Financial Statements 2008

EADS

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EADS N.V. Consolidated Financial Statements (IFRS)

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EADS N.V. CONSOLIDATED INCOME STATEMENTS (IFRS) FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

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

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

EADS N.V. CONSOLIDATED BALANCE SHEETS (IFRS) AT 31 DECEMBER 2008 AND 2007

(in €m) Assets	Note	2008	2007[1]
Non-current assets			
Intangible assets	14	11,171	10,832
Property, plant and equipment	15	12,156	13,393
Investment property	16	87	96
Investments in associates accounted for under the equity method	17	2,356	2,238
Other investments and other long-term financial assets	17	1,712	1,553
Non-current other financial assets	20	1,612	2,510
Non-current other assets	21	1,034	1,033
Deferred tax assets	13	2,756	2,705
Non-current securities	22	3,040	2,691
		35,924	**37,051**
Current assets			
Inventories	18	19,452	18,906
Trade receivables	19	5,267	4,639
Current portion of other long-term financial assets	17	177	166
Current other financial assets	20	2,495	3,855
Current other assets	21	1,466	1,317
Current tax assets		452	375
Current securities	22	3,912	1,598
Cash and cash equivalents	32	6,745	7,549
Non-current assets / disposal groups classified as held for sale	23	263	0
		40,229	**38,405**
Total assets		**76,153**	**75,456**

Equity and liabilities	Note	2008	2007
Equity attributable to equity holders of the parent			
Capital stock		815	814
Reserves		8,558	7,406
Accumulated other comprehensive income		1,758	5,076
Treasury shares		(109)	(206)
		11,022	13,090
Minority interests		104	85
Total equity	24	**11,126**	**13,175**
Non-current liabilities			
Non-current provisions	26	7,479	8,055
Long-term financing liabilities	27	3,046	3,090
Non-current other financial liabilities	28	7,499	5,653
Non-current other liabilities	29	8,907	8,474
Deferred tax liabilities	13	953	2,188
Non-current deferred income	31	418	753
		28,302	**28,213**
Current liabilities			
Current provisions	26	4,583	4,378
Short-term financing liabilities	27	1,458	1,724
Trade liabilities	30	7,824	7,398
Current other financial liabilities	28	1,714	1,514
Current other liabilities	29	19,968	18,169
Current tax liabilities		201	179
Current deferred income	31	822	706
Liabilities directly associated with non-current assets classified as held for sale	23	155	0
		36,725	**34,068**
Total liabilities		**65,027**	**62,281**
Total equity and liabilities		**76,153**	**75,456**

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

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

EADS N.V. CONSOLIDATED STATEMENTS OF CASH FLOWS (IFRS) FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

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

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

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

EADS N.V. CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE (IFRS) FOR THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006[1]

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

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

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

Notes to the Consolidated Financial Statements (IFRS)

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2.1 BASIS OF PRESENTATION

1. The company

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

2. Summary of significant accounting policies

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

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

NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND NEW INTERPRETATIONS

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

a) Amended Standards

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

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

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

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

b) New Interpretations

The following Interpretation became effective as of 1 January 2008:

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

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

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

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

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

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

The **Amendment to IAS 23** "Borrowing Costs" removes the option of recognising borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as an expense and therefore requires capitalising such borrowing costs as part of the cost of the asset prospectively. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This amendment was released in April 2007, has been endorsed in December 2008 and becomes mandatory to EADS as of 1 January 2009. The application of the amended IAS 23 will result in the mandatory capitalisation of borrowing costs related to qualifying assets and will thus increase the amount of total costs capitalised and thus the basis of depreciations of such qualifying assets.

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

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

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

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

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

IMPROVEMENTS TO IFRS

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

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

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

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

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

The effects of intercompany transactions are eliminated.

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity occurring after 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.

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

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

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

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

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

For construction contracts, when the outcome can be estimated reliably, revenues are recognised by reference to the percentage of completion ("PoC") of the contract activity by applying the estimate at completion method. The stage of completion of a contract may be determined by a variety of ways. Depending on the nature of the contract, revenue is recognised as contractually agreed technical milestones are reached, as units are delivered or as the work progresses. Whenever the outcome of a construction contract cannot be estimated reliably - for example during the early stages of a contract or when this outcome can no longer be estimated reliably during the course of a contract's completion - all related contract costs that are incurred are immediately expensed and revenues are 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.

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

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

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

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

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

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

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

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

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

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

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

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

Capitalised development costs are generally amortised over the estimated number of units produced. In case the number of units produced cannot be estimated reliably 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.

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

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

Property, plant and equipment also includes capitalised development costs for tangible developments of 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 labour, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Borrowing costs are not capitalised. Net realisable value is the estimated selling price in the ordinary course of the business less applicable variable selling expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trade receivables — Trade receivables include claims arising from revenue recognition that are not yet settled by the debtor as well as receivables relating to construction contracts. Trade receivables are initially recognised at fair value and, provided they are not expected to be realised within one year, are subsequently measured at 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. If it is probable that the Group is not able to collect all amounts due according to the original terms of receivables, an impairment charge has to be recognised. The amount of the impairment loss is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, *i.e.* the rate that exactly discounts the expected stream of future cash payments through maturity to the current net carrying amount of the financial asset. The carrying amount of the trade receivable is reduced through use of an allowance account. The loss is recognised in the Consolidated Income Statement. If in a subsequent period, the amount of impairment decreases and the decrease is objectively related to an event occurring after the impairment was recognised, the recognised impairment loss is reversed through profit or loss.

