

Semi-Annual Financial Statements

**EADS Finance B.V.**

Leiden, The Netherlands

Six-Month Period ended June 30, 2011

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## **REPORT OF THE BOARD OF MANAGING DIRECTORS**

The board of Managing Directors herewith submits the Semi-Annual Financial Statements of EADS Finance B.V. ("**Company**") for the six-month period ended June 30, 2011.

### **ACTIVITIES**

The Company's main activity is to finance companies and other entities by raising funds through, inter alia, borrowing by way of loan agreements, issuance of bonds, promissory notes and any other evidences of indebtedness, to invest and lend funds raised by the Company, to borrow and to participate in all types of financial transactions, including financial derivatives such as interest- and/or currency exchange contracts.

Activities of the Company have commenced in February 2003, when the first tranche of 1 EUR billion, of a 3 EUR billion EMTN Programme, was raised for the EADS-Group ("**EADS**"). In September 2003, the Company has issued its second Eurobond transaction for 500 EUR million under its EMTN Programme. In August 2009, the Company has issued another, third, Eurobond transaction for 1 EUR billion under this Programme. The first tranche of the 3 EUR billion EMTN Programme, raised in February 2003, has been fully repaid on March 3, 2010.

As additional part of the EMTN Programme, the Company launched a Commercial Paper Programme in late February 2004. From January until June 2011, there were no amounts raised nor outstanding for this Commercial Paper Programme.

The EMTN Programme is a contractual framework which allows EADS to raise debt from the capital markets through dealers by successive issues of notes governed by the same terms. Each issue, however, may bear a different maturity (due between one month to thirty years).

### **RISKS**

As of June 30, 2011 the risks and uncertainties facing the Company do not materially differ, and are not expected to materially differ for the remaining six-month period of the financial year, from those described in the notes to the Annual Financial Statements of the Company for the year ended on December 31, 2010.

### **RESULT FOR THE PERIOD**

The Company's result for the six-month period ended June 30, 2011 amounts to a profit of EUR 205.625.

### **STATEMENT**

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

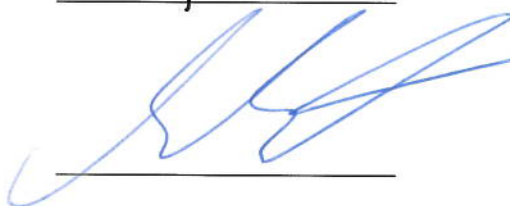
- the Semi-Annual Financial Statements for the six-month period ended June 30, 2011 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company; and
- the semi-annual report of the board of Managing Directors gives a true and fair view of the position as per the reporting date, and of the development and performance during the first half of the 2011 financial year of the Company as well as the expected course of events. The semi-annual report of the board of Managing Directors has paid special attention to investments and circumstances upon which the development of revenues and profitability is dependent, as these have been described herein.

**BOARD OF MANAGING DIRECTORS**

Mr. J.A.F. Pons, Director



Mr. A. Drabert, Director



Mr. C. Masson, Director



Leiden, July 29, 2011

## STATEMENT OF FINANCIAL POSITION

(After appropriation of the result of the period)	Note	30/06/2011 EUR	31/12/2010 EUR
<i>Assets</i>			
<b>Non-Current Assets</b>			
Long-term Loans Receivable	3	1.492.358.831	1.491.688.094
<b>Current Assets</b>			
Accrued Interest Receivable	4	61.978.630	25.407.268
Cash and Cash Equivalents	5	1.925.656	1.726.761
Positive Fair Value Derivative Instruments	6	25.690.082	43.218.702
		<b>89.594.368</b>	<b>70.352.731</b>
<b>Total Assets</b>		<b>1.581.953.199</b>	<b>1.562.040.825</b>
<i>Equity and Liabilities</i>			
<b>Equity attributable to equity holders of the parent</b>			
Issued Capital	7	300.000	300.000
Other Reserves		(1.551)	(1.551)
Revaluation Reserve	8	12.410.737	16.693.299
Retained Earnings		1.581.976	1.376.351
		<b>14.291.162</b>	<b>18.368.099</b>
<b>Non-Current Liabilities</b>			
Non-Current Interest Bearing Liabilities	9	1.501.576.494	1.512.582.200
Deferred Taxes Payable	10	4.136.913	5.713.814
		<b>1.505.713.407</b>	<b>1.518.296.014</b>
<b>Current Liabilities</b>			
Accrued Interest Payable	11	61.948.630	25.376.712
<b>Total Equity and Liabilities</b>		<b>1.581.953.199</b>	<b>1.562.040.825</b>

