439**	**7,358**
Selling expenses		(1,024)	(924)	(933)
Administrative expenses		(1,288)	(1,272)	(1,253)
Research and development expenses	9	(2,939)	(2,825)	(2,669)
Other income	10	171	170	189
Other expenses		(102)	(102)	(131)
Share of profit from associates accounted for under the equity method	11	127	115	188
Other income from investments	11	18	19	23
Profit (loss) before finance costs and income taxes	6	**1,187**	**(380)**	**2,772**
Interest income		316	356	617
Interest expense		(415)	(503)	(581)
Other financial result		(272)	(445)	(508)
Total finance costs	12	(371)	(592)	(472)
Income taxes	13	(244)	220	(703)
Profit (loss) for the period		**572**	**(752)**	**1,597**
Attributable to:				
Equity owners of the parent **(Net income (loss))**		553	(763)	1,572
Non-controlling interests		19	11	25
Earnings per share		**€**	**€**	**€**
Basic	38	0.68	(0.94)	1.95
Diluted	38	0.68	(0.94)	1.95

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

EADS N.V.
Consolidated Statements of Comprehensive Income (IFRS)
for the years ended 31 December 2010, 2009 and 2008

In € million	2010	2009	2008
Profit (loss) for the period	**572**	**(752)**	**1,597**
Currency translation adjustments for foreign operations	119	(279)	428
Effective portion of changes in fair value of cash flow hedges	(2,983)	2,948	(2,971)
Net change in fair value of cash flow hedges transferred to profit or loss	(201)	(1,456)	(2,456)
Net change in fair value of available-for-sale financial assets	12	136	(6)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	0	0	(6)
Actuarial gains (losses) on defined benefit plans	(127)	(594)	(346)
Unrealized gains (losses) from investments accounted for using the equity method [1)]	(161)	33	1
Tax on income and expense recognized directly in equity	1,096	(381)	1,722
Other comprehensive income, net of tax	(2,245)	407	(3,634)
Total comprehensive income of the period	**(1,673)**	**(345)**	**(2,037)**
Attributable to:			
Equity owners of the parent	(1,679)	(354)	(2,056)
Non-controlling interests	6	9	19

Note 1) Other comprehensive income recognised for investments accounted for using the equity method are presented separately. Comparative information has been adjusted accordingly.

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

EADS N.V.

Consolidated Statements of Financial Position (IFRS)

at 31 December 2010 and 2009

In € million

Assets	Note	**2010**	**2009**
Non-current assets			
Intangible assets	14	11,299	11,060
Property, plant and equipment	15	13,427	12,508
Investment property	16	77	78
Investments in associates accounted for under the equity method	17	2,451	2,514
Other investments and other long-term financial assets	17	2,386	2,210
Non-current other financial assets	20	871	1,607
Non-current other assets	21	1,104	1,176
Deferred tax assets	13	4,250	2,656
Non-current securities	22	5,332	3,983
		41,197	**37,792**
Current assets			
Inventories	18	20,862	21,577
Trade receivables	19	6,632	5,587
Current portion of other long-term financial assets	17	111	230
Current other financial assets	20	1,575	2,043
Current other assets	21	1,712	1,698
Current tax assets		234	267
Current securities	22	5,834	4,072
Cash and cash equivalents	31	5,030	7,038
		41,990	**42,512**
Total assets		**83,187**	**80,304**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		816	816
Share premium		7,645	7,683
Retained earnings		46	(501)
Accumulated other comprehensive income		446	2,646
Treasury shares		(112)	(109)
		8,841	10,535
Non-controlling interests		95	106
Total equity	23	**8,936**	**10,641**
Non-current liabilities			
Non-current provisions	25	8,213	8,137
Long-term financing liabilities	26	2,870	2,867
Non-current other financial liabilities	27	8,624	6,175
Non-current other liabilities	28	9,264	9,091
Deferred tax liabilities	13	1,195	751
Non-current deferred income	30	315	266
		30,481	**27,287**
Current liabilities			
Current provisions	25	5,766	5,883
Short-term financing liabilities	26	1,408	2,429
Trade liabilities	29	8,546	8,217
Current other financial liabilities	27	1,234	1,200
Current other liabilities	28	25,772	23,547
Current tax liabilities		254	220
Current deferred income	30	790	880
		43,770	**42,376**
Total liabilities		**74,251**	**69,663**
Total equity and liabilities		**83,187**	**80,304**

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

EADS N.V.
Consolidated Statements of Cash Flows (IFRS)
for the years ended 31 December 2010, 2009 and 2008

In € million	Note	2010	2009	2008
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))		**553**	**(763)**	**1,572**
Profit for the period attributable to non-controlling interests		19	11	25
Adjustments to reconcile profit (loss) for the period to cash provided by operating activities:				
Interest income		(316)	(356)	(617)
Interest expense		415	503	581
Interest received		332	382	657
Interest paid		(278)	(331)	(471)
Income tax expense (income)		244	(220)	703
Income taxes (paid) received		(140)	4	(252)
Depreciation and amortization		1,582	1,826	1,667
Valuation adjustments		(366)	(254)	924
Results on disposals of non-current assets		(75)	(31)	(31)
Results of companies accounted for by the equity method		(127)	(115)	(188)
Change in current and non-current provisions		334	1,767	1
Change in other operating assets and liabilities:		**2,819**	**15**	**(172)**
- Inventories		705	(1,961)	(1,210)
- Trade receivables		(345)	(478)	(845)
- Trade liabilities		(40)	192	757
- Advance payments received		1,698	2,925	2,435
- Other assets and liabilities		738	(257)	(982)
- Customer financing assets		169	(306)	(208)
- Customer financing liabilities		(106)	(100)	(119)
Cash provided by operating activities		**4,996**	**2,438**	**4,399**
Investments:				
- Purchases of intangible assets, Property, plant and equipment		(2,250)	(1,957)	(1,837)
- Proceeds from disposals of intangible assets, Property, plant and equipment		45	75	35
- Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	31	(38)	(21)	(265)
- Proceeds from disposals of subsidiaries (net of cash)	31	12	13	2
- Payments for investments in associates, other investments and other long-term financial assets		(190)	(136)	(122)
- Proceeds from disposals of associates, other investments and other long-term financial assets		91	43	180
- Dividends paid by companies valued at equity		41	27	50
Disposals of non-current assets / disposal groups classified as held for sale and liabilities directly associated with non-current assets classified as held for sale		0	103	117
Change of securities	22	(3,147)	(821)	(2,676)
Contribution to plan assets for pensions		(553)	(173)	(436)
Cash (used for) investing activities		**(5,989)**	**(2,847)**	**(4,952)**
Increase in financing liabilities		99	1,114	471
Repayment of financing liabilities		(1.160)	(208)	(628)
Cash distribution to EADS N.V. shareholders		0	(162)	(97)
Dividends paid to non-controlling interests		(7)	(4)	(10)
Changes in capital and non-controlling interests		(48)	17	24
Change in treasury shares		(3)	(5)	39
Cash (used for) provided by financing activities		**(1,119)**	**752**	**(201)**
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents		104	(50)	(50)
Net (decrease) increase in cash and cash equivalents		**(2,008)**	**293**	**(804)**
Cash and cash equivalents at beginning of period		**7,038**	**6,745**	**7,549**
Cash and cash equivalents at end of period		**5,030**	**7,038**	**6,745**

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

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

EADS N.V.

Consolidated Statements of Changes in Equity (IFRS)

for the years ended 31 December 2010, 2009 and 2008

In € million	Note	Equity attributable to equity holders of the parent									Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings		Accumulated other comprehensive income			Treasury shares	Total		
				Other retained earnings	Actuarial gains or losses	Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments				
Balance at 31 December 2007		**814**	**7,968**	**398**	**(960)**	**423**	**3,550**	**1,103**	**(206)**	**13,090**	**85**	**13,175**
Profit for the period				1.572						1.572	25	1.597
Other comprehensive income					(310)	(2)	(3.734)	418		(3.628)	(6)	(3.634)
Capital increase	23	2	22							24	1	25
Share-based Payment (IFRS 2)	35			22						22		22
Cash distribution to EADS N.V. Shareholders / dividends paid to non-controlling interests			(97)							(97)	(10)	(107)
Change in non-controlling interests										0	9	9
Change in treasury shares	23								39	39		39
Cancellation of treasury shares	23	(1)	(57)						58	0		0
Balance at 31 December 2008		**815**	**7,836**	**1,992**	**(1,270)**	**421**	**(184)**	**1,521**	**(109)**	**11,022**	**104**	**11,126**
Profit (loss) for the period				(763)						(763)	11	(752)
Other comprehensive income					(479)	140	1.012	(264)		409	(2)	407
Capital increase	23	1	14							15	2	17
Share-based Payment (IFRS 2)	35			19						19		19
Cash distribution to EADS N.V. Shareholders / dividends paid to non-controlling interests			(162)							(162)	(4)	(166)
Change in non-controlling interests										0	(5)	(5)
Change in treasury shares	23								(5)	(5)		(5)
Cancellation of treasury shares	23		(5)						5	0		0
Balance at 31 December 2009		**816**	**7,683**	**1.248**	**(1,749)**	**561**	**828**	**1,257**	**(109)**	**10,535**	**106**	**10,641**
Profit (loss) for the period				553						553	19	572
Other comprehensive income					(32)	(177)	(2.201)	178		(2.232)	(13)	(2.245)
Capital increase	23		5							5		5
Capital decrease	23		(43)							(43)	(6)	(49)
Share-based Payment (IFRS 2)	35			23						23		23
Dividends paid to non-controlling interests										0	(7)	(7)
Equity transaction (IAS 27)				3						3	(7)	(4)
Change in non-controlling interests										0	3	3
Change in treasury shares	23								(3)	(3)		(3)
Balance at 31 December 2010		**816**	**7,645**	**1,827**	**(1,781)**	**384**	**(1.373)**	**1,435**	**(112)**	**8,841**	**95**	**8,936**

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). EADS' core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. EADS has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Consolidated Financial Statements were authorised for issue by EADS' Board of Directors on 8 March 2011, are prepared and reported in euro ("€"), and all values are rounded to the nearest million appropriately.

2. Summary of significant accounting policies

Basis of preparation — EADS' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code. They comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the 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 material 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 Note 34 "Information about financial instruments"),

(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,

(v) liabilities for cash settled share based payment arrangements, and

(vi) the defined benefit asset being netted with the net total of plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

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.

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

NEW, REVISED OR AMENDED IFRS STANDARDS AND NEW INTERPRETATIONS

The IFRS accounting principles applied by EADS for preparing its 2010 year-end Consolidated Financial Statements are the same as for the previous financial year except for those following the application of new or amended Standards or Interpretations respectively and changes in accounting policies as detailed below.

a) New, Revised or Amended Standards

The application of the following new, revised or amended standards is mandatory for EADS for the fiscal year starting 1 January 2010. If not otherwise stated, the following new, revised or amended Standards did not have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

The amendment to **IFRS 2** "Share-based Payments - Group Cash-settled Share-based Payment Transactions" (issued in June 2009, endorsed in March 2010) amends the definitions in IFRS 2 for transactions and arrangements, as well as the scope of the Standard. In addition, guidance is given for accounting for share-based payment transactions amongst group entities. The retrospective application of the amendment was mandatory for annual periods beginning on or after 1 January 2010.

IFRS 3R "Business Combinations" and **IAS 27 (amend.)** "Consolidated and Separate Financial Statements" (revised and issued in January 2008, endorsed in June 2009) were applied prospectively by EADS including its consequential amendments to IFRS 2, IFRS 7 and IAS 39 from 1 January 2010 onwards. IFRS 3R continues to apply the acquisition method to business combinations but with some significant changes compared to its predecessor IFRS 3: 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 a gain/loss. The changes introduced by IFRS 3R and IAS 27 (amend.) have to be applied prospectively to current and future business combinations as well as transactions with Shareholders holding a non-controlling interest in subsidiaries.

The objective of the Amendment "Eligible Hedged Items – **Amendment to IAS 39** "Financial Instruments: Recognition and Measurement" " (issued in July 2008, endorsed in September 2009) 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 was applied retrospectively by EADS for annual periods beginning on 1 January 2010.

In April 2009, the IASB issued its second omnibus of amendments to its standards containing 15 amendments to 10 IFRS Standards and 2 Interpretations (endorsed in March 2010). The amendments refer to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16. Most of the amendments were mandatory for annual periods beginning on or after 1 January 2010 with separate transition provisions for each amendment. Furthermore, amendments made to IFRS 5 due to the annual improvement project 2008 were also applied by EADS during 2010.

b) New Interpretations

The following Interpretation became effective as of 1 January 2010. If not otherwise stated, the following Interpretations did not have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

IFRIC 12 "Service Concession Arrangements" (issued in November 2006, endorsed in March 2009 resulting in an effective date as of 1 January 2010) clarifies how certain aspects of existing IASB guidance are to be applied to service concession arrangements in the financial statements of service concession operators. It was applied retrospectively from 1 January 2010 onwards.

IFRIC 17 "Distribution of non-cash assets to owners" (issued in November 2008, endorsed in November 2009) clarifies the accounting for arrangements whereby an entity distributes non-cash assets to Shareholders either as a distribution of reserves or as dividends. In this context, IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. IFRIC 17 was applicable for EADS prospectively from 1 January 2010 onwards.

IFRIC 18 "Transfers of Assets from Customers" (issued in January 2009, endorsed in December 2009) clarifies the IFRS requirements for the recognition and measurement of agreements in which an entity receives from a customer either an item of property, plant, and equipment or cash that the entity has to use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water in the utility sector). While IFRIC 18 is particularly relevant for entities in the utility sector, its prospective application became mandatory to annual periods of EADS beginning on 1 January 2010.

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

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these Consolidated Financial Statements. The potential impacts from the application of those newly issued standards, amendments and interpretations are currently under investigation. In general and if not otherwise stated, these new, revised or amended IFRS and their interpretations are not expected to have a material impact on EADS' Consolidated Financial Statements as well as its basic and diluted earnings per share.

In November 2009, the IASB issued **IFRS 9** "Financial Instruments" (not endorsed yet) as the first step of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". Amongst other changes to the accounting for financial instruments, IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that is based on only two classification categories: amortised cost and fair value. Further, the classification of financial assets under IFRS 9 is driven by the entity's business model for managing its financial assets and the contractual cash flow characteristics of these financial assets. Furthermore, the current additional refinements of the IASB are expected to affect the classification and measurement of financial liabilities, the impairment and derecognition models as well as the requirements for hedge accounting. IFRS 9 has to be applied starting 1 January 2013, with early adoption permitted, and offers various transition models. EADS is currently assessing the potential impacts from the expected application of IFRS 9.

Further, the IASB issued a revised version of **IAS 24** "Related Party Disclosures" (issued in November 2009, endorsed in July 2010) that simplifies the disclosure requirements for government related entities and clarifies the definition of a related party. The revised standard has to be applied prospectively by EADS for annual periods beginning on 1 January 2011. EADS is currently assessing the potential impacts from the expected application of IAS 24.

The amendment to IAS 32 "Classification of Rights Issues – **Amendment to IAS 32** Financial Instruments: Presentation" (issued in October 2009, endorsed in December 2009) addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, when the amendment is retrospectively applied, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non derivative equity instruments. The amendment has to be applied retrospectively by EADS for annual periods beginning on 1 January 2011,.

In May 2010, the IASB issued its third omnibus of amendments to its standards containing amendments to 8 IFRS Standards and 1 Interpretation (endorsed in February 2011). The amendments refer to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 28, IAS 31, IAS 34 and IFRIC 13. Most of the amendments are mandatory for annual periods beginning on or after 1 January 2011 with separate transition provisions for each amendment.

In October 2010, the IASB issued amendments to **IFRS 7** "Financial Instruments: Disclosures" (not endorsed yet) as part of its comprehensive review of off balance sheet activities relating to transfers of financial assets. The objective of the amendments is to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. For EADS, this amendment has to be applied prospectively for annual periods beginning on or after 1 January 2012, with earlier application permitted.

To correct an unintended consequence of IFRIC 14, the IASB issued **amendments to IFRIC 14** "Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)" in November 2009 (endorsed in July 2010). Without the amendments of IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction", in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this issue. The amendments will be effective for annual periods of EADS beginning 1 January 2011.

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

Special purpose entities ("SPEs") are consolidated as any subsidiary, when the relationship between the Group and the SPE indicates that the SPE is in substance controlled by the Group. SPEs are entities which are created to accomplish a narrow and well-defined objective. Subsidiaries are fully consolidated from the date control has been transferred to EADS and de-consolidated from the date control ceases.

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

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, EADS has applied IFRS 3R in accounting for business combinations. Goodwill is measured at the acquisition date as:

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

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

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

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

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

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

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represented the excess of the cost of the acquisition over EADS' interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree at the date control is transferred to EADS (acquisition date). If the cost of an acquisition was 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 was reassessed as well as the measurement of the cost of the combination. Any remaining difference was immediately recognised in the Consolidated Income Statement.

The cost of a business combination was measured at the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Transaction costs, other than those associated with the issue of debt or equity securities, that EADS incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions and disposals of non-controlling interests

From 1 January 2010 onwards, EADS has amended its accounting policy for acquisitions and disposals of non-controlling interests due to the application of IAS 27 (amend.). Under the new accounting policy, acquisitions and disposals of non-controlling interests are accounted for as transactions with owners in their capacity as equity owners of EADS and therefore no goodwill or gain/loss is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Before 1 January 2010, acquisitions and disposals of interest in entities that are controlled by EADS without gaining (ceasing) control, irrespective of whether sole or joint control, were treated as transactions with parties external to the Group in accordance with the Parent Company Approach. Consequently, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, whereas disposals to minority Shareholders or other venturers were recorded within the Consolidated Income Statement.

Goodwill impairment tests

Goodwill is tested for impairment in the fourth quarter of each financial year and whenever there is an indication for impairment. After initial recognition goodwill is measured at cost less accumulated impairment losses. For impairment testing purpose, goodwill is allocated to those Cash Generating Units ("CGUs") or group of CGUs - within EADS in principle on Business Unit ("BU") level - that are expected to benefit from the synergies arising from the business combination.

Other accounting policies related to consolidation and group accounting issues

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.

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

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

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

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

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

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

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

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

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

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

Revenues from services rendered are recognised in proportion to the stage of completion of the transaction at the end of the reporting period.

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

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

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

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

Dividend income / distributions — Dividend income as well as the obligation to distribute dividends to EADS' Shareholders is recognised when the Shareholder´s right to receive payment is established.

Leasing — The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of (i) whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and (ii) the arrangement conveys a right to use the asset.

The Group is a lessor and a lessee of assets, primarily in connection with commercial aircraft sales financing. Lease transactions where substantially all risks and rewards incident to ownership are transferred from the lessor to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases.

Assets held for leasing out under operating leases are included in property, plant and equipment at cost less accumulated depreciation (see Note 15 "Property, plant and equipment"). Rental income from operating leases (*e.g.* aircraft) is recorded as revenue on a straight-line basis over the term of the lease. Assets leased out under finance leases cease to be recognised in the Consolidated Statement of Financial Position after the inception of the lease. Instead, a finance lease receivable representing the discounted future lease payments to be received from the lessee plus any discounted unguaranteed residual value is recorded as other long term financial assets (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long term financial assets"). Unearned finance income is recorded over time in "Interest result". Revenues and the related cost of sales are recognised at the inception of the finance lease.

Assets obtained under finance leases are included in property, plant and equipment at cost less accumulated depreciation and impairment if any (see Note 15 "Property, plant and equipment"), unless such assets have been further leased out to customers. In such a case, the respective asset is either qualified as an operating lease or as finance lease with EADS being the lessor (headlease-sublease-transactions) and is recorded accordingly. For the relating liability from finance leases see Note 26 "Financing liabilities". When EADS is the lessee under an operating lease contract, rental payments are recognised on a straight line basis over the leased term (see Note 33 "Commitments and contingencies" for future operating lease commitments). Such leases often form part of commercial aircraft customer financing transactions with the related sublease being an operating lease (headlease-sublease-transactions).

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

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

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

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

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

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

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

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

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

Property, plant and equipment also includes capitalised development costs for tangible developments of specialised tooling for production such as jigs and tools, design, construction and testing of prototypes and models. In case recognition criteria are met, these costs are capitalised and generally depreciated using the straight-line method over 5 years or, if more appropriate, using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method). Especially for aircraft production programmes such as the AIRBUS A380 with an estimated number of aircraft to be produced using such tools, the sum-of-the-units method effectively allocates the diminution of value of specialised tools to the units produced. Property, plant and equipment is derecognised when it has been disposed of or when the asset is permanently withdrawn from use. The difference between the net disposal proceeds and the carrying amount of such assets is recognised in the Consolidated Income Statement in the period of derecognition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss — Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at initial recognition at fair value through profit or loss. Within EADS, only derivatives not designated as hedges are categorized as held for trading. Further, financial assets may be designated at initial recognition at fair value through profit or loss if any of the following criteria is met: (i) the financial asset contains one or more embedded derivatives that otherwise had to be accounted for separately; or (ii) the designation eliminated or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or recognising the gains and losses on them on a different basis (sometimes referred to as "natural hedge"); or (iii) the financial assets are part of a group of financial assets that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Within EADS, uncapped Structured Notes are designated "at fair value through profit or loss" in accordance with criterion (i), foreign currency funds of a hedge funds structure also comprising foreign currency derivatives are designated "at fair value through profit or loss" in accordance with criterion (ii) and investments in accumulating Money Market Funds are designated at "fair value through profit or loss" in accordance with above criterion (iii).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", derivative financial instruments are recognised and subsequently measured at fair value. The method of recognising resulting gains or losses depends on whether the derivative financial instrument has been designated as hedging instrument, and if so, on the nature of the item being hedged. While derivative financial instruments with positive fair values are recorded in "current / non-current other financial assets", such derivative financial instruments with negative fair values are recorded as "current / non-current other financial liabilities".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Share based compensation — **Stock options** issued by EADS up to 2006 are accounted for in accordance with IFRS 2 "Share-based Payment" and qualify as **equity settled share-based payments.** In 2007, EADS also introduced a performance and restricted unit plan (LTIP) which qualifies as **cash settled share-based payment plan** under IFRS 2. For both types, associated services received are measured at fair value and are calculated by multiplying the number of options (or units) expected to vest with the fair value of one option (or unit) as of grant date / end of the reporting period. The fair value of the option (or unit) is determined by applying the Black Scholes Option Pricing Model.