Current / non-current other financial assets — Current / non-current other financial assets mainly include derivatives with positive fair values, receivables from related companies, loans and are presented separately from current / non-current other assets from 2008 onwards. Prior period information is adjusted accordingly.

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

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

To be classified as held for sale the non-current assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale must be highly probable. For a sale to be highly probable – among other criteria that have to be fulfilled – the appropriate level of EADS management must be committed to the plan to sell, an active 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 and are (b) a component of hybrid financial instruments that include both the derivative and host contract ("Embedded Derivatives").

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

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

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

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

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

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

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

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

b) **Embedded derivatives:** Derivative components embedded in a non-derivative-host contract are separately 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".

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

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

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

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

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

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

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

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

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

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

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

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

The fair value of the services is 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 balance sheet date through the Consolidated Income Statement.

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

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

Emission Rights and Provisions for in-excess-emission — Under the EU Emission Allowance Trading Scheme (EATS) national authorities have issued on 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 balance sheet date.

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

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

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

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

Financing liabilities — Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, loans, loans to affiliated non-consolidated companies as well as finance lease liabilities. Financing liabilities qualify as financial liabilities and are recorded initially at the fair value of the proceeds received, net of transaction costs incurred. Subsequently, financing liabilities other than finance lease liabilities are measured at 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. Current / non-current other financial liabilities are presented separately on the face of the Consolidated Balance Sheet from 2008 onwards. Prior period information is adjusted accordingly.

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

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

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

Litigation and Claims — Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. EADS believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Group to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term "reasonably possible" is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely. Although the final resolution of any such matters could have an effect on the Group's profit for the period for the particular reporting period in which an adjustment of the estimated reserve would be recorded, the Group believes that any such potential adjustment should not materially affect its Consolidated Financial Statements. For further details please refer to Note 33 "Litigation and claims".

USE OF ACCOUNTING ESTIMATES

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 critical 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.

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

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

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

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

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

Income taxes – EADS operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the income tax liabilities and deferred tax liabilities in the period in which such determinations are made. At each balance sheet date, EADS assesses whether the realisation of future tax benefits is sufficiently probable to recognise deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be 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.

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

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

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

3. Accounting for the A400M programme

A) THE A400M PROGRAMME

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

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

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

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

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

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

B) RISKS AND UNCERTAINTIES ARISING FROM THE A400M PROGRAMME AND ACCOUNTING CONSEQUENCES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Scope of consolidation

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

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

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

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

* EBIT: earnings before interest and taxes, pre-goodwill impairment and exceptionals.

5. Acquisitions and disposals

A) ACQUISITIONS

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

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

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

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

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

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

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

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

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

B) DISPOSALS

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

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

C) NON-CURRENT ASSETS / DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

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

2.2 NOTES TO THE CONSOLIDATED INCOME STATEMENTS (IFRS)

6. Segment Reporting

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

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

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

A) BUSINESS SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008

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

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

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B) BUSINESS SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2007

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

(1) Segment assets exclude investments in associates, current and deferred tax assets as well as cash and cash equivalents and securities as segment result does not include share of profit from associates, total finance costs and income taxes.
(2) Segment liabilities exclude current and deferred tax liabilities and interest bearing liabilities.
(3) Business activities at EADS North America have been retrospectively reclassified from Defence & Security to Other Businesses and are not material.

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

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

C) EBIT[1] PRE-GOODWILL IMPAIRMENT AND EXCEPTIONALS

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

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

D) REVENUES BY DESTINATION

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

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

E) CAPITAL EXPENDITURES

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

(1) EBIT: earnings before interest and taxes.

F) PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHICAL AREA

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

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

7. Revenues

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

Revenues are mainly comprised of sales of goods and services, as well as of revenues associated with construction contracts accounted for under the percentage-of-completion method, contracted research and development and customer financing revenues. In 2008, the revenues from the delivery of goods & services comprise revenues from services including the sale of spare parts of €4,234 million.

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

Detail of **Revenues:**

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

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

8. Functional costs

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

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

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

Personnel expenses are:

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

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

9. Research and development expenses

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

10. Other income

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

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

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

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

The **share of profit from associates accounted for under the equity method** in 2008 is mainly derived from the result of the equity investment in Dassault Aviation of €169 million (2007: €194 million; 2006: €130 million). Since for the second half-year 2008 no financial information is available yet from Dassault Aviation, the net income of the second half year 2007 of Dassault Aviation has been used as the second half year's net income for 2008 in the amount of €92 million. For the first semester 2008, Dassault Aviation published a net income of €167 million which has been recognised by EADS with its share of 46.3% amounting to €77 million. Dassault Aviation reported in 2007 a net income of €382 million of which EADS recognised an amount of €177 million according to its share of 46.3%. In 2007, the equity investment income from Dassault Aviation included positive IFRS catch-up adjustments of €17 million (2008 and 2006: €0 million).