INCOME STATEMENTS

	<i>Note</i>	<b>January 1 - June 30, 2011 EUR</b>	<b>January 1 - June 30, 2010 EUR</b>
<b>Financial Result</b>			
<i>Income</i>			
Interest	12	37.443.765	45.322.861
Ineffective component of the cash flow hedge		-	97.571
		<u>37.443.765</u>	<u>45.420.432</u>
<i>Expenses</i>			
Interest	13	(37.235.369)	(45.212.036)
		<u>208.396</u>	<u>208.396</u>
General Administrative Expenses		(2.771)	(2.390)
<b>Profit for the period attributable to equity holders of the parent</b>		<u><b>205.625</b></u>	<u><b>206.006</b></u>

STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	<b>January 1 - June 30, 2011 EUR</b>	<b>January 1 - June 30, 2010 EUR</b>
<b>Profit for the period</b>	205.625	206.006
<b>Other Comprehensive (Loss) Income</b>		
(Loss) Gains from Cash-Flow Hedges (net of deferred taxes)	(4.282.562)	17.595.710
<b>Total Comprehensive (Loss) Income for the period attributable to equity holders of the parent</b>	<u><b>(4.076.937)</b></u>	<u><b>17.801.716</b></u>

## STATEMENTS OF CASH-FLOWS

	<i>Note</i>	<b>January 1 - June 30, 2011</b> EUR	<b>January 1 - June 30, 2010</b> EUR
Profit for the period		205.625	206.006
(Increase) Decrease accrued interest receivable		(36.571.362)	1.947.519
Increase (Decrease) accrued interest payable		36.571.918	(1.948.630)
Ineffective component of the cash flow hedge		-	(97.571)
Amortization bond issue costs/interest discount		663.451	761.022
Amortization Recharged Bond Issue Costs		(670.737)	(670.737)
Increase short-term loans receivable		-	(282.393.785)
<b>Cash provided by (used for) operating activities</b>		<b>198.895</b>	<b>(282.196.176)</b>
Repayments from Investments in Financial Assets: Long-term Loan with EADS N.V.		-	1.000.000.000
<b>Cash provided by investing activities</b>		<b>-</b>	<b>1.000.000.000</b>
Payments for Non-Current Interest Bearing Liabilities		-	(1.000.000.000)
Increase in short-term borrowings		-	282.393.785
<b>Cash used for financing activities</b>		<b>-</b>	<b>(717.606.215)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>198.895</b>	<b>197.609</b>
Cash and Cash equivalents at beginning of period		1.726.761	6.018.885
<b>Cash and Cash equivalents at end of period</b>	<b>5</b>	<b>1.925.656</b>	<b>6.216.494</b>

The following represents supplemental information with respect to cash flows from **operating activities**:

	<b>January 1 - June 30, 2011</b> EUR	<b>January 1 - June 30, 2010</b> EUR
Interest received	20.822.695	46.519.398
Interest paid	(20.621.029)	(46.319.398)