The fair value of the services is recognised as personnel expense. In case of equity settled share based payment plans the personnel expense results in a corresponding increase in consolidated retained earnings over the vesting period of the respective plan. For cash settled share based payment plans a corresponding liability is recognised. Until the liability is settled its fair value is remeasured at each end of the reporting period through the Consolidated Income Statement.

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

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

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

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

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

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

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

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

Trade liabilities — Trade liabilities are initially recorded at fair value. Trade liabilities having a maturity of more than 12 months are subsequently measured at amortised cost using the effective interest rate method.

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

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

Further, EADS designates certain financial liabilities representing payment obligations towards airlines denominated in USD as hedging instruments to hedge the foreign currency risk inherent in future aircraft sales under a cash flow hedge.

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

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

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

USE OF ACCOUNTING ESTIMATES

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

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

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

Revenue recognition on construction contracts – EADS conducts a significant portion of its business under construction contracts with customers, for example the A400M programme. The Group generally accounts for construction projects using the percentage-of-completion method, recognising revenue as performance on a contract progresses measured either on a milestone or on a cost-to-cost basis depending on contract terms. This method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. Management of the operating Divisions continually review all estimates involved in such construction contracts and adjusts them as necessary. See Note 19 "Trade receivables" for further information.

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

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

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

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

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

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

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

3. Accounting for the A400M programme

EADS resumed the percentage of completion method based on milestones for the A400M programme from January 2010 onwards, *i.e.* A400M related contract revenues and contract costs are recognised as revenues and expenses respectively by reference to the stage of completion of the A400M contract activity at the reporting date.

Overall the A400M flight test programme continues to progress better than expected. The ongoing technical progress of the A400M programme - reflected in the first flight of the fourth test aircraft on 20 December 2010, a successful test flight programme logging more than 1,000 flight test hours by the end of December 2010 as well as the first paratrooper jump through the ramp and paratrooper doors - resulted in the recognition of A400M related revenues of € 1,043 million including also a partial utilisation of the A400M loss provision of €-157 million.

On 5 November 2010 EADS/Airbus/AMSL concluded the negotiations with OCCAR and the seven A400M launch customer nations with an agreement further detailing the principle agreement ("A400M Understanding") reached in March 2010. The revised OCCAR agreement is subject to ratification by each customer nation before final adoption. While the overall economics of the "A400M Understanding" remain unchanged, the government payments are now more back-loaded than previously expected. Negotiations on the related export levy facility (ELF) scheme are to be finalised with some nations in line with the "A400M Understanding" (following approval in France and Germany) as well as negotiations with certain suppliers (see Note 32 "Litigation and claims", Note 33 "Commitments and contingencies" and Note 40 "Events after the reporting date" for more details). The full receipt of the € 1.5 billion ELF is conditional to the finalisation of the ELF contract negotiations with all OCCAR nations targeted for completion in 2011.

The A400M loss provision as at 31 December 2010 amounting to € 2,344 million (prior year-end: € 2,464 million) has been updated based on the best estimate of EADS' management, reflecting the current status of the elements of the ongoing negotiations between AMSL and OCCAR/ the Launch Nations as of 31 December 2010 as well as the expected total costs of the A400M programme updated in December 2010 with reference to 174 firm aircraft orders. As previously stated, a further reassessment of the revenue assumptions could have a significant impact on future results.

During 2010 the international market interest in the A400M airlifter has increased, especially reflected during the RIAT and Farnborough Air Show 2010 by various delegations.

4. Scope of consolidation

Perimeter of consolidation (31 December 2010) – The Consolidated Financial Statements include, in addition to EADS N.V.:

- 2010: 190 (2009: 189) companies which are fully consolidated,
- 2010: 41 (2009: 39) companies which are proportionately consolidated,
- 2010: 19 (2009: 19) investments in associates accounted for using the equity method.

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

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

5. Acquisitions and disposals

A) ACQUISITIONS

On 3 December 2010, Astrium GmbH acquired Jena-Optronik GmbH, Jena (Germany), one of the international leading providers of space sensors and opto-electronic instruments. The acquisition of Jena-Optronik will complement Astrium's optical expertise in Germany and enhance its reputation in the development and production of sophisticated earth observation satellites and sub-systems for space applications.

The following table summarises the of consideration transferred, the preliminary fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition:

In € million	Fair value recognised on acquisition	Carrying value
Property, plant and equipment	3	3
Inventories	9	9
Trade receivables and other assets	14	14
Cash and cash equivalents	7	7
	33	33
Provisions	3	3
Trade liabilities	5	5
Other liabilities	14	14
	22	22
Net assets acquired	**11**	
Preliminary goodwill arising on acquisition (see Note 14 "Intangible Assets")	34	
Total consideration paid in cash	**45**	

The fair value as well as the gross amount of the trade receivables amount to € 14 million. None of the trade receivables has been significantly impaired and it is expected that the full contractual amounts can be collected.

The preliminary goodwill of € 34 million includes a control premium as well as amounts in relation to expected synergies arising from the combination with the existing satellite equipment and sub-system business of Astrium, joint future market developments as well as the assembled workforce of Jena-Optronik. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, Jena-Optronik has contributed € 3 million of revenues and € 0.1 million to the profit for the period of the Group. Had this business combination been effected at the beginning of the year, EADS revenues would have been € 45,784 million and the profit for the period of the Group would have been € 575 million. EADS considers these 'pro-forma' figures to represent an initial approximate measure of the performance of the combined Group on an annualised basis and to provide an initial reference point for comparisons in future periods.

Acquisition related costs amounting to € 0.5 million have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the other expenses line item in the consolidated income statement.

During 2010, ATLAS Elektronik GmbH, a joint venture of EADS and ThyssenKrupp finalised the purchase price allocation of "Synge" without material adjustments compared to the preliminary purchase price allocation in 2009.

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

B) DISPOSALS

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

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

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

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

The assets and liabilities of the Filton site, classified as a disposal group held for sale in EADS' Consolidated Financial Statements as of 31 December 2008, were sold with transfer of titles on 5 January 2009 to GKN. The cash flows of the disposed assets and liabilities of Filton as well as the capital gain on sale were as follows:

In € million	**2009**
Consideration received in cash and cash equivalents	103
Total selling price including contingent consideration	126
Net assets disposed of	(93)
Capital gain	**33**

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

NOTES TO THE CONSOLIDATED INCOME STATEMENTS (IFRS)

6. Segment Reporting

Through the end of 2010, the Group operated in five reportable segments which reflect the internal organisational and management structure according to the nature of the products and services provided.

- **AIRBUS Commercial** — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion.
- **AIRBUS Military** — Development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft. AIRBUS Military integrates the former Military Transport Aircraft Division (MTAD) and AIRBUS A400M operations.

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

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

The Defence & Security Division was renamed to CASSIDIAN in the third quarter 2010:

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

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

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

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

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

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

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

B) BUSINESS SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2009

In € million	AIRBUS Commercial	AIRBUS Military	EURO-COPTER	ASTRIUM	CASSIDIAN	Other Busi-nesses	Total Seg-ments	HQ/ Conso.	Conso-lidated
Total revenues	26,370	2,235	4,570	4,799	5,363	1,096	44,433	28	44,461
Internal revenues	(585)	(227)	(339)	(13)	(335)	(140)	(1,639)	0	(1,639)
Revenues	**25,785**	**2,008**	**4,231**	**4,786**	**5,028**	**956**	**42,794**	**28**	**42,822**
Segment result	**382**	**(1,757)**	**262**	**257**	**424**	**21**	**(411)**	**(84)**	**(495)**
- *thereof impairment charge for intangible assets and property, plant and equipment*	*(45)*	*0*	*0*	*0*	*(8)*	*0*	*(53)*	*(10)*	*(63)*
- *thereof additions to other provisions (see Note 25C)*	*(122)*	*(2,016)*	*(505)*	*(245)*	*(663)*	*(43)*	*(3,594)*	*(117)*	*(3,711)*
Share of profit from associates accounted for under the equity method	(19)	1	0	0	13	0	(5)	120	115
Profit (loss) before finance costs and income taxes	**363**	**(1,756)**	**262**	**257**	**437**	**21**	**(416)**	**36**	**(380)**
Exceptional depreciation/ disposal	23	2	1	4	12	0	42	16	58
EBIT pre-goodwill impairment and exceptionals (see definition in Note 6C)	**386**	**(1,754)**	**263**	**261**	**449**	**21**	**(374)**	**52**	**(322)**
Total finance costs									(592)
Income tax benefit									220
Loss for the period									**(752)**
Attributable to: Equity owners of the parent (Net loss)									(763)
Non-controlling interests									11
OTHER INFORMATION									
Identifiable segment assets (incl. goodwill) (1)	32,724	2,725	6,441	7,050	9,716	1,064	59,720	54	59,774
thereof goodwill	*6,425*	*12*	*111*	*604*	*2,503*	*60*	*9,715*	*26*	*9,741*
Investments in associates	20	0	0	3	108	3	134	2,380	2,514
Segment liabilities (2)	27,344	6,138	5,516	7,440	10,753	831	58,022	393	58,415
thereof provisions (see Note 25)	*5,384*	*2,361*	*1,469*	*795*	*2,820*	*158*	*12,987*	*1,033*	*14,020*
Capital expenditures (excl. leased assets)	1,254	80	149	272	157	29	1,941	16	1,957
Depreciation, amortisation	996	174	86	228	150	31	1,665	161	1,826
Research and development expenses	2,293	13	164	74	216	6	2,766	59	2,825

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

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

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

Capital expenditures represent the additions to property, plant and equipment and to intangible assets (excluding additions to goodwill of € 34 million in 2010 and € 16 million in 2009; 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 € million	**2010**	**2009**	**2008**
Profit (loss) before finance costs and income taxes	**1,187**	**(380)**	**2,772**
Exceptional depreciation/ disposal	44	58	58
EBIT pre-goodwill impairment and exceptionals	**1,231**	**(322)**	**2,830**

D) REVENUES BY DESTINATION

In € million	**2010**	**2009**	**2008**
Germany	5,381	5,018	5,330
France	4,422	3,807	3,697
United Kingdom	2,280	2,983	2,654
Spain	1,018	1,322	1,456
Other European Countries	8,301	8,310	5,741
Asia/Pacific	11,335	8,618	10,747
Middle East	6,247	3,857	2,497
North America	3,507	6,138	7,799
Latin America	2,537	1,893	2,708
Other Countries	724	876	636
Consolidated	**45,752**	**42,822**	**43,265**

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

E) CAPITAL EXPENDITURES

In € million	**2010**	**2009**	**2008**
France	882	1,001	792
Germany	693	509	566
United Kingdom	385	228	279
Spain	228	133	165
Other Countries	62	86	35
Capital expenditures excluding leased assets	**2,250**	**1,957**	**1,837**
Leased assets	**270**	**9**	**0**
Capital expenditures	**2,520**	**1,966**	**1,837**

F) PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHICAL AREA

In € million	**2010**	**2009**	**2008**
France	4,698	4,448	4,154
Germany	3,846	3,635	3,576
United Kingdom	2,535	2,376	2,198
Spain	1,210	1,071	1,012
Other Countries	379	275	338
Property, plant and equipment by geographical area	**12,668**	**11,805**	**11,278**

Property, plant and equipment split by geographical area excludes leased assets (2010: € 759 million, 2009: € 703 million and 2008: € 878 million).

7. Revenues

Revenues in 2010 reach € 45,752 million compared to € 42,822 million in 2009 and € 43,265 million in 2008.

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 2010, the revenues comprise revenues from services including the sale of spare parts of € 5,113 million compared to € 5,106 million in 2009.

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

Detail of **Revenues:**

In € million	**2010**	**2009**	**2008**
Total revenues	45,752	42,822	43,265
Thereof revenues from the delivery of goods & services	35,764	34,181	33,951
Thereof revenues from construction contracts	9,716	8,377	8,852

Revenues of € 45,752 million (2009: € 42,822 million) increase by 7%. AIRBUS Commercial delivered more aircraft (510, thereof 508 with revenue recognition versus 498 in the previous year) and CASSIDIAN, EUROCOPTER and ASTRIUM contributed also positively. AIRBUS Military includes revenues related to the A400M programme of € 1,043 million recognised under the percentage of completion method based on milestones (in 2009: € 499 million resulting from the application of the early stage accounting method; see Note 3 "Accounting for the A400M programme"). Positive volume and mix effects in AIRBUS Commercial were partly offset by an unfavorable US dollar impact.

8. Functional costs

Inventories recognised as an expense during the period amount to € 32,840 million (2009: € 30,274 million; 2008: € 30,267 million).

Further included in cost of sales are amortisation expenses of fair value adjustments of non-current assets in the amount of € 44 million (2009: € 56 million; 2008: € 52 million); these are related to the EADS merger, the AIRBUS Combination and the formation of MBDA.

Personnel expenses are:

In € million	**2010**	**2009**	**2008**
Wages, salaries and social contributions	9,625	9,094	9,030
Net periodic pension cost (see Note 25b)	452	424	366
Total	**10,077**	**9,518**	**9,396**

The **Gross Margin** increases by € 1,785 million to € 6,224 million compared to € 4,439 million in 2009. This improvement is mainly related to onerous contract charges incurred on the A400M and A380 programmes in 2009 (2.1 bn €). Unfavorable foreign exchange rate effects are partly compensated by operational improvement at AIRBUS and ASTRIUM.

On the other hand, in particular negative foreign exchange rate effects at AIRBUS Commercial weigh on the gross margin.

9. Research and development expenses

Research and development expenses in 2010 amount to € 2,939 million compared to € 2,825 million in 2009 and € 2,669 million in 2008, primarily reflecting R&D activities at AIRBUS Commercial. Most of the increase was attributable to higher expenses at AIRBUS Commercial, CASSIDIAN and EUROCOPTER, due to the development of the A350 XWB programme, various helicopter and air systems programmes, partly compensated by a decrease for the A380 and the A330 freighter programmes.

10. Other income

In € million	2010	2009	2008
Other income	171	170	189
Thereof income from sale of fixed assets	33	42	21
Thereof rental income	13	22	26
Thereof release of allowances	1	3	13

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

In € million	2010	2009	2008
Share of profit from associates	127	115	188
Other income from investments	18	19	23
Total	**145**	**134**	**211**

The **share of profit from associates accounted for under the equity method** in 2010 is mainly derived from the result of the equity investment in Dassault Aviation of € 130 million (2009: € 120 million; 2008: € 169 million). For the first semester 2010, Dassault Aviation published a net income of € 141 million which has been recognised by EADS in its half year financial statements 2010 with its share of 46.32% amounting to € 65 million. Since for the second half-year 2010 no published financial information was available yet from Dassault Aviation at the date of authorisation for issue of the 2010 Consolidated Financial Statements, EADS uses a best estimate for the net income of Dassault Aviation. Furthermore, EADS' net income includes an IFRS catch-up adjustment in the amount of € 3 million for its equity investment in Dassault Aviation.

For the first semester 2009, Dassault Aviation published a net income of € 118 million which was recognised by EADS with its share of 46.32% amounting to € 55 million. Since for the second half-year 2009 no published financial information was available from Dassault Aviation at the date of authorisation for issue of 2009 Consolidated Financial Statements, EADS used a best estimate for the net income of Dassault Aviation.

12. Total finance costs

Interest result in 2010 comprises interest income of € 316 million (2009: € 356 million; 2008: € 617 million) and interest expense of €-415 million (2009: €-503 million; 2008: €-581 million). Included in interest income is the return on cash and cash equivalents, securities and financial assets such as loans and finance leases. Interest expense includes interests on financing liabilities and on European Government refundable advances of €-132 million (2009: €-235 million; 2008: €-255 million) which are positively impacted by the reassessment of relating future cash outflows.

Other financial result in 2010 amounts to €-272 million (in 2009: €-445 million and in 2008: €-508 million) and mainly includes charges from the negative revaluation of financial instruments (€-184 million, 2009: €-147 million) and the unwinding of discounts by €-176 million (2009: €-307 million; 2008: €-230 million), partly compensated by the positive impact from foreign exchange translation of monetary items of €+71 million (2009: €+54 M). Included in 2008 were the negative impact of the reassessment of counterparty risk in the amount of €-49 million and negative foreign exchange rate effects of AIRBUS in the amount of €-28 million.

EADS separated derivatives with a nominal amount of USD 1.4 billion, embedded in supplier host contracts which relate to the A400M programme. Changes in the fair value of these embedded derivatives until 30 June 2010 were recognised in other financial result for the amount of €-178 million. Starting 1 July 2010, these derivatives were designated as hedging instruments in a cash flow hedge relationship with the corresponding fair value gains or losses since that date recorded in OCI for the amount of €+88 million.

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

13. Income taxes

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

In € million	**2010**	**2009**	**2008**
Current tax expense	(259)	(208)	(354)
Deferred tax benefit/ (expense)	15	428	(349)
Total	**(244)**	**220**	**(703)**

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 31 December 2010, 2009 and 2008. In 2010, a new tax law was enacted reducing the income tax rates from 2011 onwards to 25.0%.

Deferred tax assets and liabilities for the Group's French subsidiaries were calculated at 31 December 2010, 2009 and 2008 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").

Regarding German subsidiaries, the German federal corporate tax rate amounts to 15%. In addition there is a surcharge ("Solidaritätszuschlag") of 5.5% on the amount of federal corporate taxes. In addition to corporate taxation, the trade taxes amount to 14.2%. In aggregate, the enacted tax rate which has been applied to German deferred taxes amounts to 30% in 2010, 2009 and 2008.

With respect to the Spanish subsidiaries, the corporate income tax rate amounts to 30% in 2010, 2009 and 2008.

All other foreign subsidiaries apply their national tax rates, among others United Kingdom with 27% (2009 and 2008: 28%).

The following table shows a reconciliation from the theoretical income tax benefit (expense) – using the Dutch corporate tax rate of 25.5% to the reported tax benefit (expense). The reconciling items represent, besides the impact of tax rate differentials and tax rate changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported Consolidated Financial Statements according to IFRS rules.

In € million	**2010**	**2009**	**2008**
Profit (loss) before income taxes	816	(972)	2,300
∗ Corporate income tax rate	25.5%	25.5%	25.5%
Expected benefit (expense) for income taxes	(208)	248	(587)
Effects from tax rate differentials	(53)	122	(125)
Income from investments/ associates	42	48	81
Tax credit for R&D expenses	59	54	51
Change of tax rate	(1)	0	0
Change in valuation allowances	(73)	(236)	(113)
Non-deductible expenses and tax-free income	(5)	(12)	(14)
Other	(5)	(4)	4
Reported tax benefit (expense)	**(244)**	**220**	**(703)**

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 2009, the change in valuation allowance is mainly due to unexpected write downs of non recoverable tax assets within AIRBUS.

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

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

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

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

Deferred income taxes as of 31 December 2009 are related to the following assets and liabilities:

	31 December 2008		Movement through equity		Movement through income statement		31 December 2009	
In € million	**Tax assets**	**Tax liabilities**	**OCI / IAS 19**	**Others [1]**	**R&D tax credits**	**Deferred tax benefit (expense)**	**Tax assets**	**Tax liabilities**
Intangible assets	14	(200)	0	0	0	(5)	16	(207)
Property, plant and equipment	137	(983)	0	(9)	0	93	220	(982)
Investments and other long term financial assets	274	(8)	0	0	0	(66)	237	(37)
Inventories	830	(98)	0	(4)	0	13	912	(171)
Receivables and other assets	171	(1,253)	(82)	0	0	(221)	116	(1,501)
Prepaid expenses	1	(15)	0	0	0	26	15	(3)
Provision for retirement plans	453	0	112	0	0	88	653	0
Other provisions	1,409	(131)	0	11	0	406	1,801	(106)
Liabilities	1,037	(764)	(411)	8	0	45	648	(733)
Deferred income	341	(24)	0	4	0	(2)	319	0
Net operating loss and tax credit carry forwards	1,174	0	0	50	10	287	1,521	0
Deferred tax assets / (liabilities) before offsetting	**5,841**	**(3,476)**	**(381)**	**60**	**10**	**664**	**6,458**	**(3,740)**
Valuation allowances on deferred tax assets	(562)	0	0	(15)	0	(236)	(813)	0
Set-off	(2,523)	2,523					(2,989)	2,989
Net Deferred tax assets / (liabilities)	**2,756**	**(953)**	**(381)**	**45**	**10**	**428**	**2,656**	**(751)**

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

The amount of the Group's deferred tax assets' allowances is based upon management's estimate of the level of deferred tax assets that will be realised in the foreseeable future. In future periods, depending upon the Group's financial results, management's estimate of the amount of the deferred tax assets considered realisable may change, and hence the write down of deferred tax assets may increase or decrease. The Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. EADS believes that it has recorded adequate provisions for future income taxes that may be owed for all open tax years.

Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of € 811 million (in 2009: € 692 million). Assessments show that these deferred tax assets will be recovered in future through either (i) own projected profits, or (ii) profits of other companies integrated in the same fiscal group ("regime integration fiscal" in France, "steuerliche Organschaft" in Germany) or (iii) via the "loss surrender-agreement" in Great Britain.