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

12. Total finance costs

Interest result in 2008 comprises interest income of €617 million (2007: €502 million; 2006: €454 million) and interest expense of €-581 million (2007: €-701 million; 2006: €-575 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 European Government refundable advances of €255 million (2007: €289 million; 2006: €266 million) and on financing liabilities.

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

13. Income taxes

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

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

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

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

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

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

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

The following table shows a reconciliation from the theoretical income tax (expense) benefit – using the Dutch corporate tax rate of 25.5% as at 31 December 2008 and 2007, and 29.6% as at 31 December 2006 – to the reported tax (expense) benefit. The reconciling items represent, besides the impact of tax rate differentials and tax rate changes, non-taxable benefits or non-deductible expenses arising from permanent differences between the local tax base and the reported financial statements according to IFRS rules.

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

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

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

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

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

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

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

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

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

The amount of the Group's deferred tax assets' allowances is based upon management's estimate of the level of deferred tax assets that will be 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 €50 million (in 2007: €35 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 €m)	France	Germany	Spain	UK	Netherlands	Other countries	31 December 2008	31 December 2007
Net Operating Losses (NOL)	689	640	40	1,330	249	17	**2,965**	2,865
Trade tax loss carry forwards	0	560	0	0	0	0	**560**	586
Tax credit carry forwards	0	0	296	0	20	0	**316**	305
Tax effect	**237**	**181**	**309**	**372**	**69**	**6**	**1,174**	**1,148**
Valuation allowances	(25)	(57)	(20)	(333)	(68)	(5)	**(508)**	(508)
Deferred tax assets on NOL's and tax credit carry forwards	**212**	**124**	**289**	**39**	**1**	**1**	**666**	**640**

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

Roll forward of deferred taxes:

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

Details of deferred taxes recognised in equity are as follows:

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

2.3 NOTES TO THE CONSOLIDATED BALANCE SHEETS (IFRS)

14. Intangible assets

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

Cost

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

Amortisation

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

Net book value

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

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

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

Cost

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

Amortisation

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

Net book value

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

GOODWILL IMPAIRMENT TESTS

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

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

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

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

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

GENERAL ASSUMPTIONS APPLIED IN THE PLANNING PROCESS

The operative planning which was approved by the Board of Directors on 12 December 2008, takes into account general economic data derived from external macroeconomic and financial studies. The operative planning assumptions reflect for the periods under review specific inflation rates and future labour expenses in the European countries where the major production facilities are located. Regarding the expected future labour expenses, an increase of 3 to 4% was implied. In addition, future interest rates are also projected per geographical market, for the European Monetary Union, Great Britain and the USA. With regard to the A400M 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 2008, the total hedge portfolio with maturities up to 2016 amounts to US$ 68 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2009 to 2013). The average US$/€ hedge rate of the US$/€ hedge portfolio until 2016 amounts to US$/€ 1.38 and for the US$/GBP hedge portfolio until 2016 amounts to US$/GBP 1.68. For the determination of the operative planning in the CGUs management assumed future exchange rates of US$/€ 1.45 for 2009 onwards to convert in Euro the portion of future US dollar 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 2008 has been determined with 1% (previous years: 2%). This assumption is lower than experienced in past economic cycles in order to reflect current uncertainty regarding market developments in the long term.

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

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

AIRBUS SEGMENT

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

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

- Projected cash flows for the next five years are based on the “flat scenario” presented by Airbus to EADS Board of Directors as an intermediate variant of the operative plan. This planning scenario takes into account the pause in production ramp-up as publicly disclosed on 15 October 2008. In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a Terminal Value. The Terminal Value (TV) reflects Airbus’ assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade. Thanks to the progress of A350 XWB development the Long Range segment is included in the general methodology.
- Because of the unavailability of updated General Market forecast, 2008 Airbus forecast developed has been kept as a reference for long term market development with sustaining of current market share per segment. Current market uncertainties are considered through sensitivities. Cash flow projections include all of the estimated cost savings of the Power8 programme as well as expected benefits from initiatives already launched in the frame of Power8 Plus.
- Cash flows are discounted using a Euro weighted average cost of capital pre-tax (WACC) of 13%.
- Carrying values as well as planned cash flows include impacts from the existing hedge portfolio as per end December 2008.

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

The recoverable amount is particularly sensitive to the following areas:

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

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

OTHER EADS SEGMENTS

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

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

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

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

DEVELOPMENT COSTS

EADS has capitalised development costs in the amount of €881 million as of 31 December 2008 (€900 million as of 31 December 2007) 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 2008:

Cost

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

Depreciation

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

Net book value

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

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

Cost

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

Depreciation

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

Net book value

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

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

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

Other equipment, factory and office equipment include the net book value of "aircraft under operating lease" for € 878 million and € 1,319 million as of 31 December 2008 and 2007, respectively; related accumulated depreciation is € 733 million and € 891 million. Depreciation expense for 2008 amounts to € 71 million (2007: € 105 million; 2006: € 137 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 34 "Commitments and contingencies" for details on sales financing transactions).