## STATEMENTS OF CHANGES IN EQUITY

EUR	Issued Capital	Other Reserves	Revaluation Reserve	Retained Earnings	Total
<b>Balance at January 1, 2009</b>	<b>300.000</b>	<b>(1.551)</b>	<b>1.906.109</b>	<b>782.705</b>	<b>2.987.263</b>
Movement effective portion of Interest Rate Swaps EADS N.V. (Total income for the period recognized directly in equity)			15.542.878		15.542.878
Profit for the Period				99.901	99.901
<b>Total income for the Period</b>			<b>15.542.878</b>	<b>99.901</b>	<b>15.642.779</b>
<b>Balance at June 30, 2009</b>	<b>300.000</b>	<b>(1.551)</b>	<b>17.448.987</b>	<b>882.606</b>	<b>18.630.042</b>
<b>Balance at January 1, 2010</b>	<b>300.000</b>	<b>(1.551)</b>	<b>9.338.154</b>	<b>964.870</b>	<b>10.601.473</b>
Movement effective portion of Interest Rate Swaps EADS N.V. (Total income for the period recognized directly in equity)			17.595.710		17.595.710
Profit for the Period				206.006	206.006
<b>Total income for the Period</b>			<b>17.595.710</b>	<b>206.006</b>	<b>17.801.716</b>
<b>Balance at June 30, 2010</b>	<b>300.000</b>	<b>(1.551)</b>	<b>26.933.864</b>	<b>1.170.876</b>	<b>28.403.189</b>
<b>Balance at January 1, 2011</b>	<b>300.000</b>	<b>(1.551)</b>	<b>16.693.299</b>	<b>1.376.351</b>	<b>18.368.099</b>
Movement effective portion of Interest Rate Swaps EADS N.V. (Total income for the period recognized directly in equity)			(4.282.562)		(4.282.562)
Profit for the Period				205.625	205.625
<b>Total (loss) income for the Period</b>			<b>(4.282.562)</b>	<b>205.625</b>	<b>(4.076.937)</b>
<b>Balance at June 30, 2011</b>	<b>300.000</b>	<b>(1.551)</b>	<b>12.410.737</b>	<b>1.581.976</b>	<b>14.291.162</b>



**NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD  
ENDED JUNE 30, 2011**

**1. GENERAL**

***General Information***

EADS Finance B.V. ("**Company**"), incorporated on December 2, 2002 and legally seated (*statutaire zetel*) in Amsterdam (registered office at Mendelweg 30, 2333 CS, Leiden, The Netherlands), is 100% owned by European Aeronautic Defence and Space Company EADS N.V. ("**EADS N.V.**").

The Company's main activity is to finance companies and other entities by raising funds through, inter alia, borrowing by way of loan agreements, issuance of bonds, promissory notes and other evidences of indebtedness, to invest and lend funds raised by the Company, to borrow and to participate in all types of financial transactions, including financial derivatives such as interest- and/or currency exchange contracts.

These condensed interim financial statements were authorized for issue by the directors on July 29, 2011.

This condensed interim financial information for the six-month period ended June 30, 2011 was neither audited nor reviewed.

***Basis of Preparation***

These condensed interim financial statements for the six-month period ended June 30, 2011 have been prepared in accordance with IAS 34, "interim financial reporting", for condensed interim financial reporting under IFRS, as adopted by the European Union (EU), and in compliance with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code as far as applicable. These condensed interim financial statements are prepared and reported in euros ("EUR").

**2. ACCOUNTING PRINCIPLES**

Except as described below, the accounting principles applied are consistent with those of the Company's annual financial statements for the year ended December 31, 2010, as described in those annual financial statements.

***Financial reporting rules applied for the first time in the first half year 2011***

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year 2011, and have not been applied in preparing these 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 the financial statements of the Company.

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 January 1, 2013, with early adoption permitted, and offers various transition models. The Company is currently assessing the potential impacts from the expected application of IFRS 9.

**NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011**

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 the Company for annual periods beginning on January 1, 2011. The Company 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. The amendment has to be applied retrospectively by the Company for annual periods beginning on January 1, 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 January 1, 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 the Company, this amendment has to be applied prospectively for annual periods beginning on or after January 1, 2012, with earlier application permitted.