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

In € million	**France**	**Germany**	**Spain**	**UK**	**Nether-lands**	**Other countries**	**31 December 2010**	**31 December 2009**
Net Operating Losses (NOL)	1,711	1,500	141	2,416	3	29	5,800	3,955
Trade tax loss carry forwards	0	1,490	0	0	0	0	1,490	1,093
Tax credit carry forwards	0	0	312	0	0	3	315	306
Tax effect	**589**	**448**	**354**	**652**	**1**	**14**	**2,058**	**1,521**
Valuation allowances	(12)	(32)	(116)	(493)	0	0	(653)	(508)
Deferred tax assets on NOL's and tax credit carry forwards	**577**	**416**	**238**	**159**	**1**	**14**	**1,405**	**1,013**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable in France, Germany and in Great Britain. In Spain, NOLs and tax credit carry forwards expire after 15 years. The first tranche of tax credit carry forwards (€ 2 million) will expire in 2016. In the Netherlands, NOLs and tax credit carry forwards expire after 9 years.

Roll forward of deferred taxes:

In € million	**2010**	**2009**
Net deferred tax asset beginning of the year	**1,905**	**1,803**
Deferred tax benefit (expense) in income statement	15	428
Deferred tax recognised directly in AOCI (IAS 39)	999	(493)
Variation of Defined benefit plan actuarial gains	97	112
Others	39	55
Net deferred tax asset at year end	**3,055**	**1,905**

Details of deferred taxes recognised in equity are as follows:

In € million	**2010**	**2009**
Available-for-sale investments	(18)	(27)
Cash flow hedges	629	(361)
Defined benefit plan actuarial losses	468	371
Total	**1,079**	**(17)**

NOTES TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (IFRS)

14. Intangible assets

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

Cost

In € million	Balance at 1 January 2010	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2010
Goodwill	10,859	41	34	0	0	0	10,934
Capitalised development costs	1,052	6	145	0	32	(1)	1,234
Other intangible assets	1,694	12	192	1	18	(62)	1,855
Total	**13,605**	**59**	**371**	**1**	**50**	**(63)**	**14,023**

Amortisation

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

Net book value

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

A schedule detailing gross values, accumulated depreciation and net values of intangible assets as of 31 December 2009 is as follows:

Cost

In € million	Balance at 1 January 2009	Exchange differences	Additions	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2009
Goodwill	10,863	4	16	0	(24)	0	10,859
Capitalised development costs	988	11	53	0	1	(1)	1,052
Other intangible assets	1,522	(1)	195	0	24	(46)	1,694
Total	**13,373**	**14**	**264**	**0**	**1**	**(47)**	**13,605**

Amortisation

In € million	Balance at 1 January 2009	Exchange differences	Amorti-sation charge	Changes in consolidation scope	Reclassifi-cation	Disposals	Balance at 31 December 2009
Goodwill	(1,103)	(15)	0	0	0	0	(1,118)
Capitalised development costs	(107)	(1)	(146)	0	(1)	0	(255)
Other intangible assets	(992)	(2)	(217)	0	(4)	43	(1,172)
Total	**(2,202)**	**(18)**	**(363)**	**0**	**(5)**	**43**	**(2,545)**

Net book value

In € million	Balance at 1 January 2009		Balance at 31 December 2009
Goodwill	9,760		9,741
Capitalised development costs	881		797
Other intangible assets	530		522
Total	**11,171**		**11,060**

The regular amortisation charge of capitalised development costs and other intangible assets is mainly accounted for in cost of sales.

GOODWILL IMPAIRMENT TESTS

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

As of 31 December 2010 and 2009, goodwill was allocated to CGUs, which is summarized in the following schedule on segment level:

In € million	AIRBUS Commercial	AIRBUS Military	EURO-COPTER	CASSI-DIAN	ASTRIUM	Other Businesses	HQ/ Conso.	Conso-lidated
Goodwill as of 31 December 2010	6,425	12	117	2,533	644	64	14	9,809
Goodwill as of 31 December 2009	6,425	12	111	2,503	604	60	26	9,741

The CASSIDIAN goodwill is allocated to the CGUs CASSIDIAN Air Systems (€ 863 million), CASSIDIAN Systems (€ 712 million), MBDA (€ 655 million) and CASSIDIAN Electronics (€ 303 million).

GENERAL ASSUMPTIONS APPLIED IN THE PLANNING PROCESS

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

The operative planning which was presented to the Board of Directors takes into account general economic data derived from external macroeconomic and financial studies. The operative planning assumptions reflect for the periods under review specific inflation rates and future labour expenses in the European countries where the major production facilities are located. Regarding the expected future labour expenses, an increase of 2 to 3% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA. With regard to the A400M programme 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 programme”).

EADS follows an active policy of foreign exchange risk hedging. As of 31 December 2010, the total hedge portfolio with maturities up to 2016 amounts to US$ 70 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2011 to 2015). 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 1.64 US$/GBP. For the determination of the operative planning in the CGUs management assumed future exchange rates of 1.35 US$/€ for 2010 onwards to convert in € the portion of future US$ which are not hedged. Foreign exchange exposure arises mostly from AIRBUS and to a lesser extent from the other EADS divisions.

The assumption for the perpetuity growth rate used to calculate the terminal values as of 31 December 2010 has been determined with 1% (previous years: 1%). This assumption is lower than experienced in past economic cycles in order to reflect current uncertainty regarding market developments in the long term.

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

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

AIRBUS COMMERCIAL

The goodwill allocated to AIRBUS Commercial relates to the contributions of AIRBUS Operations Ltd. (UK), AIRBUS Operations GmbH (Germany) and AIRBUS Operation SL (Spain). It has been increased in 2009 by the allocation of the goodwill from the CASSIDIAN division attached to the Augsburg plant in the frame of the creation of Premium AEROTEC GmbH (Germany).

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

- Projected cash flows for the next five years were presented to EADS Board of Directors in the frame of the operative plan. This planning scenario takes into account the decision to ramp-up the production of the A320 programme to 40 a/c to be achieved until early 2012 and the LR-programme to 9 a/c to be achieved until 2012. In the absence of long term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value. The terminal value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade.
- Long term commercial assumptions are based on General Market Forecast updated in 2010. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities. Cash flow projections include all of the estimated cost savings of the Power8/Power 8+ programme as well as non-recurring cost improvement plan and benefits from initiatives already launched in the frame of "Future EADS".
- Cash flows are discounted using a euro weighted average cost of capital pre-tax (WACC) of 11.2% (in 2009: 12.8%).
- Carrying value as well as planned cash flows include impacts from the existing hedge portfolio as per end December 2010.

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

The recoverable amount is particularly sensitive to the following areas:

- Change of the euro against the US$: A change by 10 cents would however not imply an impairment charge in the EADS accounts.
- Change of the WACC: An increase of 50 basis points in the WACC would not imply an impairment charge in the EADS accounts.

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

AIRBUS MILITARY

For impairment testing purposes, the cash flows have been discounted using a weighted average cost of capital pre-tax (WACC) of 9.1% (in 2009: 10.2%).

A400M launch order from OCCAR is included as per assumptions used for the preparation of these Consolidated Financial Statements (see Note 3 "Accounting for the A400M programme"). A400M is based on the effect of the March 2010's agreement with OCCAR and the Nations as A400M launch customers.

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

Value in use of the CGU Airbus Military is above carrying value, indicating no goodwill impairment for 2010 and 2009.

OTHER SEGMENTS

In order to reflect the different underlying business risks, a segment specific WACC factor has been applied. For EUROCOPTER the cash flows were discounted using a weighted average cost of capital pre-tax (WACC) of 9.1% (in 2009: 10.2%), while the calculation for the more defence related CGUs like CASSIDIAN and ASTRIUM applied a pre-tax WACC of 8.8% (in 2009: 9.7%). Cash flow projections are based on operative planning covering a five-year planning period.

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

The strong order book of the ASTRIUM division as of 31 December 2010 (including satellites, launchers, ballistic missiles and military telecom services) supports the positive revenue development which is assumed for this Division over the operative planning period. Based on key achievements in 2010, like the successful launch of SatcomBW 2, TanDEM-X and Hylas as well as 6 successful Ariane 5 launches and the successful M51 acceptance launch, the planning period is characterised by business development in telecom services and Earth observation services and further order intake in established key areas (e.g. M51, telecom and Earth observation satellites). The operating margin and the Free Cash Flow are planned to increase continuously, supported by existing process improvement programmes.

The goodwill of Other Businesses fully relates to the CGU EADS North America reflecting the business activities in the US. The recoverable amount of the CGU EADS North America exceeds the carrying amount by more than 20%.

The recoverable amounts of all CGUs have exceeded their carrying amounts, indicating no goodwill impairment for 2010 and 2009.

DEVELOPMENT COSTS

EADS has capitalised development costs in the amount of € 946 million as of 31 December 2010 (€ 797 million as of 31 December 2009) as internally generated intangible assets mainly for the AIRBUS A380 programme. The amortisation for the A380 programme 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 31 December 2010:

Cost

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

Depreciation

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

Net book value

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

Schedules detailing gross values, accumulated depreciation and net values of property, plant and equipment show the following as of 31 December 2009:

Cost

In € million	Balance at 1 January 2009	Exchange differences	Additions	Reclassi-fication	Disposals	Balance at 31 December 2009
Land, leasehold improvements and buildings including buildings on land owned by others	6,626	27	72	209	(96)	6,838
Technical equipment and machinery	10,784	216	252	769	(153)	11,868
Other equipment, factory and office equipment	3,348	8	194	125	(154)	3,521
Construction in progress	1,729	43	1,193	(1,065)	(23)	1,877
Total	**22,487**	**294**	**1,711**	**38**	**(426)**	**24,104**

Depreciation

In € million	Balance at 1 January 2009	Exchange differences	Additions	Reclassi-fication	Disposals	Balance at 31 December 2009
Land, leasehold improvements and buildings including buildings on land owned by others	(2,620)	(4)	(308)	15	82	(2,835)
Technical equipment and machinery	(5,867)	(114)	(828)	27	114	(6,668)
Other equipment, factory and office equipment	(1,805)	(14)	(244)	(32)	46	(2,049)
Construction in progress	(39)	0	(7)	2	0	(44)
Total	**(10,331)**	**(132)**	**(1,387)**	**12**	**242**	**(11,596)**

Net book value

In € million	Balance at 1 January 2009		Balance at 31 December 2009
Land, leasehold improvements and buildings including buildings on land owned by others	4,006		4,003
Technical equipment and machinery	4,917		5,200
Other equipment, factory and office equipment	1,543		1,472
Construction in progress	1,690		1,833
Total	**12,156**		**12,508**

Property, plant and equipment include at 31 December 2010 and 2009, buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts of € 146 million and € 124 million, net of accumulated depreciation of € 49 million and € 37 million. The related depreciation expense for 2010 was € 10 million (2009: € 8 million; 2008: € 10 million).

Other equipment, factory and office equipment include the net book value of "aircraft under operating lease" for € 759 million and € 703 million as of 31 December 2010 and 2009, respectively; related accumulated depreciation is € 687 million and € 733 million. Depreciation expense for 2010 amounts to € 31 million (2009: € 49 million; 2008: € 71 million).

The "aircraft under operating lease" include:

i) Group's sales finance activity in the form of aircraft which have been leased out to customers and are classified as operating leases: They are reported net of the accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 33 "Commitments and contingencies" for details on sales financing transactions).

The corresponding non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at 31 December 2010 are as follows:

In € million	
not later than 2011	34
later than 2011 and not later than 2015	82
later than 2015	18
Total	**134**

ii) Aircraft which have been accounted as "operating lease" because they were sold under terms that include asset value guarantee commitments with the present value of the guarantee being more than 10% of the aircraft's sales price (assumed to be the fair value). Upon the initial sale of these aircraft to the customer, their total cost previously recognised in inventory is transferred to "Other equipment, factory and office equipment" and depreciated over its estimated useful economic life, with the proceeds received from the customer being recorded as deferred income (see Note 30 "Deferred income").

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

	31 December	
In € million	**2010**	**2009**
(i) Net book value of aircraft under operating lease before impairment charge	579	341
Accumulated impairment	(75)	(70)
Net book value of aircraft under operating lease	504	271
(ii) Aircraft under operating lease with the present value of the guarantee being more than 10%	255	432
Total Net Book value of aircraft under operating lease	**759**	**703**

For details please refer to Note 33 "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 € million	Historical cost	Accumulated depreciation 31 December 2009	Book value 31 December 2009	Depreciation Amortisation	Accumulated depreciation 31 December 2010	Book value 31 December 2010
Book value of Investment Property	213	(135)	78	(1)	(136)	77

As of 31 December 2010, the fair value of the Group's investment property amounts to € 81 million (in 2009: € 86 million). For the purposes of IAS 40 "Investment property", the fair values have been determined by using external appraisal reports or using discounted cash flow projections for estimated rental income less rental expenses. Related rental income in 2010 is € 8 million (in 2009: € 10 million) with direct operating expenses amounting to € 2 million (in 2009: € 2 million).

17. Investments in associates accounted for under the equity method, other investments and other long term financial assets

The following table sets forth the composition of investments in associates accounted for under the equity method, other investments and other long term financial assets:

	31 December	
In € million	**2010**	**2009**
Investments in associates accounted for under the equity method	**2,451**	**2,514**
Non-current other investments and other long term financial assets		
Other investments	415	380
Other long term financial assets	1,971	1,830
Total	**2,386**	**2,210**
Current portion of other long term financial assets	**111**	**230**

Investments in associates accounted for under the equity method as of 31 December 2010 and 2009, mainly comprise EADS' interest in Dassault Aviation (46.32% at 31 December 2010 and 2009) of € 2,318 million and € 2,380 million. Since for the second half-year 2010 no financial information is available yet from Dassault Aviation at the date of authorisation for issue of 2010 financial statements, EADS used a best estimate for the net income of the second half year 2010 of Dassault Aviation. In addition the equity investment income from Dassault Aviation includes an IFRS catch-up adjustment. The 30 June 2010 equity components have been used to estimate the 2010 year-end consolidated equity position of Dassault Aviation.

Since for the second half-year 2009 no financial information was available from Dassault Aviation at the date of authorisation for issue of 2009 financial statements, EADS used a best estimate for the net income of the second half year 2009 of Dassault Aviation. Furthermore, the equity investment income from Dassault Aviation includes an IFRS catch-up adjustment as well as direct recognitions in equity (AOCI) with regard to restatements for different treatments of actuarial gains and losses of pensions. The 30 June 2009 equity components had been used to estimate the 2009 year-end consolidated equity position of Dassault Aviation.

EADS' 46.32% interest in Dassault Aviation's market capitalisation, derived from an observable free float of 3.5%, amounts to € 2,819 million as of 31 December 2010 (as of 31 December 2009: € 2,462 million).

The following table illustrates summarised financial information of the EADS investment of 46.32% in Dassault Aviation:

In € million	**30 June 2010**	**31 December2009**
Share of the associate's financial position:		
Non-current assets	2,691	2,640
Current assets	2,197	2,465
Non-current liabilities	125	216
Current liabilities	2,891	2,855
Total equity	**1,872**	**2,034**
Share of the associate's revenues and profit:	**6 months**	**12 months**
Net Sales	924	1,587
Net Income	65	119

In € million	**31 December 2010**	**31 December 2009**
Carrying amount of the investment at 31 December	**2,318**	**2,380**

Further significant associates, being accounted for under the equity method (like Air Tanker, Daher-Socata SA and Patria Oyi), are stated in aggregate in the following table:

In € million	**31 December 2010**	**31 December2009**
Share of the associate's financial position:		
Non-current assets	697	469
Current assets	188	152
Non-current liabilities	735	480
Current liabilities	155	112
Total equity	**(5)**	**29**
Share of the associate's revenues and profit:	**12 months**	**12 months**
Net Sales	396	417
Net Income	9	4

In € million	**31 December 2010**	**31 December 2009**
Carrying amount of the investments at 31 December	**59**	**57**

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 31 December 2010 the participations in AviChina amounting to € 88 million (2009: € 67 million).

Other long-term financial assets of € 1,971 million (2009: € 1,830 million) and the **current portion of other long-term financial assets** of € 111 million (in 2009: € 230 million) encompass mainly the Group's sales finance activities in the form of finance lease receivables and loans from aircraft financing. They are reported net of accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral (see Note 33 "Commitments and contingencies" for details on sales financing transactions).

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

	31 December	
In € million	**2010**	**2009**
Outstanding gross amount of loans to customers	558	757
Accumulated impairment	(72)	(67)
Total net book value of loans	**486**	**690**

Finance lease receivables from aircraft financing are as follows:

In € million	31 December 2010	31 December 2009
Minimum lease payments receivables	809	932
Unearned finance income	(78)	(87)
Accumulated impairment	(104)	(91)
Total net book value of finance lease receivables	**627**	**754**

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

In € million	
not later than 2011	107
later than 2011 and not later than 2015	480
later than 2015	222
Total	**809**

Additionally included are € 969 million and € 616 million of other loans as of 31 December 2010 and 2009, *e.g.* loans to employees.

No defeased bank deposits have been offset against financing liabilities as of 31 December 2010 (2009: € 306 million).

18. Inventories

Inventories at 31 December 2010 and 2009 consist of the following:

In € million	31 December 2010	31 December 2009
Raw materials and manufacturing supplies	1,654	1,736
Work in progress	13,631	13,899
Finished goods and parts for resale	1,618	1,804
Advance payments to suppliers	3,959	4,138
Total	**20,862**	**21,577**

The decrease of work in progress of €-268 million is mainly driven by ASTRIUM and AIRBUS Commercial programmes. The successful ramp-up of AIRBUS Commercial deliveries resulted in a reduction of finished goods of €-186 million. Advance payments provided to suppliers mainly decrease at AIRBUS Commercial partly compensated by higher advance payments made at EUROCOPTER and EADS North America.

The finished goods and parts for resale before write down to net realisable value amount to € 2,091 million in 2010 (2009: € 2,215 million) and work in progress before write down to net realisable value amounts to € 14,766 million (2009: € 15,136 million). Write downs for finished goods and services are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2010, write downs of inventories in the amount of €-249 million (2009: €-593 million) are recognised in Cost of Sales, whereas reversal of write downs amounts to € 81 million (2009: € 19 million). The impairment charges in 2009 for work in progress mainly relate to the A380 programme. At 31 December 2010 € 3,144 million of work in progress and € 1,177 million of finished goods and parts for resale were carried at net realisable value.

19. Trade receivables

Trade receivables at 31 December 2010 and 2009 consist of the following:

In € million	31 December 2010	31 December 2009
Receivables from sales of goods and services	6,953	5,951
Allowance for doubtful accounts	(321)	(364)
Total	**6,632**	**5,587**

The **trade receivables** increase by €+1,045 million mainly caused by AIRBUS (€+321 million), EUROCOPTER (€+263 million), CASSIDIAN (€+223 million) and ASTRIUM (€+211 million).

Trade receivables are classified as current assets. As of 31 December 2010 and 2009, respectively, € 383 million and € 270 million of trade receivables are not expected to be collected within one year.

In application of the **percentage of completion** (PoC) method, as of 31 December 2010 an amount of € 2,829 million (in 2009: € 2,348 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses) to date** amounts to € 45,650 million comparable to € 35,446 million at year-end 2009.

The **gross amount due from customers** for construction work amounts to € 3,973 million (in 2009: € 4,185 million) and relates to construction contracts where incurred contract costs plus recognised profits less the sum of recognised losses exceed progress billings.

The **gross amount due to customers** amounts to € 2,500 million (in 2009: € 2,565 million) and corresponds to the construction contracts whose total of incurred contract costs plus recognised profits less the sum of recognised losses and progress billings is negative.

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

In € million	2010	2009
Allowance balance at 1 January	(364)	(357)
Utilisations / disposals	3	13
Release / additions	41	(13)
Foreign exchange rate differences	(1)	(7)
31 December	**(321)**	**(364)**

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 € 5,081 million (in 2009: € 4,391 million).

20. Other financial assets

Other financial assets at 31 December 2010 and 2009 consist of the following:

	31 December	
In € million	**2010**	**2009**
Non-current other financial assets		
Positive fair values of derivative financial instruments	602	1,307
Option premiums	99	32
Others	170	268
Total	**871**	**1,607**
Current other financial assets		
Positive fair values of derivative financial instruments	364	937
Receivables from related companies	790	722
Loans	54	41
Others	367	343
Total	**1,575**	**2,043**

21. Other assets

Other assets at 31 December 2010 and 2009 consist of the following:

	31 December	
In € million	**2010**	**2009**
Non-current other assets		
Prepaid expenses	887	894
Capitalised settlement payments to German Government	70	103
Others	147	179
Total	**1,104**	**1,176**
Current other assets		
Value added tax claims	805	810
Prepaid expenses	521	507
Others	386	381
Total	**1,712**	**1,698**

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

22. Securities

The Group's security portfolio amounts to € 11,166 million and € 8,055 million as of 31 December 2010 and 2009, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of € 5,035 million (in 2009: € 3,702 million) and securities designated at fair value through profit and loss of € 297 million (in 2009: € 281 million) as well as a **current portion** of available-for-sale-securities of € 5,834 million (in 2009: € 3,749 million) and securities designated at fair value through profit and loss of € 0 million (in 2009: € 323 million).

Included in the securities portfolio as of 31 December 2010 and 2009, respectively, are corporate bonds bearing either fixed rate coupons (€ 9,307 million nominal value; comparably in 2009: € 6,031 million) or floating rate coupons (€ 1,138 million nominal value; comparably in 2009: € 1,093 million) as well as Structured Rate Notes (€ 265 million nominal value; 2009: € 265 million), Money Market Funds (€ 0 million nominal value, 2009: € 323 million) and foreign currency Funds of Hedge Funds (€ 275 million nominal value; 2009: € 275 million).

With regard to the Consolidated Statements of Cash Flows, in 2010 the change of securities presented in cash used for investing activities comprises additions of €-10,751 million and disposals of €+7,604 million reflecting the investment in long-term securities.