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

(in €m)	
not later than 2009	59
later than 2009 and not later than 2013	130
later than 2013	37
Total	**226**

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

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

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

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

16. Investment property

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

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

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

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

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

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

Investments in associates accounted for under the equity method as of 31 December 2008 and 2007, mainly comprise EADS' interest in Dassault Aviation (46.32% at 31 December 2008 and 46.30% at 31 December 2007) of €2,243 million and €2,121 million. Since for the second half-year 2008 no financial information is available yet from Dassault Aviation, the net income of the second half year 2007 of Dassault Aviation has been used to report the current second half year's net income for 2008 and the 30 June 2008 equity components have been used to estimate the 2008 year-end consolidated equity position of Dassault Aviation. For the first semester 2008 Dassault Aviation published a net income of €167 million which has been recognised by EADS in accordance with its share of 46.3%, amounting to €77 million. Dassault Aviation reported in 2007 a net income of €382 million of which EADS recognised an amount of €177 million according to its share of 46.3%. In 2008, the equity investment income from Dassault Aviation does not include any IFRS catch-up adjustments (2007: €17 million) because of the unavailability of such information. In addition, as at 31 December 2008, €2 million (in 2007: €-6 million) were recognised directly in equity (AOCI).

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

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

(in €m)	30 June 2008	31 December 2007
Share of the associate's balance sheet:		
Non-current assets	1,968	1,949
Current assets	2,715	2,487
Non-current liabilities	151	145
Current liabilities	2,765	2,554
Total equity	1,767	1,737
Share of the associate's revenues and profit:	**6 months**	**12 months**
Revenues	715	1,891
Net Income	77	177
	31 December 2008	**31 December 2007**
Carrying amount of the investment at 31 December	**2,243**	**2,121**

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

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

Other long-term financial assets of € 1,392 million (2007: € 1,149 million) and the **current portion of other long-term financial assets** of € 177 million (in 2007: € 166 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 34 "Commitments and contingencies" for details on sales financing transactions).

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

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

Finance lease receivables from aircraft financing are as follows:

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

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

(in €m)	
not later than 2009	77
later than 2009 and not later than 2013	500
later than 2013	286
Total	**863**

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

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

18. Inventories

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

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

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

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

19. Trade receivables

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

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

Trade receivables are classified as current assets. As of 31 December 2008 and 2007, respectively, € 108 million and € 175 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 2008 an amount of € 1,731 million (in 2007: € 1,488 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** amount to € 24,696 million compared to € 21,128 million at year-end 2007.

The **gross amount due from customers** for construction work amounts to € 3,832 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 customer** amounts to € 1,451 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 €m)	2008	2007
Allowance balance at 1 January	(387)	(375)
Utilizations / disposals	31	18
Additions / release	(2)	(33)
Foreign exchange rate differences	1	3
31 December	**(357)**	**(387)**

Based on historic default rates, the Group believes that no allowance for doubtful accounts is necessary in respect of trade receivables not past due in the amount of € 4,098 million (in 2007: € 3,403 million).

20. Other financial assets

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

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

21. Other assets

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

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

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

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

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

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

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

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

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

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

24. Total equity

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

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

(1) The total amount is related to the change in the percentage of the proportional consolidation of MBDA from 50% in 2006 to 37.5%; please refer to Note 4 "Scope of Consolidation".
(2) AOCI comprises as of 31 December 2008 an amount of € 1,521 million of Currency Translation Adjustments.

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

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

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

The Shareholders' General Meeting on 26 May 2008, renewed the authorisation given to the Board of Directors for a new period of 18 months from the date of the Annual General Meeting to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company will not hold more than 10% of the Company's issued share capital and at a price not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out. This authorisation supersedes and replaces the authorisation given by the Annual General Meeting of 4 May 2007.

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

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

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

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

25. Capital Management

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

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

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

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

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

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

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

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

26. Provisions

Provisions are comprised of the following:

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

As of 31 December 2008 and 2007, respectively, €4,335 million and €4,382 million of retirement plans and similar obligations and €3,144 million and €3,673 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.

B) PROVISIONS FOR RETIREMENT PLANS

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

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

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

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

In the UK, EADS participates in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. These plans qualify as multi-employer defined benefit plans under IAS 19 "Employee Benefits". EADS' most significant investments in terms of employees participating in these BAE Systems UK pension plans are Airbus UK and MBDA UK. For Airbus, this remains the case even subsequent to the acquisition of BAE Systems' 20% minority interests on 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 2008 and 2007, taking into account the impact of the capped contributions as well as future extra contributions agreed by BAE Systems with the Trustees. Therefore, EADS accounts for its participation in BAE Systems' UK defined benefit schemes under the defined benefit accounting approach in accordance with IAS 19.