***Judgements and estimation uncertainty***

The preparation of the financial statements in conformity with the Company’s accounting policies requires the use of judgement and estimates. Actual results could differ from those estimates. Changes in such estimates and assumptions may affect amounts reported in future periods. The key area requiring application of judgement and estimation is the determination of the fair value of derivatives. Since those instruments are not traded in an active market, the Company uses valuation techniques to determine their fair values. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

***Financial Assets***

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.



**NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; and
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Long-term and short-term loans receivable and accrued interest receivable are classified as loans and receivables, which are initially recognized on the settlement date at cost, being the fair value of the consideration given and including acquisition charges. Subsequently they are carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

***Cash and Cash Equivalents***

Cash and Cash Equivalents consist of cash in bank and in the Intercompany Account with EADS N.V. (cash pooling), which is available on a daily basis.

***Financial Liabilities***

Non-current interest bearing liabilities, short-term loans payable and accrued interest payable are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method with any difference between proceeds (net of transaction costs) and redemption amount being recognized in the income statement over the period to maturity. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortisation process.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where 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 recognized in the income statement.



**NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011**

***Derivative Financial Instruments***

The Company uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognized and are subsequently measured at fair value in the Statement of Financial Position with changes in fair values recognized in profit and loss.

***Deferred Taxes***

Deferred tax assets and liabilities reflect lower or higher future tax consequences that result in certain assets and liabilities from temporary valuation differences between the financial statement 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 or substantively enacted tax rates by the reporting date of 25% to apply 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 recognized in income in the period the new rates are enacted or substantively enacted.

As deferred tax assets anticipate potential future tax benefits, they are recorded in the financial statements of the Company only when the likelihood that the tax benefits will be realized is probable. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The Company is part of a fiscal unity headed by EADS N.V. and therefore not subject to current taxes.

***Interest income***

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

***Hedge Accounting***

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

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 recognized in the Income Statement.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly within a separate component of the Shareholders' Equity ("Revaluation Reserve"), net of applicable deferred taxes and the ineffective portion is recognized in the Income Statement.

When the cash flows that the derivative is hedging materialize, resulting in income or expense, then the associated gain or loss on the hedging derivative is simultaneously transferred from Shareholders' Equity to the corresponding income or expense line item.

## NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting.

<b>3. LONG-TERM LOANS RECEIVABLE</b>	<b>30/06/2011</b> EUR	<b>31/12/2010</b> EUR
Long-term Loans to EADS N.V.	<u><b>1.492.358.831</b></u>	<u><b>1.491.688.094</b></u>

On September 11, 2003, The Company entered into a second loan agreement with effect of September 25, 2003, with EADS N.V., to make a loan available for the principal amount of 500 EUR million reduced by a discount of 5.06 EUR million. This Loan originally bore interest at a rate of 5,54% per annum, payable yearly in arrears each September 25. On February 2, 2006, The Company has changed the interest terms of the loan agreement with effect of December 27, 2005. The amended loan shall bear interest at the rate of EURIBOR three (3) months with a spread of 184,965 base points per annum from December 27, 2005 onwards. Interest shall be payable quarterly in arrears each March 25, June 25, September 25 and December 25 commencing March 25, 2006 until and including September 25, 2018.

This loan to EADS N.V. is repayable on September 25, 2018. The fair market value approximates to the fair market value of the "Eurobond 500 EUR million" (note 9) reduced by the positive carrying amount of the interest rate swap being valued at fair market value (note 6).

On August 7, 2009, the Company entered into a third loan agreement with effect of August 12, 2009, with EADS N.V., to make a loan available for the principal amount of 1 EUR billion, reduced by a discount of 7,01 EUR million. This loan originally bore interest at a rate of 4,645% per annum, payable yearly in arrears each August 12. On September 29, 2009, the Company has changed the interest terms of the loan agreement with effect of September 18, 2009. For an interim period commencing September 18, 2009 up to November 12, 2009 the interest rate was amended to 2,16948% per annum. From November 12, 2009 onwards the loan shall bear interest at the rate of EURIBOR three (3) months with a spread of 158,548 base points per annum. Interest shall be payable quarterly in arrears each February 12, May 12, August 12 and November 12 commencing November 12, 2009 until and including August 12, 2016.