23. Total equity

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

Number of shares	2010	2009
Issued as at 1 January	**816,105,061**	**814,769,112**
Issued for ESOP	0	1,358,936
Issued for exercised options	297,661	0
Cancelled	0	(22,987)
Issued as at 31 December	**816,402,722**	**816,105,061**
Treasury shares as at 31 December	(5,341,084)	(5,196,450)
Outstanding as at 31 December	**811,061,638**	**810,908,611**

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

On 27 May 2009, the Shareholders' General Meeting of EADS renewed the authorisation given to the Board of Directors to issue shares and to grant rights to subscribe for shares which are part of the Company's authorised share capital, provided that such powers will be limited to 1% of the Company's authorised capital from time to time and to limit or exclude preferential subscription rights, in both cases for a period expiring at the Shareholders' General Meeting to be held in 2011. The mentioned powers include without limitation the approval of share-related long-term incentive plans (such as stock option, performance and restricted share plans) and employee share ownership plans. They may also include the granting of rights to subscribe for shares which can be exercised at a time that may be specified in or pursuant to such plans and the issue of shares to be paid up from freely distributable reserves.

The Shareholders' General Meeting on 1 June 2010 renewed the authorisation given to the Board of Directors for a new period of 18 months from the date of the Annual General Meeting to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company will not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out. This authorisation supersedes and replaces the authorisation given by the Annual General Meeting of 27 May 2009.

On 1 June 2010, the Shareholders' General Meeting also decided to deduct the net loss of the fiscal year 2009 of €-763 million from retained earnings. In 2010 there was no cash distribution payment. For the fiscal year 2010, the EADS Board of Directors proposes a cash distribution payment of € 0.22 per share.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options of € 297,661 (in 2009: € 0, in 2008: € 14,200) in compliance with the implemented stock option plans and by employees of € 0 (in 2009: € 1,358,936, in 2008: € 2,031,820) under the Employee Stock Ownership Plans. In 2010 the usual Employee Stock Ownership Plan was replaced by a Free Share Plan, which did not lead to an issuance of new shares (see Note 35 B) "Employee Stock Ownership Plan (ESOP)").

Share premium mainly results from contributions in kind in the course of the creation of EADS, cash contributions from the Initial Public Offering, capital increases and reductions due to the issuance and cancellation of shares as well as cash distributions to EADS N.V. shareholders. In 2010, € 19 million are reclassified from currency translation adjustments to profit or loss. Treasury shares represent the amount paid for own shares held in treasury.

24. Capital Management

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

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.

Standard & Poor's upgraded EADS' long-term rating on 22 September 2010 to A- (Outlook: stable) and Moody's Investors Service reconfirmed the A1 (Outlook: stable) long-term rating of EADS on 24 August 2010. In accordance with its conservative financial policy it is essential for EADS to maintain an investment grade rating.

EADS' management uses a Value Based Management approach in order to guide the company towards management for sustainable value creation. The key elements of the Value Based Management concept are:

- the measurement of value creation,
- prioritisation of actions based on the financial value drivers and operational business drivers and
- the assessment of value creation in reference to the competition and the industry in total.

EADS developed the following guiding principles with regard to this value based management approach:
Financial value is created if profits exceed the cost of the capital. The Value Creation is measured through Economic Profit (EP) as the residual of: net operating profit after tax (NOPAT) after deducting the cost of capital employed (with the cost of the capital employed being derived from the Average Capital Employed multiplied with the weighted average cost of capital (WACC)).

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

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

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

25. Provisions

Provisions are comprised of the following:

	31 December	
In € million	**2010**	**2009**
Provision for retirement plans (see Note 25B)	4,938	5,090
Provision for deferred compensation (see Note 25A)	283	216
Retirement plans and similar obligations	**5,221**	**5,306**
Other provisions (see Note 25C)	8,758	8,714
Total	**13,979**	**14,020**
Thereof non-current portion	8,213	8,137
Thereof current portion	5,766	5,883

As of 31 December 2010 and 2009, respectively, € 5,037 million and € 5,080 million of retirement plans and similar obligations and € 3,176 million and € 3,057 million of other provisions mature after more than one year.

A) PROVISIONS FOR DEFERRED COMPENSATION

This amount represents obligations that arise if employees elect to convert part of their remuneration or bonus into an equivalent commitment for deferred compensation which is treated as a defined benefit post-employment plan.

B) PROVISIONS FOR RETIREMENT PLANS

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

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

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

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

In the UK, 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 13 October 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 31 December 2006, EADS is able to appropriately and reliably estimate the share of its participation in the schemes, *i.e.* its share in plan assets, defined benefit obligations (DBO) and pension costs. The information enables EADS to derive keys per plan to allocate for accounting purposes an appropriate proportion in plan assets, defined benefit obligations and pension costs to its UK investments as of 31 December 2010 and 2009, 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 2010, the share of AIRBUS in BAE Systems' main schemes amounts to 17.88% (in 2009: 17.41%). The impact of this change is mainly reflected in actuarial gains and losses of the period.

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

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

	Euro-countries (1)			**EADS UK**			**BAE Systems UK**		
	31 December			**31 December**			**31 December**		
Assumptions in %	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Discount rate	4.7-4.75	5.25-5.3	5.6-5.85	5.4	5.7	6.5	5.5	5.7	6.3
Rate of compensation increase	3.0-3.5	2.75-3.5	3.0-3.5	4.0	4.1	4.1	4.4	4.5	3.9
Inflation rate	1.75-2.0	1.75-2.0	1.8-2.25	3.3	3.5	3.0	3.4	3.5	2.9
Expected return on plan assets	6.5	6.5	6.5	5.8	5.8	5.8	6.9	7.1	7.1

(1) Euro-countries comprise Germany and France respectively.

The amount recorded as provision on the statement of financial position can be derived as follows:

Change in defined benefit obligations **In € million**	**2010**	**2009**	**2008**
Defined benefit obligations at beginning of year	8,845	7,777	8,573
Service cost	237	189	191
Interest cost	483	450	449
Actuarial (gains) and losses	387	634	(390)
Acquisitions, curtailments and other	(19)	(21)	26
Benefits paid	(382)	(352)	(352)
Foreign currency translation adjustment	94	168	(720)
Defined benefit obligations at end of year	**9,645**	**8,845**	**7,777**

Actuarial losses which are related to the BAE Systems UK pension plans amount to € 16 million (2009: € 269 million) and foreign currency translation adjustment amounts to € 84 million (2009: € 159 million).

Change in plan assets **In € million**	**2010**	**2009**	**2008**
Fair value of plan assets at beginning of year	3,706	3,335	4,031
Actual return on plan assets	555	270	(457)
Contributions	553	173	436
Acquisitions and other	13	0	80
Benefits paid	(230)	(202)	(200)
Foreign currency translation adjustments	65	130	(555)
Fair value of plan assets at end of year	**4,662**	**3,706**	**3,335**

The actual return on plan assets includes among others, also € 393 million (2009: € 153 million; 2008: €-280 million) relating to the BAE Systems' UK pension plans. Furthermore, € 57 million (2009: € 116 million; 2008: €-504 million) of foreign currency translation adjustments and €-123 million (2009: € -102 million; 2008: €-106 million) of benefits paid result from BAE Systems' UK pension plans.

In 2010, EADS companies contributed in total € 553 million in cash. Main contributions were made into the CTA with € 300 million (2009: € 0 million; 2008: € 300 million), into the relief fund in Germany with € 125 million (2009: € 70 million; 2008: € 57 million) and the BAE Systems UK pension plans with € 66 million (2009: € 66 million; 2008: € 61 million). In 2011, further contributions are intended.

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

In 2010, 43% (in 2009: 47%) of plan assets are invested in equity securities and 40% (in 2009: 28%) in debt securities. The remaining plan assets are mainly invested in cash and other securities.

Recognised Provision **In € million**	**2010**	**2009**	**2008**	**2007**	**2006**
Funded status [1]	4,983	5,139	4,442	4,542	5,751
Unrecognised past service cost	(45)	(49)	(55)	(25)	(4)
Provision recognised in the statements of financial position	**4,938**	**5,090**	**4,387**	**4,517**	**5,747**

(1) Difference between the defined benefit obligations and the fair value of plan assets at the end of the year.

The defined benefit obligation at the end of the year is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. The provision contains the funded status less any unrecognised past service cost.

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

In € million	**2010**	**2009**	**2008**
Service cost	237	189	191
Interest cost	483	450	449
Expected return on plan assets	(272)	(221)	(278)
Past service cost	4	6	4
Net periodic pension cost	**452**	**424**	**366**

The expected return on plan assets for BAE Systems' UK pension plans amounts to €-141 million (in 2009: €-111 million).

Actuarial gains and losses for retirement plans are recognised net of deferred taxes in total equity and develop as follows:

Actuarial gains and losses recognised directly in total equity In € million	2010	2009	2008
Cumulative amount at 1 January	(2,131)	(1,546)	(1,200)
Recognised during the period	(114)	(585)	(346)
Cumulative value at 31 December	**(2,245)**	**(2,131)**	**(1,546)**
Deferred Tax Asset at 31 December	459	368	259
Actuarial gains and losses recognised directly in equity, net	**(1,786)**	**(1,763)**	**(1,287)**

Contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2010 amount to € 633 million (in 2009: € 605 million).

C) OTHER PROVISIONS

Movements in provisions during the year were as follows:

In € million	Balance at 1 January 2010	Exchange differences	Increase from passage of time	Additions	Reclassi-fication/Change in consolidated group	Used	Released	Balance at 31 December 2010
Contract losses	3,479	1	76	178	(14)	(214)	(77)	3,429
Outstanding costs	1,593	(4)	0	643	118	(561)	(71)	1,718
Aircraft financing risks	952	58	69	21	0	(122)	(2)	976
Restructuring measures/pre-retirement part-time work	428	0	6	88	(14)	(212)	(67)	229
Personnel charges	434	2	0	308	(20)	(190)	(14)	520
Obligation from services and maintenance agreements	411	1	38	133	(41)	(91)	(27)	424
Warranties	205	1	0	97	0	(58)	(10)	235
Litigations and claims	187	1	0	35	(4)	(21)	(4)	194
Asset retirement	98	0	2	0	0	0	0	100
Other risks and charges	927	3	2	405	(147)	(102)	(155)	933
Total	**8,714**	**63**	**193**	**1,908**	**(122)**	**(1,571)**	**(427)**	**8,758**

The provision for contract losses mainly relates to AIRBUS Military in conjunction with the A400M (see Note 3 "Accounting for the A400M programme") and to the A350 programme in AIRBUS Commercial.

The addition to provisions for outstanding costs mainly relates to CASSIDIAN 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 € 293 million (€ 295 million at 31 December 2009) and asset value risks of € 683 million (€ 657 million at 31 December 2009) related to AIRBUS, EUROCOPTER and ATR (see Note 33 "Commitments and contingencies").

The provision for restructuring measures/pre-retirement part-time work mainly relates to CASSIDIAN, EUROCOPTER and AIRBUS.

In general, as the contractual and technical parameters to be considered for provisions in the aerospace sector are rather complex, uncertainty exists with regard to the timing and amounts of expenses to be taken into account.

26. Financing liabilities

In 2004, the EIB (European Investment Bank) granted a long term loan to EADS in the amount of US$421 million, bearing a fixed interest rate of 5.1% (effective interest rate 5.1%). EADS issued under its EMTN Programme (Euro Medium Term Note Programme) three euro denominated bonds. The first issue of € 1 billion carried a coupon of 4.625% (effective interest rate 4.7%) which was swapped into variable rate of 3M-Euribor +1.02% and was repaid in March 2010. The second issue of € 0.5 billion maturing in 2018 carries a coupon of 5.5% (effective interest rate 5.6%) which was swapped during 2005 into variable rate of 3M-Euribor +1.72%. The third issue of € 1 billion in 2009 maturing 2016 carries a coupon of 4.625% (effective interest rate 4.6%) which was swapped into variable rate of 3M-Euribor +1.57%. Furthermore, AIRBUS received in 1999 a Reinvestment Note from Deutsche Bank AG in the amount of US$800 million, bearing a fixed interest rate of 9.88% with an outstanding debt of € 275 million (2009: € 305 million).

EADS can issue commercial paper under the so called "billet de trésorerie" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The issued volume at 31 December 2010 amounted to € 0 million (2009: € 0 million). The programme has been set up in 2003 with a maximum volume of € 2 billion.

Financing liabilities include liabilities connected with sales financing transactions amounting to € 631 million (2009: € 733 million), mainly at variable interest rates.

Non recourse AIRBUS financing liabilities (risk is supported by external parties) amount to € 532 million (2009: € 652 million).

As of 31 December 2010, no defeased bank deposits for aircraft financing have been offset against financing liabilities (2009: € 306 million).

	31 December	
In € million	**2010**	**2009**
Bonds	1,535	1,500
thereof due in more than five years: 1,535 (31 December 2009: 1,500)		
Liabilities to financial institutions	783	811
thereof due in more than five years: 135 (31 December 2009: 182)		
Loans	375	391
thereof due in more than five years: 161 (31 December 2009: 154)		
Liabilities from finance leases	177	165
thereof due in more than five years: 119 (31 December 2009: 116)		
Long term financing liabilities	**2,870**	**2,867**
Bonds	0	974
Liabilities to financial institutions	39	90
Loans	200	205
Liabilities from finance leases	13	17
Others	1,156	1,143
Short-term financing liabilities (due within one year)	**1,408**	**2,429**
Total	**4,278**	**5,296**

Included in "Others" are financing liabilities to joint ventures.

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2010 as follows:

In € million	**Financing liabilities**
2011	1,408
2012	166
2013	134
2014	473
2015	147
Thereafter	1,950
Total	**4,278**

The aggregate amounts of financing liabilities maturing during the next five years and thereafter are as of 31 December 2009 as follows:

In € million	Financing liabilities
2010	2,429
2011	189
2012	160
2013	134
2014	432
Thereafter	1,952
Total	**5,296**

27. Other financial liabilities

In € million	31 December	
	2010	**2009**
Non-current other financial liabilities		
Thereof European Governments refundable advances	5,968	4,882
Thereof liabilities for derivative financial instruments	2,109	732
Others	547	561
Total	**8,624**	**6,175**
Current other financial liabilities		
Thereof liabilities to related companies	11	23
Thereof liabilities for derivative financial instruments	821	220
Others	402	957
Total	**1,234**	**1,200**

European Governments refundable advances (incl. A350 XWB) net of reimbursements have increased in 2010. Regarding the interest expenses on European Governments refundable advances see Note 12 “Total finance costs”. Due to their specific nature, namely their risk-sharing features and the fact that such advances are generally granted to EADS on the basis of significant development projects, European Governments refundable advances are accounted for by EADS within “Non-current/ current other financial liabilities” on the statement of financial position including accrued interests and presented within “cash provided by operating activities” in the Consolidated Statements of Cash Flows.

Included in “Other financial liabilities” are € 1,228 million (2009: € 1,192 million) due within one year and € 4,697 million (2009: € 3,957 million) maturing after more than five years.

28. Other liabilities

In € million	31 December 2010	31 December 2009
Non-current other liabilities		
Thereof customer advance payments	8,817	8,579
Others	447	512
Total	**9,264**	**9,091**
Current other liabilities		
Thereof customer advance payments	23,285	21,271
Thereof tax liabilities (excluding income tax)	545	582
Others	1,942	1,694
Total	**25,772**	**23,547**

Included in "Other liabilities" are € 20,608 million (2009: € 18,619 million) due within one year and € 5,512 million (2009: € 3,009 million) maturing after more than five years.

Advance payments received relating to construction contracts amount to € 8,403 million (2009: € 8,167 million) mainly resulting from ASTRIUM (€ 3,297 million), AIRBUS Military (€ 2,790 million) and CASSIDIAN (€ 2,053 million).

29. Trade liabilities

As of 31 December 2010, trade liabilities amounting to € 118 million (€ 77 million as of 31 December 2009) mature after more than one year.

30. Deferred income

In € million	31 December 2010	31 December 2009
Non-current deferred income	315	266
Current deferred income	790	880
Total	**1,105**	**1,146**

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 (€ 227 million and € 400 million as of 31 December 2010 and 2009, respectively).

NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (IFRS)

31. Consolidated Statement of Cash Flows

As of 31 December 2010, EADS' cash position (stated as cash and cash equivalents in the Consolidated Statements of Cash Flows) includes € 735 million (€ 751 million and € 666 million as of 31 December 2009 and 2008, respectively) which represent EADS' share in MBDA's cash and cash equivalents, deposited at BAE Systems and Finmeccanica and which are available upon demand.

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

	31 December		
In € million	**2010**	**2009**	**2008**
Total purchase price	(45)	(21)	(335)
thereof paid in cash and cash equivalents	(45)	(21)	(335)
Cash and cash equivalents included in the acquired subsidiaries, joint ventures and businesses	7	0	70
Cash Flow for acquisitions, net of cash	**(38)**	**(21)**	**(265)**

In 2010, the aggregate cash flow for acquisitions, net of cash results from the acquisition of Jena-Optronik GmbH amounting to €-38 million.

In 2009, the aggregate cash flow for acquisitions, net of cash of €-21 million includes the acquisition of the underwater systems business of QinetiQ, UK of €-14 million and additional non controlling interests in Spot Image €-7 million.

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

	31 December		
In € million	**2010**	**2009**	**2008**
Intangible assets; property, plant and equipment	3	0	90
Financial assets	0	0	1
Inventories	9	1	16
Trade receivables	13	4	44
Other assets	1	0	22
Cash and cash equivalents	7	0	70
Assets	**33**	**5**	**243**
Provisions	(3)	(3)	(7)
Trade liabilities	(5)	(1)	(34)
Financing liabilities	0	0	(7)
Other liabilities	(14)	0	(92)
Liabilities	**(22)**	**(4)**	**(140)**
Fair value of net assets	**11**	**1**	**103**
Goodwill (in 2010 preliminary) arising on acquisitions	34	14	259
Non-controlling interests / Consolidation of investments held prior to the acquisition	0	6	(27)
Less own cash and cash equivalents of acquired subsidiaries, joint ventures and businesses	(7)	0	(70)
Cash Flow for acquisitions, net of cash	**38**	**21**	**265**

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

	31 December		
In € million	**2010**	**2009**	**2008**
Total selling price	12	15	9
thereof received by cash and cash equivalents	12	15	9
Cash and cash equivalents included in the (disposed) subsidiaries	0	(2)	(7)
Cash Flow from disposals, net of cash	**12**	**13**	**2**

The aggregate cash flow from disposals, net of cash, in 2010 of € 12 million results from the sale of ASL Aircraft Services Lemwerder GmbH .

The aggregate cash flow from disposals, net of cash, in 2009 of € 13 million results from the sale of 70% of the interest in EADS Socata.

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

	31 December		
In € million	**2010**	**2009**	**2008**
Intangible assets; property, plant and equipment	(4)	(50)	(8)
Financial assets	0	0	0
Inventories	0	(78)	(1)
Trade receivables	(3)	(26)	(3)
Other assets	(14)	(37)	0
Cash and cash equivalents	0	(2)	(7)
Assets	**(21)**	**(193)**	**(19)**
Provisions	8	26	4
Trade liabilities	0	83	2
Financing liabilities	0	26	0
Other liabilities	12	43	4
Liabilities	**20**	**178**	**10**
Book value of net assets	**(1)**	**(15)**	**(9)**
Goodwill arising from disposals	0	0	0
Result from disposal of subsidiaries	(11)	0	0
Less own cash and cash equivalents of disposed subsidiaries	0	2	7
Cash Flow from disposals, net of cash	**(12)**	**(13)**	**(2)**

The cash flow from the disposal of the AIRBUS site of Laupheim in 2008 amounts to €+117 million resulting in a gain of € 1 million.

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

32. Litigation and claims

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

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing. On 30 June 2010, the final report was published in the case brought by the US but did not become binding because it was appealed by both sides, with appeal proceedings now underway. On 31 January 2011, a non-binding confidential report was issued in the case brought by the EU concerning subsidies to Boeing; the report is expected to be released publicly on 31 March 2011 and is also likely to be appealed. Exact timing of further steps in the WTO litigation process is subject to further rulings and to negotiations between the US and the EU. Unless a settlement, which is currently not under discussion, is reached between the parties, the litigation is expected to continue for several years.

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 1 April 2008, the AMF announced the notification of charges against EADS and certain of its current and former executives for breach of such market regulations and insider trading rules, respectively. On 22 July 2009, the Rapporteur of the Sanction Commission of the AMF issued a report regarding the charges notified by the AMF, which contained various recommendations to the Sanction Commission on the merits of the charges. Following oral hearings before the Sanction Commission which took place from 23-27 November 2009, the Sanction Commission decided, in a decision published on 17 December 2009, to dismiss all charges against EADS and the other notified persons. The Sanction Commission held that EADS had complied with all applicable market information duties, in particular in respect of risk of delays affecting the A380 programme and its development, and that there had been no breach of insider trading rules. The decision of the Sanction Commission is final and cannot be appealed. Nevertheless, following criminal complaints filed by several shareholders in 2006 (including civil claims for damages), French investigating judges are still carrying out an investigation based on the same facts.

In Germany, criminal proceedings regarding suspected insider trading offences did not establish any wrongdoing and have been terminated. However, since 2006, several shareholders have filed civil actions against EADS in Germany in order to recover their alleged losses in connection with the disclosure of A380 programme delays. Several of these plaintiffs have filed motions for "model proceedings", which would allow common issues of fact or law in multiple individual securities actions to be decided together with binding effect in all such actions. The proceedings are in their preliminary stage and the amounts claimed are relatively small.