In 2008, the share of Airbus in BAE Systems' main schemes amounts to 19.63% (in 2007: 19.12%). The impact of this change is reflected in actuarial gains and losses of the period.

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

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

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

(1) Euro-countries comprise Germany and France respectively.

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

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

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

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

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

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

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

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

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

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

Recognised Provision

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

(1) Difference between the defined benefit obligations and the fair value of plan assets at the end of the year.

The defined benefit obligation at the end of the year is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. The provision contains the funded status less any 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 €m)	2008	2007	2006
Service cost	191	213	162
Interest cost	449	429	230
Expected return on plan assets	(278)	(260)	(58)
Prior service cost	4	3	0
Net periodic pension cost	**366**	**385**	**334**

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

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

Actuarial gains and losses recognised directly in total equity

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

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

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

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

C) OTHER PROVISIONS

Movements in provisions during the year were as follows:

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

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

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

The provision for contract losses mainly relates to the Division Airbus in conjunction with the A400M (see Note 3 "Accounting for the A400M programme") and A350 XWB programmes.

The provisions for restructuring measures mainly relate to Airbus' Power8 programme for the reduction of overhead costs. The plan was announced to the employees in 2007. The restructuring is expected to be completed in 2010.

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

27. Financing liabilities

In 2004, the EIB (European Investment Bank) granted a long-term loan to EADS in the amount of US$ 421 million, bearing a fixed interest rate of 5.1% (effective interest rate 5.1%). In 2003, EADS issued two Euro denominated bonds under its EMTN Programme (Euro Medium Term Note Programme). The first issue of €1 billion with expected final maturity in 2010 carries a coupon of 4.625% (effective interest rate 4.686%) which was swapped into variable rate of 3M-Euribor +1.02%. The second issue of €0.5 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%. 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 €372 million (2007: €396 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 2008 amounted to €0 million (2007: €501 million, bearing as of 31 December 2007 an average interest rate of 4.54%). 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 €836 million (2007: €960 million), mainly at variable interest rates.

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

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

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

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

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

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

28. Other financial liabilities

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

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

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

29. Other liabilities

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

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

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

30. Trade liabilities

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

31. Deferred income

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

The main part of deferred income is related to sales of Airbus and ATR aircraft that include asset value guarantee commitments and that are accounted for as operating leases (€544 million and €955 million as of 31 December 2008 and 2007, respectively).

2.4 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (IFRS)

32. Consolidated Statement of Cash Flows

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate cash flow from disposals, net of cash, in 2006 of € 86 million includes the sale of LFK GmbH and TDW GmbH amounting to € 81 million and Seawolf of € 2 million. After the disposal of LFK the cash of LFK was reallocated to the shareholders of MBDA in proportion to their interest.

(in €m)	31 December 2008	31 December 2007	31 December 2006
Intangible assets; property, plant and equipment	(8)	17	(18)
Financial assets	0	(3)	(4)
Inventories	(1)	(5)	(89)
Trade receivables	(3)	(19)	(17)
Other assets	0	(2)	(22)
Cash and cash equivalents	(7)	1	(1)
Assets	**(19)**	**(11)**	**(151)**
Provisions	4	(7)	132
Trade liabilities	2	(5)	18
Financing liabilities	0	8	1
Other liabilities	4	9	52
Liabilities	**10**	**5**	**203**
Book value of net assets	**(9)**	**(6)**	**52**
Goodwill arising from disposals	0	(12)	0
Result from disposal of subsidiaries	0	(10)	(139)
Less own cash and cash equivalents of disposed subsidiaries	7	(1)	1
Cash Flow from disposals, net of cash	**(2)**	**(29)**	**(86)**

The cash flow from the disposal of the Airbus site of Laupheim in 2008 amounts to € +117 million resulting in a gain of € 1 million.

2.5 OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

33. Litigation and claims

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

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the World Trade Organisation ("**WTO**"). On the same day, the EU launched a parallel WTO case against the US in relation to its subsidisation of Boeing. On 31 May 2005, the US and the EU each requested the establishment of a panel. At its meeting on 20 July 2005, the Dispute Settlement Body established the panels. Between November 2005 and the present, the parties filed numerous written submissions and attended several oral hearings in both cases. The parties continue to provide input in response to the WTO's written questions in advance of issuance of the WTO panels' reports. Exact timing of further steps in the WTO litigation process is subject to ruling of the panels and to negotiations between the US and the EU. Unless a settlement, which is currently not under discussion, is reached between the parties, the WTO panels have indicated that they will issue draft reports sometime in 2009.

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

In Germany, the German Federal Financial Supervisory Authority (the "BaFin") began its own investigations in 2006 for alleged breaches of market regulations and insider trading rules. However, the BaFin formally notified EADS on 2 March 2007 that it had discontinued its investigation for suspected breaches of market regulations. Upon referral by the BaFin, German criminal proceedings regarding suspected insider trading offences are still pending against a small number of individuals at lower management level, while investigations against other individuals were discontinued without charges being brought.

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

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

EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the Group, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. EADS believes that it has made adequate provisions to cover current or contemplated general and specific litigation risks. For the amount of provisions for litigation and claims, see "Notes to Consolidated Financial Statements (IFRS) — Note 26C.) Other provisions".