This loan to EADS N.V. is repayable on August 12, 2016. The fair market value approximates to the fair market value of the "Eurobond 1 EUR billion" (note 9) reduced by the positive carrying amount of the interest rate swap being valued at fair market value (note 6).

<b>4. ACCRUED INTEREST RECEIVABLE</b>	<b>30/06/2011</b> EUR	<b>31/12/2010</b> EUR
Interest Rate Swaps EADS N.V.	57.608.483	21.581.278
Long-term Loans to EADS N.V.	4.370.147	3.825.990
	<u><b>61.978.630</b></u>	<u><b>25.407.268</b></u>



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**NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011**

<b>5. CASH AND CASH EQUIVALENTS</b>	<b>30/06/2011</b>	<b>31/12/2010</b>
	<b>EUR</b>	<b>EUR</b>
Intercompany Account EADS N.V.	<u><b>1.925.656</b></u>	<u><b>1.726.761</b></u>
<b>6. POSITIVE FAIR-VALUE DERIVATIVE INSTRUMENTS</b>	<b>30/06/2011</b>	<b>31/12/2010</b>
	<b>EUR</b>	<b>EUR</b>
Interest Rate Swap EADS N.V., 500 EURm, 5,500%	16.547.650	22.407.113
Interest Rate Swap EADS N.V., 1 EURb, 4,625% (08/2016)	9.142.432	20.811.589
	<u><b>25.690.082</b></u>	<u><b>43.218.702</b></u>

These amounts represent the fair market value, less accrued interest, at June 30, 2011 of:

- the Interest Rate Swap for which the Company has entered into with EADS N.V. with effect of December 27, 2005. The notional amount of the swap is 500 EUR million, which expires on September 25, 2018. The Interest Rate Swap is designated as a cash flow hedge and its purpose is to swap the variable interest in connection with the 500 EUR million loan to EADS N.V. (see note 3), into a fixed interest rate of 5,50% per annum.

- the Interest Rate Swap for which the Company has entered into with EADS N.V. with effect of September 18, 2009. The notional amount of the swap is 1 EUR billion, which expires on August 12, 2016. The Interest Rate Swap is designated as a fair value hedge and its purpose is to swap the fixed interest of 4,625% per annum in connection with the 1 EUR billion Eurobond expiring August 12, 2016 (see note 9), into a variable interest rate of EURIBOR three (3) months with a spread of 156,548 base points per annum from November 12, 2009 onwards. Floating rate Initial Period from September 18, 2009 to November 12, 2009 is covered by floating rate payments by the company of 2.16948 % per annum. Changes in the fair value of the Interest Rate Swap of 11,7 EUR million have been recognized in the Income Statement.

The fair values of the interest rate swaps were determined by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the swap. The effective portion of the movement of the fair value of the 500 EUR million interest rate swap in the period January-June 2011, for a negative amount of EUR 4.282.562 (January-June 2010: positive amount of EUR 17.595.710), was completely recognized in other comprehensive income, net of deferred taxes.

## **7. EQUITY**

The Company has an authorised share capital of 1,500,000 shares of EUR 1 each. As of June 30, 2011, the issued and paid-up share capital of the Company consists of 300,000 ordinary shares with a par value of EUR 1 each. The Other Reserves include capital tax paid in relation to a capital increase.

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

## NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011

### 8. REVALUATION RESERVE

This amount represents the change in fair value in the reporting year of the Interest Rate Swaps (see note 6), for the effective part of the cash flow hedge, net of deferred taxes.