On the basis of largely the same facts, institutional shareholders filed two separate requests in the second half of 2009 with the Enterprise Chamber (Ondernemingskamer) of the Court of Appeal in Amsterdam to open an inquiry into the management and affairs of EADS. On 3 November 2010, the Enterprise Chamber denied the applicants' requests to open an inquiry. While the decision of the Enterprise Chamber is final and cannot be appealed, a Dutch Foundation (Stichting) has threatened to initiate separate civil proceedings against EADS in the Netherlands for alleged breaches of market regulations with respect to the A380 delays announced in 2006.

On 12 June 2008, two actions were initiated in the United States District Court for the Southern District of New York, one of which was voluntarily withdrawn shortly thereafter. The remaining action purported 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 27 July 2005 through 9 March 2007. The action sought damages in an unspecified amount, with interest and attorneys' fees, for alleged violations of the US securities laws in connection with financial disclosures issued by EADS in 2005, 2006 and 2007 and public statements made during that same time frame relating to A380 programme delays. On 26 March 2010, the Court granted defendants' motion to dismiss for lack of subject matter jurisdiction. On 23 April 2010, plaintiff filed a notice of appeal of the Court's decision, which was voluntarily withdrawn on 23 August 2010.

On 10 November 2009, Airbus Military SL (AMSL) notified Europrop International GmbH (EPI), the engine manufacturer under the A400M aircraft programme, that it had a number of contractual claims against it for breach of Milestones 7, 8 and 9 under the engine agreement, in an amount currently totalling approximately € 500 million. On 8 February 2010, EPI notified AMSL of its own claims under the engine agreement in an amount totalling approximately € 425 million, and on 23 February 2010, EPI sent notice of its intent to seek arbitration, and of its sending of a request for arbitration to the International Chamber of Commerce (ICC) on the same day. On 4 May 2010, AMSL and EPI entered into a Standstill Agreement to allow without prejudice business discussions and renegotiations, which are ongoing.

In 2005, the liquidator of FlightLease Holdings Group (a SwissAir subsidiary and 50% shareholder of the special purpose vehicle GFAC, a joint venture between Swissair and GATX), prompted a lawsuit by GFAC against Airbus in a court in New York to recover USD 227 million in pre-delivery payments, together with interest and costs. The lawsuit followed Airbus' termination of a purchase agreement with GFAC in October 2001 for 38 single-aisle and long-range aircraft, in the context of Swissair's bankruptcy. In 2006, the FlightLease liquidator brought a separate action before the commercial court of Paris to recover an additional USD 319 million in pre-delivery payments, together with interest and costs, on a separate purchase agreement between Airbus and a wholly owned subsidiary of FlightLease (which was also terminated by Airbus in the context of SwissAir's bankruptcy). On 6 February 2009, the trial judge in the New York action decided in favor of GFAC. Airbus appealed the decision to the appellate division. In May 2010, while the decision on Airbus' appeal in the New York lawsuit was still pending and before trial had commenced in the Paris lawsuit, the parties agreed on a confidential settlement to terminate all proceedings.

Following an investigation conducted by the Italian Guardia di Finanza, Italian tax authorities are currently evaluating whether Astrium owes any overdue tax in Italy related to its past contractual relationships. In parallel, the Italian Public Prosecutor decided at the end of December 2009 to initiate proceedings against Astrium's legal representatives for failure to file a tax declaration and attempted fraud. Astrium has submitted memoranda to Italian tax authorities in support of its position, and is currently awaiting a response. In the meantime, Astrium will continue to defend itself as well as the concerned legal representatives.

On 30 July 2010, Constructions Industrielles de la Méditerrannée ("CNIM") brought an action against EADS and certain of its subsidiaries before the commercial court of Paris, alleging anti-competitive practices, breach of long term contractual relationships and improper termination of pre-contractual discussions. CNIM is seeking approximately €115 million in damages on a joint and several basis. EADS believes that the plaintiff's action lacks merit and will mount a vigorous defense. The proceedings are currently at an early stage.

Regarding EADS' provisions policy, EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks. For the amount of provisions for litigation and claims, see "Notes to the Consolidated Financial Statements (IFRS) — Note 25C. Other provisions".

33. Commitments and contingencies

COMMITMENTS AND CONTINGENT LIABILITIES

Sales financing – In relation to its AIRBUS, EUROCOPTER and ATR activities, EADS is committing itself in sales financing transactions with selected customers. Sales financing transactions are generally collateralised by the underlying aircraft. Additionally, AIRBUS, EUROCOPTER and ATR benefit from protective covenants and from security packages tailored according to the perceived risk and the legal environment. EADS believes that the estimated fair value of the aircraft securing such commitments will substantially offset any potential losses from the commitments. Any remaining difference between the amount of financing commitments given and the collateral value of the aircraft financed is provided for as an impairment to the relating asset, if assignable, or as a provision for aircraft financing risk. The basis for this write down is a risk-pricing-model, which is applied at every closing to closely monitor the remaining value of the aircraft.

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for **on the statement of financial position** either as (i) an operating lease (see Note 15 "Property, plant and equipment") or (ii) a loan from aircraft financing or (iii) a finance lease receivable (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long term financial assets"). As of 31 December 2010, related accumulated impairment amounts to € 75 million (2009: € 70 million) for operating lease and to € 176 million (2009: € 158 million) for loans and finance lease receivables. As part of provisions for aircraft financing risks € 37 million (2009: € 35 million) are recorded (see Note 25C.) "Other provisions").

Certain sales financing transactions include the sale and lease back of the aircraft with a third party lessor under operating lease. Unless the Group has sold down the relating operating lease commitments to third parties, which assume liability for the payments, it is exposed to future lease payments.

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2010 as follows:

In € million	
Not later than 2011	146
Later than 2011 and not later than 2015	474
Later than 2015	162
Total	**782**
Of which commitments where the transaction has been sold to third parties	(403)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**379**

Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as of 31 December 2009 as follows:

In € million	
Not later than 2010	159
Later than 2010 and not later than 2014	476
Later than 2014	249
Total	**884**
Of which commitments where the transaction has been sold to third parties	(468)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**416**

Total aircraft lease commitments of € 782 million as of 31 December 2010 (2009: € 884 million) arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of € 515 million (2009: € 616 million). A large part of these lease commitments (€ 403 million and € 468 million as of 31 December 2010 and 2009) 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 € 256 million as of 31 December 2010 (2009: € 260 million), as part of the provision for aircraft financing risks (see Note 25C.) “Other provisions”).

As of 31 December 2010 and 2009, the total consolidated **– on and off balance sheet –** Commercial Aviation Sales Financing Exposure is as follows (AIRBUS Commercial, EUROCOPTER and 50% for ATR):

	31 December	
In € million	**2010**	**2009**
Total gross exposure	1,470	1,495
Estimated fair value of collateral (aircraft)	(926)	(972)
Net exposure (fully provided for)	**544**	**523**

Details of provisions / accumulated impairments are as follows:

	31 December	
In € million	**2010**	**2009**
Accumulated impairment on operating leases (see Note 15 “Property, plant and equipment”)	75	70
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”)	176	158
Provisions for aircraft financing risk (on balance sheet) (see Note 25C.) “Other provisions”)	37	35
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 25C.) “Other provisions”)	256	260
Total provisions / accumulated impairments for sales financing exposure	**544**	**523**

Asset value guarantees – Certain sales contracts may include the obligation of an asset value guarantee whereby AIRBUS Commercial, EUROCOPTER or ATR guarantee a portion of the value of an aircraft at a specific date after its delivery. Management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2022. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease (see Note 15 “Property, plant and equipment” and Note 30 “Deferred income”). In addition, EADS is contingently liable in case asset value guarantees with less than 10% are provided to customers as part of aircraft sales. Counter guarantees are negotiated with third parties and reduce the risk to which the Group is exposed. As of 31 December 2010, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to € 1,095 million (2009: € 1,015 million), excluding € 406 million (2009: € 430 million) where the risk is considered to be remote. In many cases the risk is limited to a specific portion of the residual value of the aircraft. The present value of the risk inherent to the given asset value guarantees where a settlement is being considered as probable is fully provided for and included in the total amount of provisions for asset value risks of € 683 million (2009: € 657 million) (see Note 25C.) “Other provisions”). This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter guarantees into account.

With respect to ATR, EADS and Finmeccanica are jointly and severally liable to third parties without limitation. Amongst the shareholders, the liability is limited to each partner’s proportionate share.

While ***backstop commitments*** to provide financing related to orders on AIRBUS Commercial’s and ATR’s backlog are also given, such commitments are not considered to be part of gross exposure until the financing is in place, which occurs when the aircraft is delivered. This is due to the fact that (i) past experience suggests it is unlikely that all such proposed financings actually will be implemented (although it is possible that customers not benefiting from such commitments may nevertheless request financing assistance ahead of aircraft delivery), (ii) until the aircraft is delivered, AIRBUS Commercial or ATR retain the asset and do not incur an unusual risk in relation thereto, and (iii) third parties may participate in the financing. In order to mitigate AIRBUS Commercial and ATR credit risks, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

Other commitments – Other commitments comprise contractual guarantees and performance bonds to certain customers as well as commitments for future capital expenditures.

Future nominal operating lease payments (for EADS as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to € 986 million (2009: € 954 million) as of 31 December 2010, and relate mainly to procurement operations (*e.g.* facility leases, car rentals).

Maturities as of 31 December 2010 are as follows:

In € million	
Not later than 2011	130
Later than 2011 and not later than 2015	364
Later than 2015	492
Total	**986**

The respective maturities as of 31 December 2009 are as follows:

In € million	
Not later than 2010	130
Later than 2010 and not later than 2014	335
Later than 2014	489
Total	**954**

34. Information about financial instruments

A) FINANCIAL RISK MANAGEMENT

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, as explained below: i) market risks, especially foreign currency exchange rate risks and interest rate risks, ii) liquidity risk and iii) credit risk. EADS' overall financial risk management programme focuses on mitigating unpredictable financial market risks and their potential adverse effects on the Group's operational and financial performance. The Group uses derivative financial instruments and to a minor extent non-derivative financial liabilities to hedge certain risk exposures.

The financial risk management of EADS is generally carried out by the central treasury department at EADS Headquarters under policies approved by the Board of Directors or by the Chief Financial Officer. The identification, evaluation and hedging of the financial risks is in the responsibility of established treasury committees with the Group's Divisions and Business Units.

Market risk

Currency risk – Foreign exchange risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

EADS manages a long-term hedge portfolio with a maturity of several years covering its net exposure to US dollar sales, mainly from the activities of AIRBUS Commercial. This hedge portfolio covers to a large extent the Group's highly probable transactions.

Significant parts of EADS' revenues are denominated in US dollars, whereas a major portion of its costs is incurred in euros and to a smaller extent in GBP. Consequently, to the extent that EADS does not use financial instruments to cover its current and future foreign currency exchange rate exposure, its profits are affected by changes in the euro-US dollar exchange rate. As the Group intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, EADS uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

For financial reporting purposes, EADS mostly designates a portion of the total firm future cash flows as the hedged position to cover its expected foreign currency exposure. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. As hedging instruments, EADS primarily uses foreign currency forwards, foreign currency options, some synthetic forwards and at AIRBUS Commercial to a minor extent non derivative financial liabilities.

EADS endeavors to hedge the majority of its exposure based on firm commitments and forecasted transactions. For products such as aircraft, EADS typically hedges forecasted sales in US dollar. The hedged items are defined as first forecasted highly probable future cash inflows for a given month based upon final payments at delivery. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. For EADS, a forecasted transaction is regarded as highly probable if the future delivery is included in the internally audited order book or is very likely to materialise in view of contractual evidence. The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot rates and interest rates as well as the robustness of the commercial cycle. For the non-aircraft business EADS hedges in- and outflows in foreign currencies from sales and purchase contracts following the same logic which are typically contracted in lower volumes.

The Company also has foreign currency derivative instruments which are embedded in certain purchase and lease contracts denominated in a currency other than the functional currency of the significant parties to the contract, principally USD and GBP. Gains or losses relating to such embedded foreign currency derivatives are reported in other financial result if not designated as hedging instrument. In addition EADS hedges currency risk arising from financial transactions in other currencies than euro, such as funding transactions or securities.

Interest rate risk – The Group uses an asset-liability management approach with the objective to limit its interest rate risk. The Group undertakes to match the risk profile of its assets with a corresponding liability structure. The remaining net interest rate exposure is managed through several types of interest rate derivatives in order to minimise risks and financial impacts. Hedging instruments that are specifically designated to debt instruments have at the maximum the same nominal amounts as well as the same maturity dates compared to the hedged item.

The cash and cash equivalents and securities portfolio of the Group is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposits, overnight deposits, commercial papers, other money market instruments and bonds. For this portfolio, EADS holds on a regular basis an asset management committee which aims at limiting the interest rate risk on a fair value basis through a value-at-risk approach. EADS is mainly investing in short-term instruments in order to further minimise any interest risk in this portfolio. The remaining portion of securities is invested in short to mid term bonds. Any related interest rate hedges qualify for hedge accounting as either fair value hedges or cash flow 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 behavior of the markets relevant for the portfolio out of market data from the previous two years and observed interdependencies between different markets and prices, the model generates a wide range of potential future scenarios for market price movements.

EADS VaR computation includes the Group's financial debt, short-term and long term investments, foreign currency forwards, swaps and options, 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 optimise the risk-return ratio of its financial asset portfolio. Further, the Group's investment policy defines a VaR limit for the total portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the asset management committee.

A summary of the VaR position of EADS' financial instruments portfolio at 31 December 2010 and 31 December 2009 is as follows:

In € million	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
31 December 2010				
FX hedges for forecast transactions or firm commitments	1,203	0	1,230	160
Financing liabilities, cash, cash equivalents, securities and related hedges	102	85	53	25
Finance lease receivables and liabilities, foreign currency trade payables and receivables	49	0	9	48
Diversification effect	(186)	0	(106)	(41)
All financial instruments	**1,168**	**85**	**1,186**	**192**
31 December 2009				
FX hedges for forecast transactions or firm commitments	908	---	908	115
Financing liabilities, cash, cash equivalents, securities and related hedges	84	45	49	26
Finance lease receivables and liabilities, foreign currency trade payables and receivables	35	---	9	34
Diversification effect	(101)	---	(93)	(14)
All financial instruments	**926**	**45**	**873**	**161**

The increase of total VaR compared to 31 December 2009 is mainly attributed to an increase of the foreign exchange portfolio and an increase of the investment portfolio in comparison to year end 2009. 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 € 1,203 million (2009: € 908 million) cannot be considered as a risk indicator for the Group in the economic sense.

Further, EADS also measures VaR of the Group-internal transaction risk arising on Group entities contracting in a currency different from its functional currency affecting Group profit and loss. However, these currency risks arise purely EADS internally and are in economic terms 100% compensated by the corresponding currency fluctuations recognised in a separate component of equity when translating the foreign entity into EADS functional currency. At 31 December 2010, the related total VaR amounts to € 91 million (2009: € 113 million).

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. EADS manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€ 3.0 billion and € 3.0 billion as of 31 December 2010 and 2009, respectively) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, EADS may issue bonds, notes and commercial papers. EADS continues to keep within the asset portfolio the focus on low counterparty risk, however, adverse changes in the capital markets could increase the Group's funding costs and limit its financial flexibility.

Further, the management of the vast majority of the Group's liquidity exposure is centralised by a daily cash concentration process. This process enables EADS to manage its liquidity surplus as well as its liquidity requirements according to the actual needs of its subsidiaries. In addition, Management monitors the Group's liquidity reserve as well as the expected cash flows from its operations based on a quarterly rolling cash forecast.

In € million	**Carrying amount**	**Contractual cash flows**	**< 1 year**	**1 year – 2 years**	**2 years – 3 years**	**3 years – 4 years**	**4 years – 5 years**	**More than 5 years**
Dec 31, 2010								
Non-derivative financial liabilities	(13,732)	(14,567)	(10,197)	(365)	(271)	(690)	(424)	(2,620)
Derivative financial liabilities	(2,930)	(2,517)	(781)	(695)	(527)	(314)	(226)	26
Total	**(16,662)**	**(17,084)**	**(10,978)**	**(1,060)**	**(798)**	**(1,004)**	**(650)**	**(2,594)**
Dec 31, 2009								
Non-derivative financial liabilities	(14,642)	(15,624)	(11,137)	(382)	(329)	(365)	(725)	(2,686)
Derivative financial liabilities	(952)	(894)	(216)	(275)	(213)	(85)	(59)	(46)
Total	**(15,594)**	**(16,518)**	**(11,353)**	**(657)**	**(542)**	**(450)**	**(784)**	**(2,732)**

The above table analyses EADS financial liabilities by relevant maturity groups based on the period they are remaining on EADS statement of financial position to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows, comprising all outflows of a liability such as repayments and eventual interest payments.

Non-derivative financial liabilities comprise financing liabilities at amortised cost and finance lease liabilities as presented in the tables of Note 34B) "Carrying amounts and fair values of financial instruments". Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments refundable advances are not included in the above mentioned table with an amount of € 6,020 million (2009: € 5,294 million).

Credit risk

EADS is exposed to credit risk to the extent of non-performance by either its customers (*e.g.* airlines) or its counterparts with regard to financial instruments. However, the Group has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed on Group level. Counterparts for transactions on cash, cash equivalents and securities as well as for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. For such financial transactions EADS has set up a credit limit system to actively manage and limit its credit risk exposure. This limit system assigns maximum exposure lines to counterparts of financial transactions, taking into account the lowest of their credit ratings as published by Standard & Poors, Moody's and Fitch IBCA. Besides the credit rating, the limit system takes into consideration fundamental counterparty data, as well as sectoral and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of EADS is reviewed on a regular basis and the respective limits are regularly monitored and updated. Further, EADS constantly aims for maintaining a certain level of diversification in its portfolio between individual counterparts as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparts.

The Group is monitoring the performance of the individual financial instruments and the impact of the credit markets on their performance. EADS has procedures in place that allow to hedge, to divest from or to restructure financial instruments having undergone a downgrade of the counterparts' credit rating or showing an unsatisfactory performance. These measures aim to protect EADS to a certain extent against credit risks from individual counterparts. Nevertheless, a potential negative impact resulting from a market-driven increase of systematic credit risks cannot be excluded.

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment. In order to support sales, primarily at AIRBUS Commercial and ATR, EADS may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, AIRBUS Commercial and ATR take into account the airline's credit rating and economic factors reflecting the relevant financial market conditions, together with appropriate assumptions as to the anticipated future value of the financed asset.

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' (e.g. airlines') creditworthiness by way of internal risk pricing methods.

The maximum exposure of the current portion of other long term financial assets, trade receivables, receivables from related companies, loans and others included in current other financial assets to credit risk at the end of the reporting periods is the following:

In € million	**2010**	**2009**
Receivables, neither past due nor impaired	6,011	5,253
Not past due due to negotiations and not impaired	48	18
Receivables impaired individually	3	17
Receivables not impaired and past due ≤ 3 months	788	767
Receivables not impaired and past due >3 and ≤ 6 months	343	129
Receivables not impaired and past due >6 and ≤ 9 months	86	156
Receivables not impaired and past due >9 and ≤ 12 months	144	255
Receivables not impaired and past due > 12 months	531	328
Total	**7,954**	**6,923**

B) CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party. Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could realise in a current market environment.

The following tables present the carrying amounts and fair values of financial instruments according to IAS 39 measurement categories as of 31 December 2010 and 2009 respectively:

31 December 2010 **In € million**	**Fair Value through profit or loss**		**Fair Value for hedge relations**	**Available for Sale**		**Loans and Receivables and Financial liabilities at amortised cost**		**Other** [3]	**Financial Instruments Total**	
Assets	Held for trading	Desi-gnated	Fair value	Book value	Fair Value	Amorti-sed Cost	Fair Value		Book Value	Fair Value
Other investments and other long term financial assets										
• thereof at amortised cost	-	-	-	-	-	1,265	1,265	554	1,819	1,819
• thereof at cost	-	-	-	291	[1]	-	-	-	291	[1]
• thereof Fair value via OCI	-	-	-	276	276	-	-	-	276	276
Current portion of other long-term financial assets	-	-	-	-	-	38	38	73	111	111
Non-current and current other financial assets	313	-	752	-	-	1,381	1,381	-	2,446	2,446
Trade receivables	-	-	-	-	-	6,632	6,632	-	6,632	6,632
Non-current and current securities	-	297	-	10,869	10,869	-	-	-	11,166	11,166
Cash and Cash Equivalents	-	376	-	2,725	2,725	1,929	1,929	-	5,030	5,030
Total	**313**	**673**	**752**	**14,161**	**13,870**	**11,245**	**11,245**	**627**	**27,771**	**27,480**
Liabilities	Held for trading	Desi-gnated	Fair value	FV via OCI	At cost	Amorti-sed Cost	Fair Value		Book Value	Fair Value
Long-term and short-term financing liabilities	-	-	-	-	-	(4,088)	(4,314)	(190)	(4,278)	(4,504)
Non-current and current other financial liabilities	(69)	-	(2,962)	-	-	(6,827)	(6,827)[2]	-	(9,858)	(9,858)
Trade liabilities	-	-	-	-	-	(8,546)	(8,546)	-	(8,546)	(8,546)
Total	**(69)**	**-**	**(2,962)**	**-**	**-**	**(19,461)**	**(19,687)**	**(190)**	**(22,682)**	**(22,908)**

(1) Fair value is not reliably measurable.

(2) The European Governments refundable advances of € 6,020 million are measured at amortised cost; a fair value can not be measured reliably due to their risk sharing nature and uncertainty about the repayment dates. They may be reassessed as relating programmes approach the end of production.

(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables/payables approximate their fair values.