34. Commitments and contingencies

COMMITMENTS AND CONTINGENT LIABILITIES

Sales financing — In relation to its Airbus and ATR activities, EADS is committing itself in sales financing transactions with selected customers. Sales financing transactions are generally collateralised by the underlying aircraft. Additionally, Airbus and ATR benefit from protective covenants and from security packages tailored according to the perceived risk and the legal environment. EADS believes that the estimated fair value of the aircraft securing such commitments will substantially offset any potential losses from the commitments. Any remaining difference between the amount of financing commitments given and the collateral value of the aircraft financed is provided for as an impairment to the relating asset, if assignable, or as a provision for aircraft financing risk. The basis for this write-down is a risk-pricing-model, which is applied at every closing to closely monitor the remaining value of the aircraft.

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for **on the balance sheet** either as (i) an operating lease (see Note 15 "Property, plant and equipment") or (ii) a loan from aircraft financing or (iii) a finance lease receivable (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets") or (iv) non-current assets classified as held for sale. As of 31 December 2008, related accumulated impairment amounts to € 52 million (2007: € 102 million) for operating lease and to € 244 million (2007: € 191 million) for loans and finance lease receivables. As part of provisions for aircraft financing risks € 21 million (2007: € 25 million) are recorded (see Note 26C.) "Other provisions").

Certain sales financing transactions include the sale and lease back of the aircraft with a third party lessor under operating lease. Unless the Group has sold down the relating operating lease commitments to third parties, which assume liability for the payments, it is exposed to future lease payments. Future nominal **operating lease payments** that result from aircraft sales financing transactions are recorded **off balance sheet** and are scheduled to be paid as follows:

(in €m)	
Not later than 2009	170
Later than 2009 and not later than 2013	532
Later than 2013	383
Total	**1,085**
Of which commitments where the transaction has been sold to third parties	(610)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**475**

Total aircraft lease commitments of € 1,085 million as of 31 December 2008 (2007: € 1,205 million), arise from aircraft head-leases and are typically backed by corresponding sublease income from customers with an amount of € 767 million (2007: € 851 million). A large part of these lease commitments (€ 610 million and € 699 million as of 31 December 2008 and 2007) arises from transactions that were sold down to third parties, which assume liability for the payments. EADS determines its gross exposure to such operating leases as the present value of the related payment streams. The difference between gross exposure and the estimated value of underlying aircraft used as collateral, the net exposure, is provided for in full with an amount of € 280 million as of 31 December 2008 (2007: € 286 million), as part of the provision for aircraft financing risk (see Note 26C.) "Other provisions").

As of 31 December 2008 and 2007, the total consolidated **– on and off balance sheet –** Commercial Aviation Sales Financing Exposure is as follows (Airbus 100% and ATR 50%):

(in €m)	31 December 2008	31 December 2007
Total gross exposure	1,276	1,226
Estimated fair value of collateral (aircraft)	(679)	(622)
Net exposure (fully provided for)	**597**	**604**

Details of provisions / accumulated impairments are as follows:

(in €m)	31 December 2008	31 December 2007
Accumulated impairment on operating leases (see Note 15 "Property, plant and equipment")	52	102
Accumulated impairment on loans from aircraft financing and finance leases (see Note 17 "Investments in associates accounted for under the equity method, other investments and other long-term financial assets")	244	191
Provisions for aircraft financing risk (on balance sheet) (see Note 26C.) "Other provisions")	21	25
Provisions for aircraft financing risk (commitment off balance sheet) (see Note 26C.) "Other provisions")	280	286
Total provisions / accumulated impairments for sales financing exposure	**597**	**604**

Asset value guarantees — Certain sales contracts may include the obligation of an asset value guarantee whereby Airbus or ATR guarantee a portion of the value of an aircraft at a specific date after its delivery. Management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft; (ii) the asset value guarantee related exposure is diversified over a large number of aircraft and customers; and (iii) the exercise dates of outstanding asset value guarantees are distributed through 2019. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease (see Note 15 "Property, plant and equipment" and Note 31 "Deferred income"). In addition, EADS is contingently liable in case asset value guarantees with less than 10% are provided to customers as part of aircraft sales. Counter guarantees are negotiated with third parties and reduce the risk to which the group is exposed. As of 31 December 2008, the nominal value of asset value guarantees provided to airlines, that do not exceed the 10% criteria, amounts to €946 million (2007: €880 million), excluding €476 million (2007: €513 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 €604 million (2007: €501 million) (see Note 26C.) "Other provisions"). This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter guarantees into account.

With respect to ATR, EADS and Finmeccanica are jointly and severally liable to third parties without limitation. Amongst the shareholders, the liability is limited to each partner's proportionate share.