<b>9. NON-CURRENT INTEREST BEARING LIABILITIES</b>	<b>30/06/2011</b> EUR	<b>31/12/2010</b> EUR
5,500% Eurobond EADS Finance B.V., maturing 25/09/2018 fair value EUR 549.580.000 (prior year: EUR 564.950.000)	497.557.914	497.390.674
4,625% Eurobond EADS Finance B.V., maturing 12/08/2016 fair value EUR 1.050.780.000 (prior year: EUR 1.060.670.000)	1.004.018.580	1.015.191.526
	<b>1.501.576.494</b>	<b>1.512.582.200</b>

The Company has issued a second Eurobond benchmark transaction under the EMTN Programme of 500 EUR million with value date September 25, 2003. The bond has an original maturity of fifteen years and carries a yearly coupon of 5,500%. The bond matures on September 25, 2018.

The Company has issued a third Eurobond benchmark transaction under the EMTN Programme of 1 EUR billion with value date August 12, 2009. The bond has an original maturity of seven years and carries a yearly coupon of 4,625%. The bond matures on August 12, 2016. Changes in the fair value of the liability attributable to the hedged interest rate risk in the amount of 11,7 EUR million are recognized in the Income Statement (see Note 6).

The issued Eurobonds are covered by a guarantee from EADS N.V., the parent company. The disclosed fair values of the Eurobonds were determined using market quotations at reporting date.

### 10. DEFERRED TAXES

The deferred tax liability relates to the temporary difference between the valuation of the derivative financial instruments for financial statements purposes and their respective tax basis. Deferred taxes are recognized as income tax benefit or expense except for changes in fair value of derivative instruments designated as cash flow hedges which are recorded net of tax in the revaluation reserve. On June 30, 2011, an amount of EUR 4.136.913 is recorded as deferred tax liability on changes in fair value of derivative instruments designated as cash flow hedges, (December 31, 2010: EUR 5.713.814).

<b>11. ACCRUED INTEREST PAYABLE</b>	<b>30/06/2011</b> EUR	<b>31/12/2010</b> EUR
5,500% Eurobond EADS Finance B.V., maturing 25/09/2018	21.020.548	7.383.562
4,625% Eurobond EADS Finance B.V., maturing 12/08/2016	40.928.082	17.993.150
	<b>61.948.630</b>	<b>25.376.712</b>

**NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD  
ENDED JUNE 30, 2011****12. INTEREST INCOME**

	<b>January 1 - June 30, 2011</b>	<b>January 1 - June 30, 2010</b>
	EUR	EUR
Long-term Loans to EADS N.V.	21.336.299	20.679.520
Interest Rate Swaps EADS N.V.	15.436.732	23.822.961
Amortization of Loan Discount	670.737	670.737
Short-term Loans to EADS N.V.	-	149.643
	<b>37.443.765</b>	<b>45.322.861</b>

**13. INTEREST EXPENSES**

	<b>January 1 - June 30, 2011</b>	<b>January 1 - June 30, 2010</b>
	EUR	EUR
4,625% Eurobond EADS Finance B.V., maturing 03/03/2010	-	(7.729.452)
5,500% Eurobond EADS Finance B.V., maturing 25/09/2018	(13.636.986)	(13.636.986)
4,625% Eurobond EADS Finance B.V., maturing 12/08/2016	(22.934.932)	(22.934.932)
Amortization of Bond Issue Costs	(663.451)	(761.023)
Short-term Loans from Commercial Paper Programme	-	(149.643)
	<b>(37.235.369)</b>	<b>(45.212.036)</b>

**14. NUMBER OF EMPLOYEES AND EMPLOYMENT COSTS**

The Company employed no personnel in the period ended June 30, 2011.

**15. DIRECTORS**

None of the Company's directors received remuneration.

**16. COMMITMENTS AND CONTINGENT LIABILITIES**

There are no commitments or contingent liabilities on the reporting date.

**17. RELATED PARTIES**

EADS N.V. is a related party, as it holds 100% of the shares of EADS Finance B.V. The transactions and outstanding balances relating to EADS N.V. are detailed in the notes. We refer to the comments to long-term and short-term loan receivables, accrued interest receivables, cash and cash equivalents, equity, negative fair-value derivative instruments and interest income.

**18. SUBSEQUENT EVENTS**

There are no subsequent events to be reported.