31 December 2009 In € million	Fair Value through profit or loss		Fair Value for hedge relations	Available for Sale		Loans and Receivables and Financial liabilities at amortised cost		Other [3]	Financial Instruments Total	
Assets	Held for trading	Desi-gnated	Fair value	Book value	Fair Value	Amorti-sed Cost	Fair Value		Book Value	Fair Value
Other investments and other long term financial assets										
• thereof at amortised cost	-	-	-	-	-	1,078	1,078	620	1,698	1,698
• thereof at cost	-	-	-	313	[1]	-	-	-	313	[1]
• thereof Fair value via OCI	-	-	-	199	199	-	-	-	199	199
Current portion of other long term financial assets	-	-	-	-	-	96	96	134	230	230
Non-current and current other financial assets	175	-	2,105	-	-	1,370	1,370	-	3,650	3,650
Trade receivables	-	-	-	-	-	5,587	5,587	-	5,587	5,587
Non-current and current securities	-	604	-	7,451	7,451	-	-	-	8,055	8,055
Cash and Cash Equivalents	-	1,774	-	3,379	3,379	1,885	1,885	-	7,038	7,038
Total	**175**	**2,378**	**2,105**	**11,342**	**11,029**	**10,016**	**10,016**	**754**	**26,770**	**26,457**
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	-	-	-	-	-	(5,114)	(5,277)	(182)	(5,296)	(5,459)
Non-current and current other financial liabilities	(31)	-	(1,049)	-	-	(6,295)	(6,295) [2]	-	(7,375)	(7,375)
Trade liabilities	-	-	-	-	-	(8,217)	(8,217)	-	(8,217)	(8,217)
Total	**(31)**	**-**	**(1,049)**	**-**	**-**	**(19,626)**	**(19,789)**	**(182)**	**(20,888)**	**(21,051)**

(1) Fair value is not reliably measurable.

(2) The European Governments refundable advances of € 5,294 million are measured at amortised cost; a fair value can not be measured reliably due to their risk sharing nature and uncertainty about the repayment dates. They may be reassessed as relating programmes approach the end of production.

(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables/payables approximate their fair values.

The following tables allocate the financial assets and liabilities measured at fair value to the three levels of the **fair value hierarchy** as of 31 December 2010 and 2009 respectively:

31 December 2010 **In € million**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Financial assets measured at fair value through profit or loss	376	610	-	986
Derivative financial instruments for hedge relations	-	752	-	752
Available for Sale financial assets	9,189	4,681	-	13,870
Total	**9,565**	**6,043**	**-**	**15,608**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit or loss	-	(69)	-	(69)
Financial instruments for hedge relations	-	(2,861)	(101)	(2,962)
Total	**-**	**(2,930)**	**(101)**	**(3,031)**

The development of financial liabilities of Level 3 is as follows:

Financial liabilities on Level 3	**Balance at 1 January 2010**	**Total gains or losses in**		**Purchases**	**Issues**	**Settle-ments**	**Transfer to liabilities**	**Balance at 31 December 2010**
		profit or loss	**other comprehensive income**					
Financial instruments for hedge relations	(128)	(10)	(8)	-	-	37	8	(101)

31 December 2009 **In € million**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Financial assets measured at fair value through profit and loss	2,097	456	-	2,553
Derivative financial instruments for hedge relations	-	2,105	-	2,105
Available for Sale financial assets	7,401	3,628	-	11,029
Total	**9,498**	**6,189**	**-**	**15,687**
Financial liabilities measured at fair value				
Financial liabilities measured at fair value through profit and loss	-	(31)	-	(31)
Financial instruments for hedge relations	-	(921)	(128)	(1,049)
Total	**-**	**(952)**	**(128)**	**(1,080)**

The fair value hierarchy consists of the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (*i.e.* as prices) or indirectly (*i.e.* derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data.

Financial Assets and Liabilities – Generally, fair values are determined by observable market quotations or valuation techniques supported by observable market quotations.

By applying a valuation technique, such as present value of future cash flows, fair values are based on estimates. However, methods and assumptions followed to disclose data presented herein are inherently judgmental and involve various limitations like estimates as of 31 December 2010 and 2009, which are not necessarily indicative of the amounts that the Company would record upon further disposal/ termination of the financial instruments. Unquoted other investments are measured at cost as their fair value is not reliably determinable.

The methodologies used are as follows:

Short-term investments, cash, short-term loans, suppliers – The carrying amounts reflected in the annual accounts are reasonable estimates of fair value because of the relatively short period of time between the origination of the instruments and its expected realisation.

Securities – The fair value of securities included in available-for-sale investments is determined by reference to their quoted market price at the end of the reporting period. If a quoted market price is not available, fair value is determined on the basis of generally accepted valuation methods on the basis of market information available at the end of the reporting period.

Currency 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 31 December 2010 and 2009. 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 31 December 2010 has been estimated including all future interest payments. It also reflects the interest rate as stated in the tables above. The fair value of the EMTN bonds has been assessed using public price quotations.

The following types of **financial assets** held at 31 December 2010 and 2009 respectively are designated at fair value through profit or loss:

In € million	**Nominal amount at initial recognition as of 31 December 2010**	**Fair value as of 31 December 2010**	**Nominal amount at initial recognition as of 31 December 2009**	**Fair value as of 31 December 2009**
Designated at fair value through profit or loss at recognition:				
- Money Market Funds (accumulating)	376	376	2,097	2,096
- Foreign currency Funds of Hedge Funds	275	247	275	232
- Uncapped Structured Interest Rate Notes	50	50	50	49
Total	**701**	**673**	**2,422**	**2,378**

The accumulating Money Market Funds have been designated at fair value through profit or loss as their portfolio is managed and their performance is measured on a fair value basis.

In addition, EADS invests in Money Market Funds paying interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to € 2,281 million (2009: € 2,445 million).

Investments in foreign currency Funds of Hedge Funds have been designated at fair value through profit or loss.

EADS also invests in uncapped Structured Interest Rate Notes – hybrid instruments combining a zero coupon bond and an embedded interest derivative. As the latter had to be separated from the host contract EADS opted to designate the entire hybrid instrument at fair value through profit or loss.

C) NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

The contract or notional amounts of derivative financial instruments shown below do not necessarily represent amounts exchanged by the parties and, thus, are not necessarily a measure for the exposure of the Group through its use of derivatives.

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

Year ended 31 December 2010	**Remaining period**								
In € million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018+**	**Total**
Foreign Exchange Contracts:									
Net forward sales contracts	12,054	12,166	10,353	7,003	4,057	125	49	(365)	**45,442**
Foreign Exchange Options:									
- Purchased USD call options	728	1,230	402	0	0	0	0	0	**2,360**
- Purchased USD put options	2,122	2,585	402	0	0	0	0	0	**5,109**
- Written USD call options	2,122	2,585	402	0	0	0	0	0	**5,109**
FX swap contracts	2,679	35	130	225	0	0	0	0	**3,069**

Year ended 31 December 2009	**Remaining period**								
In € million	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Foreign Exchange Contracts:									
Net forward sales contracts	10,581	8,796	7,488	6,095	3,282	2,251	38	0	**38,531**
Foreign Exchange Options:									
- Purchased USD call options	893	1,412	1,370	0	0	0	0	0	**3,675**
- Purchased USD put options	1,688	2,120	1,370	0	0	0	0	0	**5,178**
- Written USD call options	893	1,412	1,370	0	0	0	0	0	**3,675**
FX swap contracts	3,809	24	35	130	225	0	0	0	**4,223**

The notional amounts of interest rate contracts are as follows:

Year ended 31 December 2010	**Remaining period**										
In € million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020 +**	**Total**
Interest Rate Contracts	431	188	516	373	163	1,090	109	606	1,229	58	**4,763**

Interest rate contracts relate to the EMTN bond, Paradigm Secure Communications Ltd., EADS NV and Airbus Operations Ltd., UK, presented by the year of expected maturity. The previous year's figures are presented accordingly.

Year ended 31 December 2009	**Remaining period**									
In € million	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Interest Rate Contracts	1,500	455	188	501	452	118	1,090	109	606	1,289	**6,308**

D) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING DISCLOSURE

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2010 and 2009:

31 December 2010 **Interest rate in %**	**EUR**	**USD**	**GBP**
6 months	1.20	0.54	1.23
1 year	1.48	0.85	1.53
5 years	2.48	2.17	2.65
10 years	3.31	3.35	3.57

31 December 2009 **Interest rate in %**	**EUR**	**USD**	**GBP**
6 months	0.93	0.63	0.95
1 year	1.21	0.98	1.59
5 years	2.81	2.96	3.42
10 years	3.60	3.95	4.13

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2010 and 2009 is as follows:

In € million	**Equity attributable to equity owners of the parent**	**Non-controlling interests**	**Total**
1 January 2009	**(184)**	**2**	**(182)**
Unrealised gains and losses from valuations, net of tax	2,015	0	2,015
Transferred to profit or loss for the period, net of tax	(1,003)	0	(1,003)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	1,012	0	1,012
31 December 2009 / 1 January 2010	**828**	**2**	**830**
Unrealised gains and losses from valuations, net of tax	(2,090)	(1)	(2,091)
Transferred to profit or loss for the period, net of tax	(111)	0	(111)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	(2,201)	(1)	(2,202)
31 December 2010	**(1,373)**	**1**	**(1,372)**

In the year 2010 an amount of € 201 million (in 2009: € 1,456 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges.

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

	31 December			
	2010		**2009**	
In € million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign currency contracts – Cash Flow Hedges	603	(2,617)	2,016	(811)
Foreign currency contracts – not designated in a hedge relationship	202	(64)	130	(28)
Interest rate contracts – Cash Flow Hedges	0	(15)	0	0
Interest rate contracts – Fair Value Hedges	149	(138)	89	(110)
Embedded foreign currency derivatives – Cash Flow Hedges	0	(91)	0	0
Embedded foreign currency derivatives - not designated in a hedge relationship	12	(5)	9	(3)
Total	**966**	**(2,930)**	**2,244**	**(952)**

At 31 December 2010, the Group has interest swap agreements in place with notional amounts totalling € 1,500 million (as at 31 December 2009: € 2,500 million). The swaps are used to hedge the exposure to changes in the fair value of its EMTN bonds (see Note 26 "Financing liabilities"). The fair value profit on the interest rate swaps of € 34 million (2009: € 15 million) 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 2010 and 2009 respectively are as follows:

In € million	**2010**	**2009**
Financial assets or financial liabilities at fair value through profit or loss:		
- Held for trading	35	(100)
- Designated on initial recognition	22	12
Loans and receivables	(123)	(179)
Financial liabilities measured at amortised cost	97	83

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

Net gains or losses of loans and receivables contain among others results from currency adjustments from foreign operations and impairment losses.

Net gains or losses of € 12 million (2009: € 136 million) are recognised directly in equity relating to available-for-sale financial assets.

F) TOTAL INTEREST INCOME AND TOTAL INTEREST EXPENSES

In 2010, the total interest income amounts to € 309 million (in 2009: € 344 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss €-415 million (in 2009: €-503 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

G) IMPAIRMENT LOSSES

The following impairment losses on financial assets are recognised in profit or loss in 2010 and 2009 respectively:

In € million	**2010**	**2009**
Available-for-sale financial assets	(39)	(12)
Loans and receivables	(60)	(76)
Other [1]	(6)	(3)
Total	**(105)**	**(91)**

(1) Concerns finance lease receivables.

35. Share-based Payment

A) STOCK OPTION PLANS (SOP) AND LONG TERM INCENTIVE PLANS (LTIP)

Based on the authorisation given to it by the shareholders' meetings (see dates below), the Group's Board of Directors approved (see dates below) stock option plans in 2006, 2005, 2004, 2003, 2002, 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.

For all of EADS' Stock Option Plans, the granted exercise price was exceeding the share price at grant date.

At its 10 November 2010 and November 13 2009 meetings, 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 2010, compensation expense for Stock Option and Long Term Incentive Plans was recognised for an amount of € 47 million (in 2009: € 35 million). The fair value of units granted per vesting date is as follows (LTIP plan 2010):

In € (per unit granted)	FV of restricted and performance units to be settled in cash
May 2014	16.93
November 2014	16.86
May 2015	16.79
November 2015	16.72

As of 31 December 2010 provisions of € 61 million (2009: € 27 million) relating to LTIP have been recognised.

The lifetime of the performance and restricted units (2010) is contractually fixed (see within the description of the "twelfth tranche"). The measurement is based on the share price as of the end of the reporting period (€ 17.44 as of 31 December 2010) and also takes into account the present value of the expected dividend payments.

The following major input parameters were used in order to calculate the fair value of the stock options granted:

Input parameters for the Black Scholes Option Pricing Model

	SOP 2006
Share price (€)	25.34
Exercise price (€)	25.65[1)]
Risk-free interest rate (%) [2)]	4.13
Expected volatility (%)	30.7
Estimated Life (years)	5.5

1) The exercise price for the performance and restricted shares is 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 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 31 December 2010 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	0	0
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	3,031,759	2,283,470
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	4,393,947

	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	4,238,953	5,597,026
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	October 9th, 2013	October 7th, 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	2,726,403	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	6,096,391
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	1,650,500	
Total number of eligible beneficiaries	221	
Date from which the options may be exercised	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Part 2/3.1.3 Governing Law – Dutch Regulations").	
Date of expiration	December 16th, 2016	
Conversion right	One option for one share	
Vested	100%	
Exercise price	€25.65	
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	0	
	Performance and restricted shares plan	
	Performance shares	**Restricted shares**
Number of shares granted	1,344,625	391,300
Number of shares outstanding	0	0
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. Transfer of ownership made on 2nd of June 2010	
Number of vested shares	902,907	372,675

	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	1,603,280	486,720
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	
Number of vested units	4,240	640

	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
Number of units outstanding	2,138,700	781,960
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	
Number of vested units	3,640	2,940

	Eleventh tranche	
Date of Board of Directors Meeting (grant date)	November 13th, 2009	
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted	2,697,740	928,660
Number of units outstanding	2,664,090	926,860
Total number of eligible beneficiaries	1,749	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2013 • 25% expected in November 2013 • 25% expected in May 2014 • 25% expected in November 2014	
Number of vested units	4,250	400

	Twelfth tranche	
Date of Board of Directors Meeting (grant date)	November 10th, 2010	
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted	2,891,540	977,780
Number of units outstanding	2,890,140	977,320
Total number of eligible beneficiaries	1,711	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2014 • 25% expected in November 2014 • 25% expected in May 2015 • 25% expected in November 2015	
Number of vested units	0	0

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 1 January**	**Exercised**	**Forfeited**	**Balance at 31 December**
2000	5,564,884	-	-	(189,484)	5,375,400
2001	-	5,375,400	-	-	5,375,400
2002	-	5,375,400	-	-	5,375,400
2003	-	5,375,400	-	(75,000)	5,300,400
2004	-	5,300,400	(90,500)	(336,000)	4,873,900
2005	-	4,873,900	(2,208,169)	(121,000)	2,544,731
2006	-	2,544,731	(746,242)	(23,000)	1,775,489
2007	-	1,775,489	(35,109)	(37,000)	1,703,380
2008	-	1,703,380	-	(116,160)	1,587,220
2009	-	1,587,220	-	(105,500)	1,481,720
2010	-	1,481,720	-	(1,481,720)	0

Third Tranche	**Number of Options**				
	Options granted	**Balance at 1 January**	**Exercised**	**Forfeited**	**Balance at 31 December**
2001	8,524,250	-	-	(597,825)	7,926,425
2002	-	7,926,425	-	-	7,926,425
2003	-	7,926,425	-	(107,700)	7,818,725
2004	-	7,818,725	-	(328,500)	7,490,225
2005	-	7,490,225	(2,069,027)	(132,475)	5,288,723
2006	-	5,288,723	(1,421,804)	(10,400)	3,856,519
2007	-	3,856,519	(2,000)	(81,350)	3,773,169
2008	-	3,773,169	-	(273,250)	3,499,919
2009	-	3,499,919	-	(200,260)	3,299,659
2010	-	3,299,659	-	(267,900)	3,031,759

Fourth Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2002	7,276,700	-	-	(600)	7,276,100
2003	-	7,276,100	-	(70,125)	7,205,975
2004	-	7,205,975	(262,647)	(165,500)	6,777,828
2005	-	6,777,828	(2,409,389)	(9,250)	4,359,189
2006	-	4,359,189	(1,443,498)	(3,775)	2,911,916
2007	-	2,911,916	(189,532)	(15,950)	2,706,434
2008	-	2,706,434	-	(159,313)	2,547,121
2009	-	2,547,121	-	(87,845)	2,459,276
2010	-	2,459,276	(88,881)	(86,925)	2,283,470

Fifth Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2003	7,563,980	-	-	-	7,563,980
2004	-	7,563,980	(9,600)	(97,940)	7,456,440
2005	-	7,456,440	(875,525)	(87,910)	6,493,005
2006	-	6,493,005	(1,231,420)	(31,620)	5,229,965
2007	-	5,229,965	(386,878)	(24,214)	4,818,873
2008	-	4,818,873	(14,200)	(75,080)	4,729,593
2009	-	4,729,593	-	(113,740)	4,615,853
2010	-	4,615,853	(208,780)	(168,120)	4,238,953

Sixth Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2004	7,777,280	-	-	-	7,777,280
2005	-	7,777,280	-	(78,220)	7,699,060
2006		7,699,060	(2,400)	(96,960)	7,599,700
2007	-	7,599,700	-	(1,358,714)	6,240,986
2008	-	6,240,986	-	(183,220)	6,057,766
2009	-	6,057,766	-	(41,060)	6,016,706
2010	-	6,016,706	-	(419,680)	5,597,026

Seventh Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2005	7,981,760	-	-	-	7,981,760
2006	-	7,981,760	-	(74,160)	7,907,600
2007	-	7,907,600	-	(142,660)	7,764,940
2008	-	7,764,940	-	(1,469,989)	6,294,951
2009	-	6,294,951	-	(49,520)	6,245,431
2010	-	6,245,431	-	(149,040)	6,096,391

Eighth Tranche	Number of Options				
	Options granted	Balance at 1 January	Exercised	Forfeited	Balance at 31 December
2006	1,747,500	-	-	-	1,747,500
2007	-	1,747,500	-	(5,500)	1,742,000
2008	-	1,742,000	-	(64,000)	1,678,000
2009	-	1,678,000	-	(11,000)	1,667,000
2010	-	1,667,000	-	(16,500)	1,650,500

Total options for all Tranches	**46,436,354**	**25,785,645**	**(13,695,601)**	**(9,842,654)**	**22,898,099**

Performance / restricted shares plan 2006	Number of Shares				
	Shares granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
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
Performance shares in 2009	-	1,291,375	(1,750)	(6,625)	1,283,000
Performance shares in 2010	-	1,283,000	(899,407)	(383,593)	0
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
Restricted shares in 2009	-	378,475	(175)	(1,450)	376,850
Restricted shares in 2010	-	376,850	(372,500)	(4,350)	0
Total shares	**1,735,925**	**1,659,850**	**(1,275,582)**	**(460,343)**	**0**

Ninth Tranche	Number of Units				
	Units granted	**Balance at 1 January**	**Vested**	**Forfeited**	**Balance at 31 December**
Performance units in 2007	1,693,940	-	-	-	1,693,940
Performance units in 2008	-	1,693,940	(1,680)	(38,760)	1,653,500
Performance units in 2009	-	1,653,500	(840)	(18,560)	1,634,100
Performance units in 2010	-	1,634,100	(1,720)	(29,100)	1,603,280
Restricted units in 2007	506,060	-	-	-	506,060
Restricted units in 2008	-	506,060	-	(9,800)	496,260
Restricted units In 2009	-	496,260	-	(2,940)	493,320
Restricted units In 2010	-	493,320	(640)	(5,960)	486,720
Total units	**2,200,000**	**2,127,420**	**(4,880)**	**(105,120)**	**(2,090,000)**

Tenth Tranche	Number of Units				
	Units granted	**Balance at 1 January**	**Vested**	**Forfeited**	**Balance at 31 December**
Performance units in 2008	2,192,740	-	-	-	2,192,740
Performance units in 2009	-	2,192,740	(1,120)	(21,280)	2,170,340
Performance units in 2010	-	2,170,340	(2,520)	(29,120)	2,138,700
Restricted units in 2008	801,860	-	-	-	801,860
Restricted units in 2009	-	801,860	-	(6,480)	795,380
Restricted units in 2010	-	795,380	(2,940)	(10,480)	781,960
Total units	**2,994,600**	**2,965,720**	**(6,580)**	**(67,360)**	**2,920,660**

Eleventh Tranche	Number of Units				
	Units granted	**Balance at 1 January**	**Vested**	**Forfeited**	**Balance at 31 December**
Performance units in 2009	2,697,740	-	-	-	2,697,740
Performance units in 2010	-	2,697,740	(4,250)	(29,400)	2,664,090
Restricted units in 2009	928,660	-	-	-	928,660
Restricted units in 2010	-	928,660	(400)	(1,400)	926,860
Total units	**3,626,400**	**3,626,400**	**(4,650)**	**(30,800)**	**3,590,950**

Twelfth Tranche	Number of Units				
	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2010	2,891,540	-	-	(1,400)	2,890,140
Restricted units in 2010	977,780	-	-	(460)	977,320
Total units	**3,869,320**	**-**	**-**	**(1,860)**	**3,867,460**

B) EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

In 2010, the normal ESOP plan was replaced through a worldwide 10 Years EADS – Special Anniversary Free Share Plan for about 118,000 employees in 29 countries. Each eligible employee was granted 10 free shares in EADS, resulting in the distribution of 1,184,220 shares in total. Such shares were bought from the capital market and therefore had no impact on the issued share capital. This exceptional free share grant was implemented in order to celebrate the initial public offering of EADS ten years ago and to strengthen each employee's sense of belonging to EADS. Compensation expense of € 21 million (in 2009: € 4 million) was recognised in connection with the Special Anniversary Free Share Plan 2010.

In 2009, the Board of Directors approved an additional ESOP following eight ESOPs established in 2008, 2007, 2005, 2004, 2003, 2002, 2001 and in 2000. For the 2009 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 € 10.76. 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 19 November 2009, resulting in a subscription price of € 10.76. 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 1,358,936 ordinary shares with a nominal value of € 1.00 under both tranches.