While ***backstop commitments*** to provide financing related to orders on Airbus' and ATR's backlog are also given, such commitments are not considered to be part of gross exposure until the financing is in place, which occurs when the aircraft is delivered. This is due to the fact that (i) past experience suggests it is unlikely that all such proposed financings actually will be implemented (although it is possible that customers not benefiting from such commitments may nevertheless request financing assistance ahead of aircraft delivery), (ii) until the aircraft is delivered, Airbus or ATR retain the asset and do not incur an unusual risk in relation thereto, and (iii) third parties may participate in the financing. In order to mitigate Airbus and ATR credit risks, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

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

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

Other commitments — Other commitments comprise contractual guarantees and performance bonds to certain customers as well as commitments for future capital expenditures.

Future nominal operating lease payments (for EADS as a lessee) for rental and lease agreements (not relating to aircraft sales financing) amount to €843 million (2007: €979 million) as of 31 December 2008, and relate mainly to procurement operations (*e.g.* facility leases, car rentals). Maturities are as follows:

(in €m)	
Not later than 2009	103
Later than 2009 and not later than 2013	316
Later than 2013	424
Total	**843**

35. Information about financial instruments

A) FINANCIAL RISK MANAGEMENT

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, as explained below: i) market risks, especially foreign currency exchange rate risks and interest rate risks, ii) liquidity risk and iii) credit risk. EADS' overall financial risk management 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. The identification, evaluation and hedging of the financial risks is in the responsibility of established treasury committees with the Group's Divisions and Business Units.

Market risk

Currency risk — Foreign exchange risk arises when future commercial transactions or firm commitments, recognised assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

EADS manages a long-term hedge portfolio with a maturity of several years covering its net exposure to US Dollar sales, mainly from the activities of Airbus. This hedge portfolio covers to a large extent the Group's highly probable transactions.

Significant parts of EADS' revenues are denominated in US Dollars, whereas a major portion of its costs is incurred in Euros and to a smaller extent in GBP. Consequently, to the extent that EADS does not use financial instruments to cover its current and future foreign currency exchange rate exposure, its profits are affected by changes in the Euro-US Dollar exchange rate. As the Group intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, EADS uses hedging strategies to manage and 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 to a minor extent non-derivative financial liabilities.

EADS endeavours to hedge the majority of its exposure based on firm commitments and forecasted transactions. For products such as aircraft, EADS typically hedges forecasted sales in US Dollar. The hedged items are defined as first forecasted highly probable future cash inflows for a given month based upon final payments at delivery. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US Dollar exposure at inception. For EADS, a forecasted transaction is regarded as highly probable if the future delivery is included in the internally audited order book or is very likely to materialise in view of contractual evidence. The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot rates and interest rates as well as the robustness of the commercial cycle. For the non-aircraft business EADS hedges in- and outflows in foreign currencies from sales and purchase contracts following the same logic which are typically contracted in lower volumes.

The company also has foreign currency derivative instruments which are embedded in certain purchase and lease contracts denominated in a currency other than the functional currency of the significant parties to the contract, principally USD and GBP. Gains or losses relating to such embedded foreign currency derivatives are reported in other financial result. In addition EADS hedges currency risk arising from financial transactions in other currencies than EUR, such as funding transactions or securities.

Interest rate risk — The Group uses an asset-liability management approach with the objective to limit its interest rate risk. The Group undertakes to match the risk profile of its assets with a corresponding liability structure. The remaining net interest rate exposure is managed through several types of interest rate derivatives in order to 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 cashflow hedges.

Price risk — EADS is to a small extent invested in equity securities mainly for operational reasons. Therefore, the Group assesses its exposure towards equity price risk as limited.

Sensitivities of Market Risks — The approach used to measure and control market risk exposure within EADS' financial instrument portfolio is amongst other key indicators the value-at-risk ("VaR"). The VaR of a portfolio is the estimated potential loss that will not be exceeded on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by EADS is based upon a 95% confidence level and assumes a 5-day holding period. The VaR model used is mainly based on the so called "Monte-Carlo-Simulation" method. Deriving the statistical behaviour of the markets relevant for the portfolio out of market data from the previous two years and observed interdependencies between different markets and prices, the model generates a wide range of potential future scenarios for market price movements.

EADS VaR computation includes the Group's financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, finance lease receivables and liabilities, foreign currency trade payables and receivables, including intra-group payables and receivables affecting Group profit and loss.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 5-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 95% 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 for P&L and OCI certain limits on total risk for the portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the asset management committee.

A summary of the VaR position of EADS' financial instruments portfolio at 31 December 2008 and 31 December 2007 is as follows:

(in €m)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
31 December 2008				
FX hedges for forecast transactions or firm commitments	1,888	–	1,829	279
Financing liabilities, cash, cash equivalents, securities and related hedges	109	32	113	42
Finance lease receivables and liabilities, foreign currency trade payables and receivables	79	–	23	69
Correlation effect	(166)	–	(41)	(89)
All financial instruments	**1,910**	**32**	**1,924**	**301**
31 December 2007				
FX hedges for forecast transactions or firm commitments	360	–	367	104
Financing liabilities, cash, cash equivalents, securities and related hedges	41	8	50	27
Finance lease receivables and liabilities, foreign currency trade payables and receivables	38	–	11	35
Correlation effect	(48)	–	(16)	(30)
All financial instruments	**391**	**8**	**412**	**136**