36. Related party transactions

Related parties – The Group has entered into various transactions with related companies in 2010 and 2009 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 CASSIDIAN divisions for programmes like Tiger, M51 / M45 ballistic missiles and SCALP naval cruise missiles. The transactions with the Spanish State include mainly sales from AIRBUS Military and CASSIDIAN for military programmes. With regard to the French and Spanish State as customers of the A400M programme please refer to Note 3 "Accounting for the A400M programme". The transactions with the joint ventures mainly concern the Eurofighter programme.

The following table discloses the related party transactions on a full EADS' share as of 31 December 2010:

In € million	Sales of goods and services and other income in 2010	Purchases of goods and services and other expense in 2010	Receivables due as of 31 December 2010	Payables due as of 31 December 2010	Other Liabilities/ Loans received as of 31 December 2010 (1)
French State	1,365	102	1,021	6	2,665
Spanish State (SEPI)	53	0	24	0	221
Daimler AG	3	14	1	3	0
Lagardère group	0	0	0	0	15
Total transactions with shareholder	**1,421**	**116**	**1,046**	**9**	**2,901**
Total transactions with joint ventures	**2,002**	**21**	**816**	**14**	**1,394**
Total transactions with associates	**815**	**30**	**330**	**11**	**0**

(1) Including European Governments refundable advances from the French and Spanish State.

As of 31 December 2010, EADS granted guarantees to the Spanish State in the amount of € 211 million mainly relating to advance payments received and performance bonds and in the amount of € 325 million to Air Tanker group in the UK as well as a loan to Daher-Socata SA in the amount of € 24 million.

The following table discloses the related party transactions on a full EADS' share as of 31 December 2009:

In € million	Sales of goods and services and other income in 2009	Purchases of goods and services and other expense in 2009	Receivables due as of 31 December 2009	Payables due as of 31 December 2009	Other Liabilities/ Loans received as of 31 December 2009 (1)
French State	1,173	1	1,342	3	2,329
Spanish State (SEPI)	94	0	107	0	764
Daimler AG	6	14	1	1	0
Lagardère group	0	0	0	0	15
Total transactions with shareholder	**1,273**	**15**	**1,450**	**4**	**3,108**
Total transactions with joint ventures	**1,858**	**24**	**745**	**0**	**1,431**
Total transactions with associates	**1,171**	**1**	**327**	**9**	**0**

(1) Including European Governments refundable advances from the French and Spanish State.

As of 31 December 2009, EADS granted guarantees to the Spanish State in the amount of € 250 million mainly relating to advance payments received and performance bonds and in the amount of € 328 million to Air Tanker group in the UK as well as a loan to Daher-Socata SA in the amount of € 24 million.

Remuneration – The annual remuneration and related compensation costs of all of key management personnel, *i.e.* Non Executive Board members, Executive Board members and members of the Executive Committee, can be summarised as follows:

2010		**Pension**	
In € million	**Compensation expense**	**Defined benefit obligation (1)**	**Pension expense (2)**
Non Executive Board members (3)	1.7	-	-
Executive Board member (4)	2.6	2.3	0.6
Other Executive Committee members (5)	15.7	27.0	2.7

(1) Amount of the net pension defined benefit obligation
(2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2010
(3) Non Executive Board members in office as at 31 December 2010
(4) The Chief Executive Officer was the sole Executive Board member in office as at 31 December 2010
(5) Executive Board members in office as at 31 December 2010, including specific exceptional bonus if any and EADS N.V. compensation.

2009		**Pension**	
In € million	**Compensation expense**	**Defined benefit obligation (1)**	**Pension expense (2)**
Non Executive Board Members (3)	1.4	-	-
Executive Board Member (4)	0.9 (2.0)*	1.8	0.7
Other Executive Committee Members (5)	12.8	23.3	2.9

* At CEO´s request his annual variable pay of € 1,141,250 was waived,
(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 2009
(3) Non Executive Board members in office as at 31 December 2009
(4) The Chief Executive Officer was the sole Executive Board member in office as at 31 December 2009
(5) Executive Board members in office as at 31 December 2009, including specific exceptional bonus if any and EADS N.V. compensation.

Additionally, performance units granted in 2010 to the Chief Executive Officer and to the other Executive Committee members represented 416,000 units.

The amounts detailed above do neither comprise the termination package nor the estimated cost of long-term incentives granted to Executive Committee members.

For more information in respect of remuneration of Directors, see "Notes to the Company Financial Statements - Note 11: Remuneration".

EADS has not provided any loans to/advances to/guarantees on behalf of directors, former directors or Executive Committee members except for salary and reimbursement advances and an undertaking to potentially assume certain legal defence costs for certain of its Executive Committee members in relation with certain regulatory or judicial proceedings.

The Executive Committee members are furthermore entitled to a termination indemnity when the departure results from a decision by the Company. The 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 nearly all of the Executive Committee members since they have renewed their mandate contracts.

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

Under the LTIP 2010, the Chief Executive Officer, as well as all Executive Committee Members will have to own EADS shares equal to a minimum of 20% of the number of vested units until the end of their mandate.

The company grants the members of the Executive Committee appropriate insurance coverage, in particular D&O insurance.

Executive Committee members are also entitled to a company car.

37. Interest in Joint Ventures

The Group's principal investments in joint ventures and the proportion of ownership are included in Appendix "Information on principal investments". Joint ventures are consolidated using the proportionate method.

The following amounts represent the Group's proportional share of the assets, liabilities, income and expenses of the significant joint ventures (MBDA, Atlas and ATR) in aggregate:

In € million	**2010**	**2009**
Non-current assets	528	588
Current assets	2,989	3,013
Non-current liabilities	437	473
Current liabilities	2,608	2,628
Revenues	1,783	1,645
Profit for the period	144	95

The Group's proportional share in contingent liabilities of these joint ventures as of 31 December 2010 amounts in aggregate to € 333 million (2009: € 280 million).

38. Earnings per Share

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

	2010	**2009**	**2008**
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))	€ 553 million	€ (763) million	€ 1,572 million
Weighted average number of ordinary shares	810,693,339	809,698,631	806,978,801
Basic earnings (losses) per share	€ 0.68	€ (0.94)	€ 1.95

Diluted earnings per share - For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. After the end of the vesting period of the performance and restricted shares granted under the 8th tranche, the Group's only remaining category of dilutive potential ordinary shares is stock options. In 2010, the average share price of EADS exceeded the exercise price of the 5th stock option plan (in 2009 and 2008: none of the stock option plans). Hence, 242,591 shares related to stock options (in 2009 and 2008: no shares) were considered in the calculation of diluted earnings per share. Since the average price of EADS shares during 2009 and 2008 exceeded the price for performance and restricted shares, 1,491,482 shares (in 2008: 618,141 shares) related to performance and restricted shares granted under the 8th tranche were considered in the calculation.

	2010	**2009**	**2008**
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))	€ 553 million	€ (763) million	€ 1,572 million
Weighted average number of ordinary shares (diluted)	810,935,930	811,190,113	807,596,942
Diluted earnings (losses) per share	€ 0.68	€ (0.94)	€ 1.95

39. Number of Employees

The number of employees at 31 December 2010 is 121,691 as compared to 119,506 at 31 December 2009.

40. Events after the reporting date

The progress of the negotiations with the A400M Launch Nations regarding the export levy facility schemes for the A400M was reflected during January 2011 by the authorisation of the German budgetary Committee to proceed with the German export levy facility scheme on 26 January 2011 as well as the signature of the export levy facility scheme with France on 31 January 2011.

On 28 February 2011 Astrium Services GmbH obtained control of ND SatCom GmbH, Immenstaad (Germany), a supplier of satellite and ground systems equipment and solutions, by acquiring 75.1% of the shares and voting interests in the company. The preparation of the closing financial statements of ND SatCom has not been finalised yet.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 8 March 2011.

Appendix
"Information on Principal Investments" – Consolidation Scope

Appendix "Information on principal investments"- Consolidation Scope

	2010	%	2009	%	Company	Head office
Airbus Commercial						
	F	100,00	F	100,00	AD Grundstückgesellschaft mbH & Co. KG	Pöcking (Germany)
	F	100,00	F	100,00	Aerolia S.A.S.	France
	F	100,00	F	100,00	AFS Cayman 11 Ltd.	Cayman Islands
	F	100,00	F	100,00	AIFS (Cayman) Ltd.	Cayman Islands
	F	100,00	F	100,00	AIFS Cayman Liquidity Ltd.	Cayman Islands
	F	100,00	F	100,00	AIFS Leasing Company Ltd.	Ireland
	F	70,00			Airbus (Beijing) Engeneering Centre Company Limited	Beijing (China)
	F	100,00	F	100,00	Airbus (TIANJIN) Delivery Center Ltd.	Tianjin (China)
	P	51,00	P	51,00	Airbus (TIANJIN) Final Asssembly Company Ltd.	Tianjin (China)
	P	51,00	P	51,00	Airbus (TIANJIN) Jigs & Tools Company Ltd.	Tianjin (China)
	F	100,00	F	100,00	Airbus America Sales, Inc.	USA
	F	100,00	F	100,00	Airbus Americas, Inc.	USA
	F	100,00	F	100,00	Airbus China Ltd.	Hong Kong
	F	100,00	F	100,00	Airbus Corporate Jet Centre S.A.S. (ACJC)	Toulouse (France)
			F	100,00	Airbus Finance Company Ltd.	Dublin (Ireland)
	F	100,00	F	100,00	Airbus Financial Service Unlimited	Ireland
	E	50,00	E	50,00	Airbus Freighter Center GmbH	Dresden (Germany)
	F	100,00	F	100,00	Airbus Invest	Toulouse (France)
	F	100,00	F	100,00	Airbus Americas Customer Services, Inc.	USA
	F	100,00	F	100,00	Airbus Americas Engineering, Inc.	USA
	F	100,00	F	100,00	Airbus Operations GmbH (ex Airbus Deutschland GmbH)	Hamburg (Germany)
	F	100,00	F	100,00	Airbus Operations Ltd. (Airbus UK Ltd.)	United Kingdom
	F	100,00	F	100,00	Airbus Operations S.A.S. (ex Airbus France S.A.S)	Toulouse (France)
	F	100,00	F	100,00	Airbus Operations S.L. (ex Airbus Espana SL)	Madrid (Spain)
	F	100,00	F	100,00	Airbus Real Estate Premium AEROTEC Nord GmbH	Augsburg (Germany)
	F	100,00	F	100,00	Airbus S.A.S	Toulouse (France)
	F	100,00	F	100,00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
	F	0,00	F	100,00	Avaio Ltd.	Isle Of Man
			F	100,00	Aviateur Aerospace Ltd.	Ireland
	E	18,18	E	18,18	Aviateur Capital Ltd. (In 2006: Avion Capital Ltd.)	Ireland
			F	100,00	Aviateur Eastern Ltd.	Ireland
	F	100,00	F	100,00	Aviateur Finance Ltd.	Ireland
	F	100,00	F	100,00	Aviateur International Ltd.	Ireland
	F	100,00	F	100,00	Aviateur Leasing Ltd.	Ireland
	F	100,00	F	100,00	CIMPA GmbH	Germany
	F	100,00	F	100,00	CIMPA Ltd.	United Kingdom
	F	100,00	F	100,00	CIMPA S.A.S.	France
	F	100,00	F	100,00	CTC GmbH	Stade (Germany)
	F	100,00	F	100,00	EADS Real Estate Premium AEROTEC Augsburg GmbH & Co. KG	Augsburg (Germany)
	F	100,00	F	100,00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
	P	50,00			Hua -Ou Aviation Support Centre Limited	Beijing (China)
	P	50,00			Hua -Ou Aviation Training Centre Limited	Beijing (China)
	E	30,00	E	30,00	OnAIR N.V.	Netherlands
	F	100,00	F	100,00	Premium AEROTEC GmbH	Augsburg (Germany)
	F	100,00	F	100,00	Star Real Estate S.A.S.	Toulouse (France)
	F	100,00	F	100,00	Total Airline Service Company	United Arab Emirates
Additionally consolidated are 28 SPEs.						
Airbus Military						
	F	90,00	F	90,00	Airbus Military S.L.	Madrid (Spain)
	E	40,00	E	40,00	AirTanker Holdings Ltd.*	London (UK)
	F	100,00	F	100,00	EADS CASA North America, Inc	Chantilly, VA (USA)
	F	100,00	F	100,00	EADS CASA S.A. (Unit: EADS CASA Military Transport Aircraft)	Madrid (Spain)
	F	77,21	F	77,21	EADS PZL "WARSZAWA-OKECIE" S.A.	Warsaw (Poland)
Eurocopter						
	F	100,00	F	100,00	AA Military Maintenance Pty. Ltd.	Brisbane (Australia)
	F	100,00	F	100,00	AA New Zealand Pty. Ltd.	Bankstown (Australia)
	F	100,00	F	100,00	American Eurocopter Corp.	Dallas, TX (USA)
	F	60,00	F	60,00	American Eurocopter LLC	Dallas, TX (USA)
	F	100,00	F	100,00	Australian Aerospace Ltd.	Bankstown (Australia)
	F	90,00			EC Japan Co. Ltd.	Tokyo (Japan)
	F	90,00			EC Japan RG Co.Ltd.	Tokyo (Japan)
	F	100,00	F	100,00	EIP Holding Pty. Ltd.	Bankstown (Australia)
	F	75,00	F	75,00	Eurocopter South East Asia Pte. Ltd.	Singapore (Singapore)
	F	100,00	F	100,00	Eurocopter Canada Ltd.	Ontario (Canada)
	F	100,00	F	100,00	Eurocopter de Mexico S.A.	Mexiko D.F. (Mexiko)
	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			Eurocopter Financial Services Ltd.	Dublin (Ireland)

Appendix "Information on principal investments"- Consolidation Scope

	2010	%	2009	%	Company	Head office
	F	100,00	F	100,00	Eurocopter Holding S.A.	Paris (France)
	F	54,00			Eurocopter Japan T&E Co. Ltd.	Osaka (Japan)
	F	100,00	F	100,00	Eurocopter S.A.S.	Marignane (France)
	F	100,00			Eurocopter South Africa Pty. Ltd.	Lansaria (South Africa)
	F	100,00	F	100,00	Eurocopter Training Services S.A.S	Marignane (France)
	F	85,66	F	85,66	Helibras - Helicopteros do Brasil S.A.	Itajuba (Brazil)
	E	25,00	E	25,00	HFTS Helicopter Flight Training Services GmbH	Hallbergmoos (Germany)
	F	100,00	F	100,00	Korean Helicopter Development Support Ltd.	Sacheon-si (South Korea)
Cassidian						
			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 Finland Oy	Helsinki (Finland)
	P	49,00	P	49,00	Atlas Elektronik GmbH	Bremen (Germany)
	P	49,00	P	49,00	Atlas Elektronik Pty. Ltd.	St. Leonards (Australia)
	P	49,00	P	49,00	Atlas Elektronik UK (Holdings) Ltd.	Newport, Wales (UK)
	P	49,00	P	49,00	Atlas Elektronik UK Ltd.	Newport, Wales (UK)
			P	49,00	Atlas Hydrographic Holdings Pty. Ltd.	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 Maritime Security GmbH	Bremen (Germany)
	P	49,00	P	49,00	Atlas Naval Engineering Company	Kyungnam (South Korea)
	P	49,00	P	49,00	Atlas Naval Systems Malaysia SDN.BHD.	Kuala Lumpur (Malaysia)
	P	49,00			Atlas North America LLC.	Virginia Beach (USA)
	F	43,89	F	43,89	Aviation Defense Service S.A.	Saint-Gilles (France)
	P	37,50	P	37,50	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
	F	100,00	F	100,00	Cassidian Ltd. (ex EADS Defence & Security Systems Ltd.)	Newport, Wales (UK)
	E	19,60	E	19,60	CybiCOM Atlas Defence Pty. Ltd.	Umhlanga Rocks (South Africa)
	F	100,00			Defence & Security Real Estate Manching GmbH & Co. KG	Pullach i. Isartal (Germany)
	F	100,00	F	100,00	Defence & Security Real Estate Ulm/Unterschleissheim GmbH & Co. KG	Pöcking (Germany)
	F	100,00	F	100,00	Dornier Consulting GmbH	Friedrichshafen (Germany)
			F	100,00	Dornier Flugzeugwerft GmbH (merged to EADS Deutschland GmbH - Military Aircraft TB 51)	Friedrichshafen (Germany)
	F	100,00	F	100,00	EADS CASA S.A. (Unit: Military Aircraft)	Madrid (Spain)
	F	100,00	F	100,00	EADS Cognac Aviation Training Services	Paris (France)
	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 S.A.	Elancourt (France)
	F	100,00	F	100,00	EADS Defence & Security Solutions Espana S.A.U.	Madrid (Spain)
	F	100,00	F	100,00	EADS Defence and Security Saudi Ltd .	Riyadh Olaya District (Saudi Arabia)
	F	100,00	F	100,00	EADS Deutschland GmbH – 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	F	100,00	EADS Operations & Services UK	Newport, Wales (UK)
	F	100,00	F	100,00	EADS Secure Networks Deutschland GmbH	Ulm (Germany)
	F	100,00	F	100,00	EADS Secure Networks Oy	Helsinki (Finland)
	F	100,00	F	100,00	EADS Secure Networks S.A.S.	Elancourt (France)
	F	100,00	F	100,00	EADS System & Defence Electronics Belgium	Oostkamp (Belgium)
	F	100,00	F	100,00	EADS Telecom Mexico SA de CV	Mexico DF (Mexico)
	F	100,00	F	100,00	EADS Test & Services (UK) Ltd. (ex Racal Instruments Group UK Ltd.)	Wimborne, Dorset (UK)
	E	30,00	E	30,00	ESG Elektroniksystem- und Logistikgesellschaft	Munich (Germany)
	E	24,50	E	24,50	ET Marinesysteme GmbH	Wilhelmshaven (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	E	45,00	Grintec 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	Schrobenhausen (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	Matra Electronique	La Croix Saint-Ouen (France)
	E	49,00	E	49,00	Matrium GmbH	Munich (Germany)
	P	37,50	P	37,50	MBDA France	Velizy (France)
	P	75,00	P	75,00	MBDA Holding	Velizy (France)
	P	37,50	P	37,50	MBDA Inc.	Westlack, CA (USA)
	P	37,50	P	37,50	MBDA International	Stevenage (UK)
	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 Reinsurance Ltd.	Dublin (Ireland)
	P	37,50	P	37,50	MBDA S.A.S.	Velizy (France)

Appendix "Information on principal investments"- Consolidation Scope

	2010	%	2009	%	Company	Head office
	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 S.A. (ex Pentastar Holding)	Paris (France)
	F	100,00	F	100,00	Plant Holdings, Inc. (ex PlantCML)	Temecula, CA (USA)
			F	100,00	Proj2	Paris (France)
	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)
	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)
	E	50,00	E	50,00	United Monolithic Semiconductors Holding*	Orsay (France)
	F	90,00	F	90,00	UTE CASA A.I.S.A.	Madrid (Spain)
Astrium						
	F	100,00	F	100,00	Astrium GmbH - Satellites	Munich (Germany)
	F	100,00	F	100,00	Astrium GmbH - Space Transportation	Munich (Germany)
	F	100,00	F	100,00	Astrium Holding S.A.S.	Paris (France)
	F	100,00	F	100,00	Astrium Ltd. - Satellites	Stevenage (UK)
	F	100,00	F	100,00	Astrium Ltd. - Services	Stevenage (UK)
	F	100,00	F	100,00	Astrium S.A.S. - Satellites	Toulouse (France)
	F	100,00	F	100,00	Astrium S.A.S. - Services	Paris (France)
	F	100,00	F	100,00	Astrium S.A.S. - Space Transportation	Les Muraux (France)
	F	100,00	F	100,00	Astrium Services GmbH	Ottobrunn (Germany)
			F	100,00	Astrium Services S.A.S (merged to Astrium S.A.S. - Services)	Paris (France)
	F	100,00	F	100,00	Astrium Services UK Ltd.	Stevenage (UK)
	F	70,00	F	70,00	Axio-Net GmbH	Hannover (Germany)
	F	54,40	F	53,00	Beijing Spot Image Co Ltd.	Beijing (China)
	F	100,00	F	100,00	Computadoras, Redes e Ingenieria SA (CRISA)	Madrid (Spain)
	F	99,99	F	99,99	DMC International Imaging Ltd.	Surrey (UK)
	F	100,00	F	100,00	Dutch Space B.V.	Leiden (Netherlands)
	F	100,00	F	100,00	EADS Astrium N.V.	The Hague (Netherlands)
	F	100,00	F	100,00	EADS Astrium S.L.	Madrid (Spain)
	F	100,00	F	100,00	EADS CASA Espacio S.L.	Madrid (Spain)
	F	100,00	F	100,00	EADS Deutschland GmbH – Space Services	Munich (Germany)
	F	100,00	F	100,00	GPT Special Project Management Ltd.	Riyadh (Saudi Arabia)
	E	25,58	E	25,58	I-Cubed (I3C)	Fort Collins, USA
	F	100,00	F	100,00	Imass Holding Limited Group	Newcastle (UK)
	F	100,00	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 S.A.S.	Toulouse (France)
	F	100,00			Jena-Optronik GmbH	Jena (Germany)
	F	100,00	F	100,00	Matra Marconi Space UK Ltd.	Stevenage (UK)
	F	74,90	F	74,90	MilSat Services GmbH	Bremen (Germany)
	E	57,10	E	47,40	Nahuelsat S.A.	Buenos Aires (Argentina)
	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 & Services S.A.S. (merged to Astrium Services S.A.S)	Paris (France)
	F	69,23	F	67,44	Spot Asia Pte Ltd.	Singapore (Singapore)
	F	98,91	F	96,34	Spot Image Brasil Servicios en Image	Sao Paulo (Brazil)
	F	98,91	F	96,34	Spot Image Corporation, Inc.	Chantilly, VA (USA)
	F	98,91	F	96,34	Spot Image S.A.S.	Toulouse (France)
	F	98,90	F	96,34	Spot Imaging Services Pty. Ltd.	Weston Creek (Australia)
	F	99,99	F	99,99	Surrey Satellite Investments Ltd.	Surrey (UK)
	F	99,99	F	99,99	Surrey Satellite Services Ltd.	Surrey (UK)
	F	99,99	F	99,99	Surrey Satellite Technology Holdings Inc.	Delaware (USA)
	F	99,99	F	99,99	Surrey Satellite Technology Ltd.	Surrey (UK)
	F	99,99	F	99,99	Surrey Satellite Technology US LLC	Delaware (USA)
	F	100,00	F	100,00	TESAT-Spacecom Geschäftsführung GmbH	Backnang (Germany)
	F	100,00	F	100,00	TESAT-Spacecom GmbH & Co. KG	Backnang (Germany)
	F	50,44	F	49,13	Tokyo Spot Image	Tokyo (Japan)
Other Businesses						
	P	50,00	P	50,00	ATR Eastern Support	Singapore (Singapore)
	P	50,00	P	50,00	ATR G.I.E.	Toulouse (France)
	P	50,00	P	50,00	ATR India Customer Support	Bangalore (India)

Appendix "Information on principal investments"- Consolidation Scope

	2010	%	2009	%	Company	Head office
	P	50,00	P	50,00	ATR International S.A.R.L.	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 S.A.R.L.	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)
	E	30,00	E	30,00	Daher - Socata S.A.*	Louey (France)
	F	100,00	F	100,00	EADS ATR S.A.	Toulouse (France)
	F	100,00	F	100,00	EADS North America Defense Security Systems Solutions, Inc.	San Antonio, TX (USA)
			F	100,00	EADS North America Defense Test and Services, Inc. (merged to EADS North America, Inc.)	Irvine, CA (USA)
	F	100,00			EADS North America Defense Test and Services (integrated in EADS North America, Inc.)	
			F	100,00	EADS North America Tankers, LLC (merged to EADS North America, Inc.)	Arlington, VA (USA)
	F	100,00			EADS North America Tankers (integrated in EADS North America, Inc.)	
	F	100,00	F	100,00	EADS North America, Inc.	Arlington, VA (USA)
	F	100,00	F	100,00	EADS Seca S.A.	Le Bourget (France)
	F	100,00	F	100,00	EADS Sogerma S.A.	Mérignac (France)
	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	TYX Corp.	Reston, VA (USA)
Additionally consolidated are 4 SPEs.						
Headquarters						
	F	100,00	F	100,00	Aero Reassurance	Luxembourg
	F	100,00	F	100,00	Aeroassurance	Paris (France)
	F	99,73	F	99,73	AL Objekt Taufkirchen Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald (Germany)
	F	75,00	F	75,00	DADC Luft- und Raumfahrt Beteiligungs AG	Munich (Germany)
	E	46,32	E	46,32	Dassault Aviation*	Paris (France)
	F	99,12	F	99,12	Dornier GmbH – Zentrale	Friedrichshafen (Germany)
	F	100,00	F	100,00	EADS CASA France	Paris (France)
	F	100,00	F	100,00	EADS CASA S.A. (Headquarters)	Madrid (Spain)
	F	100,00	F	100,00	EADS Deutschland GmbH – Zentrale	Munich (Germany)
	F	100,00	F	100,00	EADS Deutschland GmbH, Innovation Works	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 Works (integrated in EADS HQ France)	Suresnes (France)
	F	100,00	F	100,00	EADS Management Service GmbH	Munich (Germany)
	F	100,00	F	100,00	EADS North America Holdings Inc.	Arlington, VA (USA)
	F	99,12	F	99,12	EADS Real Estate Dornier Grundstücke GmbH & Co. KG	Taufkirchen (Germany)
	F	100,00	F	100,00	EADS Real Estate Taufkirchen GmbH & Co. KG	Taufkirchen (Germany)
	F	100,00	F	100,00	EADS UK Ltd.	London (UK)
	F	100,00	F	100,00	Manhattan Beach Holding Company	Arlington, VA (USA)
	F	100,00	F	100,00	Matra Aerospace, Inc.	Arlington, VA (USA)
	F	100,00	F	100,00	Matra Défense	Velizy (France)
	F	100,00	F	100,00	Matra Holding GmbH	Frankfurt (Germany)
	F	100,00	F	100,00	OBRA Grundstücks-Verwaltungsgesellschaft mbH	Grünwald (Germany)
	F	100,00	F	100,00	OOO "EADS"	Moscow (Russia)

The stated percentage of ownership is related to EADS N.V.

**Regarding associated investments, only the parent company is stated in this list.*

Auditors‘ Report on the Consolidated Financial Statements (IFRS)

To: The EADS N.V. shareholders:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements 2010 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the Consolidated Income Statements (IFRS) for the years ended 31 December 2010, 2009 and 2008, the Consolidated Statements of Comprehensive Income (IFRS) for the years ended 31 December 2010, 2009 and 2008, the Consolidated Statements of Financial Position (IFRS) as at 31 December 2010 and 2009, the Consolidated Statements of Cash Flows (IFRS) for the years ended 31 December 2010, 2009 and 2008, the Consolidated Statements of Changes in Equity (IFRS) for the years ended 2010, 2009 and 2008 and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these 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 Dutch Civil Code and for the preparation of the Report of the Board of Directors (issued as of 8 March 2011) in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements
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 December 31, 2010 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 Dutch Civil Code.

Emphasis of matter
We draw your 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 Programme' in relation with the risks and uncertainties attached to the A400M programme. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Directors (issued as of 8 March, 2011), to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Directors (issued as of 8 March, 2011), to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, 8 March 2011

KPMG Accountants N.V.

L.A. Blok RA

Rotterdam, 8 March 2011

Ernst & Young Accountants LLP

C.T. Reckers RA

Company Financial Statements and Notes

Company Financial Statements

Balance Sheet of the Company Financial Statements

in €m		At December 31,	
Assets	Note	**2010**	**2009**
Fixed assets			
Goodwill	2	4,354	4,354
Financial fixed assets	2	7,960	9,578
Non-current securities	4	5,172	3,809
		17,486	**17,741**
Non-fixed assets			
Receivables and other assets	3	4,874	4,383
Securities	4	5,756	4,045
Cash and cash equivalents	4	3,199	5,377
		13,829	**13,805**
Total assets		**31,315**	**31,546**
Liabilities and stockholders` equity			
Stockholders` equity [1])	5		
Issued and paid up capital		816	816
Share premium		7,645	7,683
Revaluation reserves		(989)	1,389
Legal reserves		3,532	3,116
Treasury shares		(112)	(109)
Retained earnings		(2,604)	(1,597)
Result of the year		553	(763)
		8,841	**10,535**
Non current liabilities			
Financing liabilities	6	2.194	1.941
		2,194	**1,941**
Current liabilities			
Financing liabilities	7	29	0
Other current liabilities	7	20,251	19,070
		20,280	**19,070**
Total liabilities and stockholders` equity		**31,315**	**31,546**

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

Income Statement of the Company Financial Statements

in €m		**2010**	**2009**
Income from investments		463	(953)
Other results		90	190
Net result	8	**553**	**(763)**

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 2010 financial statements of EADS N.V.

The description of the company's activities and the group structure, as included in the notes to the consolidated financial statements, also apply to the company financial statements. In accordance with article 402 Book 2 of the Dutch Civil Code the income statement is presented in abbreviated form.

1.2 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, EADS N.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. As from 2005, the Netherlands Civil Code allows that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of EADS N.V. are the same as those applied for the consolidated EU-IFRS financial statements. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (herein referred to as EU-IFRS). Please see Note 2 of the consolidated financial statements for a description of these principles.

Participating interests including subsidiaries, over which significant influence is exercised, are stated on the basis of the Net Asset Value.

The share in the result of participating interests consists of the share of EADS N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between EADS N.V. and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

Undistributed results from investments are included in the other legal reserves to the extent the company cannot enforce dividend distribution.

2. Fixed assets

At the end of 2010, goodwill acquisition cost amounts to € 5,676 million (2009: € 5,676 million) and the cumulative amortization and impairments to € 1,322 million (2009: € 1,322 million).

The movements in financial fixed assets are detailed as follows:

in €m	Subsidiaries	Participations	Loans	Total
Balance at 31 December 2009	**7,805**	**127**	**1,646**	**9,578**
Additions			305	305
Redemptions			(102)	(102)
Share based payments	43			43
Net income from investments	462	1		463
Actuarial gains/losses IAS 19	(32)			(32)
Dividends received	(182)			(182)
Translation differences/other changes	(2,194)	21	60	(2,113)
Balance at 31 December 2010	**5,902**	**149**	**1,909**	**7,960**

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 Net Asset Value.

The translation differences/other changes reflect mainly the impact in the other comprehensive income related to the application of IAS 39.

Significant subsidiaries, associates and joint ventures are listed in the appendix "Information on principal investments" to the consolidated financial statements.

The loans provided to subsidiaries decreased to € 1,476 million (2009: € 1,488 million) and the loans provided to participations increased to € 44 million (2009: € 24 million). The item redemptions mainly reflects the redemptions of loans provided to the subsidiaries MilSat Services GmbH and to EADS Astrium N.V An amount of € 421 million has a maturity between five and ten years and an amount of € 309 million matures after ten years. On average, the interest rate of the loans is 4%.

3. Receivables and other assets

in €m	2010	2009
Receivables from subsidiaries	4,619	4,126
Other assets	255	257
Total receivables and other assets	**4,874**	**4,383**

The receivables from subsidiaries include mainly receivables in connection with the cash pooling in EADS N.V.

The receivables and other assets in the current year and in the previous year are due within one year.

4. Securities, Cash and cash equivalents

The securities comprise mainly available-for-sale securities. The available-for-sale security portfolio contains a non-current portion of € 5,172 million (2009: € 3,809 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 2008	**815**	**7,836**	**237**	**3,379**	**(109)**	**(2,708)**	**1,572**	**11,022**
Capital increase	1	14						15
Net loss							(763)	(763)
Share based payments						19		19
Cash distribution		(162)						(162)
Transfer to legal reserves				1		(1)		
Purchase of treasury shares					(5)			(5)
Cancellation of shares		(5)			5			
Others			1,152	(264)		(479)		409
Appropriation of result						1,572	(1.572)	
Balance at 31 December 2009	**816**	**7,683**	**1,389**	**3,116**	**(109)**	**(1,597)**	**(763)**	**10,535**
Capital increase		5						5
Net income							553	553
Share based payments		(43)				23		(20)
Transfer to legal reserves				239		(239)		
Purchase/sale of treasury shares					(3)			(3)
Others			(2,378)	177		(28)		(2,229)
Appropriation of result						(763)	763	
Balance at 31 December 2010	**816**	**7,645**	**(989)**	**3,532**	**(112)**	**(2,604)**	**553**	**8,841**

For further information to the Stockholders' equity, please see Note 23 of the consolidated financial statements.

As of 31 December 2010, the item 'Revaluation reserves' relates to € 384 million (2009: € 561 million) resulting from unrealized positive fair values of securities classified as available for sale and fair values of cash flow hedges, recognised directly in equity with an negative amount of € 1,373 million (2009: € 828 million positive fair values). The cash flow hedges are included in "Subsidiaries".

The legal reserves are related to EADS' share in the undistributed results from investments for € 1,152 million (2009: € 1,062 million), internally generated capitalized development costs of € 946 million (2009: € 797 million) and € 1,434 million (2009: € 1,257 million) resulting from currency translation effects of affiliated companies.

The internally generated development costs reflect capitalised development costs in the consolidated subsidiaries and are allocated to other legal reserves in accordance with Article 2:389 paragraph 6 of the Dutch Civil Code.

The retained earnings include actuarial losses arising from defined benefit plans, recognised in equity, with an amount of € 1,781 million (2009: € 1,750 million).

Pursuant to Dutch law, limitation exist relating to the distribution of stockholders' equity with an amount of € 4,732 million (2009: € 5,321 million). The limitations relate to capital stock of € 816 million (2009: € 816 million) and to legal reserves of € 3,532 million (2009: € 3,116 million). In 2010, unrealized gains related to revaluation reserves with an amount of € 384 million (2009: 1,389 million) were not distributable. In general, gains related to available for sale securities, fair values of cash flow hedges, currency translation effects of affiliated companies and capitalized development costs reduce the distributable stockholders' equity.

6. Non current financing liabilities

The non current financing liabilities include a long term loan, granted by the European Investment Bank to EADS with an amount of US$ 421 million and a loan granted by EADS Finance B.V. with an amount of € 1,492 million. For further details, please see Note 26 of the consolidated financial statements.

7. Current liabilities

in €m	**2010**	**2009**
Financing Liabilities	29	0
Liabilities to subsidiaries	18,651	17,497
Liabilities to participations	1,437	1,472
Other liabilities	163	101
Total	**20,280**	**19,070**

The financing liability of € 29 million relates to a shareholder loan granted by SOGEADE.

The liabilities to subsidiaries comprise mainly liabilities in connection with the cash pooling in EADS N.V.

8. Net result

The net income in 2010 amounts to € 553 million (2009: net loss of € 763 million).

9. Financial instruments

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest risks. EADS uses financial instruments in order to limit these financial risks. Information to the terms and conditions of the financial instruments and the respective fair values is provided in Note 34 of the consolidated financial statements.

10. Commitments and contingent liabilities

EADS N.V. issues guarantees on behalf of consolidated companies with an amount of € 1,220 million. The commitments of these companies to third parties mainly relate to their operating business as described in Note 33 and Note 36 to the consolidated financial statements. The company is heading a fiscal unity, which also includes EADS Finance B.V., EADS Astrium N.V. and Dutch Space B.V. and therefore the company is several and jointly liable for income tax liabilities of the fiscal unity as a whole.

11. Remuneration

The total **remuneration** of the Non Executive and the Executive members of the Board of Directors and former directors related to the reporting periods 2010 and 2009 can be summarized as follows:

Non Executive members of the Board:

	2010 in Euro	2009 in Euro
Fixum	1,170,000	1,075,000
Fees	520,000	455,000

Executive members of the Board:

	2010 in Euro	2009 in Euro
Base Salary	900,000	900,000
Annual Variable Pay	1,732,500	(1,141,250) (*)

(*) waived at CEO´s request

The remuneration of the Non Executive members of the Board of Directors was as follows:

Summary table of the remuneration of the Non Executive Directors				
Current Non Executive Board members (*)	**Directors' remuneration related to 2010 (*)**		**Directors' remuneration related to 2009 (*)**	
	Fixum (in €)	**Attendance Fees (in €)**	**Fixum (in €)**	**Attendance Fees (in €)**
Bodo Uebber	210,000	120,000	183,750	90,000
Rolf Bartke	100,000	50,000	100,000	55, 000
Dominique D'Hinnin	120,000	60,000	120,000	50, 000
Juan Manuel Eguiagaray Ucelay	80,000	60,000	80,000	55, 000
Arnaud Lagardère	100,000	20,000	100,000	10, 000
Hermann-Josef Lamberti	130,000	45,000	130,000	35, 000
Lakshmi N. Mittal (**)	80,000	40,000	-	-
Sir John Parker	130,000	45,000	130,000	45, 000
Michel Pébereau	100,000	35,000	100,000	50, 000
Wilfried Porth	120,000	45,000	70,000	25,000
Former Non Executive Board members (***)				
Rüdiger Grube	-	-	61,250	40,000
TOTAL	**1,170,000**	**520,000**	**1,075,000**	**455, 000**

(*) The Fixum related to 2009 was paid in 2010; the Fixum related to 2010 will be paid in 2011
(**) Remuneration 2009 waived at the Director's request
(***) Pro rata in accordance with the period of membership with the Board of directors

The remuneration of the Executive member of the Board of Directors was as follows:

Summary table of the remuneration of the current and former Executive Directors				
Executive Board members	**Directors' remuneration in respect of 2010**		**Directors' remuneration in respect of 2009**	
	Base Salary (in €)	**Annual Variable Pay (in €)**	**Base Salary (in €)**	**Annual Variable Pay (in €)**
Louis Gallois	900,000	1,732,500	900 000 €	(1,141,250) Waived at CEO´s request

The bonus conditions are disclosed in the Board Report, chapter 4.5.1.2

The table below gives an overview of the interests of the current Executive Board Directors under the various **long term incentive plans** of EADS:

Stock option plans

Number of options

year of plan	initially granted	as at 1 Jan 2010	granted in 2010	exercised during 2010	as at 31 Dec 2010	exercise price in Euro	expiry date
Louis Gallois							
2006	67,500	67,500	-	-	67,500	25.65	Dec. 16, 2016

Performance shares plan

Number of performance shares (*):

year of plan	initially granted	as at 1 Jan 2010	forfeited in 2010	vested during 2010	as at 31 Dec 2010	vesting date
Louis Gallois						
2006	16,875	16,875	3,375	13,500	-	2nd of June 2010

(*) Vesting of all performance shares granted to the Chief Executive Officer is subject to performance conditions

Performance units plan

Number of performance units (**):

	granted in 2007	vesting date
Louis Gallois	33,700	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2011 • 25% expected in November 2011 • 25% expected in May 2012 • 25% expected in November 2012

	granted in 2008	vesting date
Louis Gallois	40,000	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2012 • 25% expected in November 2012 • 25% expected in May 2013 • 25% expected in November 2013

	granted in 2009	vesting date

Louis Gallois	46,000	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2013 • 25% expected in November 2013 • 25% expected in May 2014 • 25% expected in November 2014

	<u>granted in 2010</u>	<u>vesting date</u>
Louis Gallois	54,400	Vesting schedule is made up of 4 payments over 2 years: • 25% expected in May 2014 • 25% expected in November 2014 • 25% expected in May 2015 • 25% expected in November 2015

(**) 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 22,898,099 at December 31, 2010 (2009: 25,785,645).

During the year 2010, 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 nil at December 31, 2010 (2009: 1,659,850).

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 12,458,890 at December 31, 2010 (2009: 8,719,540).

The expense accounted for in 2010 for stock options, performance shares and performance units granted to the Chief Executive Officer was € 0.9 million (2009: € 0.6 million).

For further information on these various plans, please see Note 35 of the consolidated IFRS financial statements.

The **pension benefit** obligation for the Executive Committee members is as follows:

The members of the Executive Committee have pension promises as part of their employment agreements. The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS 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. However, in order to reach the replacement ratio of 60% as mentioned before, the respective member of the Executive Committee needs additionally to have a seniority in the company of 12 years.

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 (DBO, being the book cash value) amounted to € 2.3 million as of December 31, 2010, while the amount of current service and interest cost related to his pension promise accounted for the fiscal year 2010 represented an expense of € 0.6 million. This obligation has been accrued in the financial statements.

Other benefits
All amounts reported above for the Executive Board Directors (current and former) are free of benefits in kind, as explained below, they are entitled to, as well as all national social and income tax impacts. The company grants to the members of the Executive Committee appropriate insurance coverage, in particular a Directors and Officers liability insurance.

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

EADS has not provided any loans to / advances to / guarantees on behalf of Directors.

For further information on the remuneration, please see Note 37 of the consolidated financial statements.

12. Employees

The number of persons employed by the company at year end 2010 was 2 (2009: 2)

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 2010 and 2009:

	KPMG Accountants N.V.				Ernst & Young Accountants LLP			
	2010		2009		2010		2009	
	Amount in €K	%	Amount in €K	%	Amount in €K	%	Amount in €K	%
Audit								
Audit process, certification, examination of individual and consolidated accounts	5,710	81.1	5,238	72.3	4,493	70.8	4,390	79.9
Additional tasks	516	7.4	1,258	17.4	1,607	25.4	969	17.6
Sub-total	**6,226**	**88.5**	**6,496**	**89.7**	**6,100**	**96.2**	**5,359**	**97.5**
Other services as relevant								
Legal, tax, employment	628	8.9	354	4.9	123	1.9	137	2.5
Information Technology	12	0.2	200	2.7	121	1.9	0	0
Other (to be specified if >10% of the fees for the audit)	172	2.4	194	2.7	0	-	0	0
Sub-total	**812**	**11.5**	**748**	**10.3**	**244**	**3.8**	**137**	**2.5**
Total	**7,038**	**100.0**	**7,244**	**100.0**	**6,344**	**100.0**	**5,496**	**100.0**

Supplementary Information:
Auditors' Report

Supplementary Information

Auditors' report on the Company Financial Statements

To: The EADS N.V. shareholders:

Report on the company financial statements

We have audited the accompanying company financial statements 2010 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, and comprise the Balance Sheet of the Company Financial Statements as at 31 December 2010, the Income Statement of the Company Financial Statements for the year then ended and the Notes to the Company Financial Statements, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these company financial statements and for the preparation of the Report of the Board of Directors (issued as of 8 March, 2011), both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these company financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the company financial statements
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 December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Emphasis of matter
We draw your 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 Programme' in relation with the risks and uncertainties attached to the A400M programme. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Directors (issued as of 8

March, 2011), to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Directors (issued as of 8 March, 2011), to the extent we can assess, is consistent with the company financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, 8 March 2011

KPMG Accountants N.V.

L.A. Blok RA

Rotterdam, 8 March 2011

Ernst & Young Accountants LLP

C.T. Reckers RA

Other Supplementary Information

1. Appropriation of result

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The general meeting of shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the net income of € 553 million as shown in the income statements for the financial year 2010 is to be added to retained earnings and that a payment of a gross amount of € 0.22 per share shall be made to the shareholders.

2. Subsequent events

For further information please see Note 40 of the consolidated financial statements.