The increase of total VaR compared to 31 December 2007 is mainly attributed to rising hedging volumes and sharp increased volatilities in the foreign currency exchange rates. EADS uses its derivative instruments almost entirely as well as some of its non-derivative financial liabilities for hedging purposes. As such, the respective market risks of these hedging instruments are - depending on the hedges' actual effectiveness - offset by corresponding opposite market risks of the underlying forecast transactions, assets or liabilities. Under IFRS 7 the underlying forecast transactions do not qualify as financial instruments and are therefore not included in the tables shown above. The VaR of the FX hedging portfolio in the amount of €1,888 million (2007: €360 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 2008 the related total VaR amounted to €263 million (2007: €12 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 2008 and 2007, respectively) in addition to the cash inflow generated by its operating business. The liquid assets typically consist of cash and cash equivalents. In addition, the Group maintains a set of other funding sources. Depending on its cash needs and market conditions, EADS may issue bonds, notes and commercial papers. In context of the financial crisis, EADS has decided to shorten the maturities and restructure the asset portfolio with focus on lower counterparty risk (*e.g.* Government investments). Adverse changes in the capital markets due to the global financial crisis could increase the Group's funding costs and limit its financial flexibility.

Further, the management of the vast majority of the Group's liquidity exposure is 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.

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(in €m)	Carrying amount	Contractual cash flows	< 1 year	1 year – 2 years	2 years – 3 years	3 years – 4 years	4 years – 5 years	More than 5 years
31 December 2008								
Non derivative financial liabilities	(13,756)	(14,898)	(9,954)	(1,477)	(315)	(270)	(226)	(2,656)
Derivative financial liabilities	(2,865)	(2,333)	(517)	(355)	(499)	(438)	(173)	(351)
Total	**(16,621)**	**(17,231)**	**(10,471)**	**(1,832)**	**(814)**	**(708)**	**(399)**	**(3,007)**
31 December, 2007[(1)]								
Non derivative financial liabilities	(13,770)	(14,866)	(9,837)	(831)	(1,347)	(288)	(202)	(2,361)
Derivative financial liabilities	(294)	(384)	(135)	(131)	30	0	0	(148)
Total	**(14,064)**	**(15,250)**	**(9,972)**	**(962)**	**(1,317)**	**(288)**	**(202)**	**(2,509)**

(1) The presentation for 2007 is adjusted according to the presentation for 2008.

The above table analyses EADS financial liabilities by relevant maturity groups based on the period they are remaining on EADS balance sheet to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows, comprising all outflows of a liability such as repayments and eventual interest payments.

Non-derivative financial liabilities comprise financing liabilities at amortised cost and finance lease liabilities as presented in the tables of Note 35B). Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments refundable advances are not included in the above mentioned table with an amount of €4,920 million (2007: €5,315 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 high credit quality financial institutions, corporates or sovereigns. For such financial transactions EADS has set up a credit limit system to actively manage and limit its credit risk exposure. This limit system assigns maximum exposure lines to counterparts of financial transactions, based at a minimum on their credit ratings as published by Standard & Poors, Moody's and Fitch IBCA. The respective limits are regularly monitored and updated. Further, EADS constantly aims for maintaining a certain level of diversification in its portfolio between individual counterparts as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparts. Additionally, the credit exposure of EADS is reviewed on a regular basis, taking into account various credit risk indicators and fundamental counterparty data, as well as sectoral and maturity allocations.

The Group is monitoring the performance of the individual financial instruments and the impact of the credit markets on their performance. EADS has procedures in place that allow to hedge, to divest from or to restructure financial instruments having undergone a downgrade of the counterparts' credit rating or showing an unsatisfactory performance. These measures aim to protect EADS to a certain extent against credit risks from individual counterparts. Nevertheless, a potential negative impact resulting from a market-driven increase of systematic credit risks cannot be excluded.

Sales of products and services are made to customers after having conducted an appropriate internal credit risk assessment. In order to support product sales, primarily at Airbus and ATR, EADS may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus and ATR take into account the airline's credit rating as well as risk factors specific to the intended operating environment of the aircraft and its expected future value. Market yields and current banking practices also serve to benchmark the financing terms offered to customers, including price.

The carrying amount of financial assets represents the maximum credit exposure. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating (if available) or internal assessment of customers' (*e.g.* airlines') creditworthiness.

The maximum exposure of the current portion of other long-term financial assets, trade receivables, receivables from related companies, loans and others included in current other financial assets to credit risk at balance sheet date is the following:

(in €m)	2008	2007
Receivables, neither past due nor impaired	5,002	4,353
Not past due due to negotiations and not impaired	31	43
Receivables impaired individually	13	16
Receivables not impaired and past due ≤ 3 months	795	728
Receivables not impaired and past due >3 and ≤ 6 months	173	95
Receivables not impaired and past due >6 and ≤ 9 months	118	55
Receivables not impaired and past due >9 and ≤ 12 months	48	108
Receivables not impaired and past due > 12 months	277	347
Total	**6,457**	**5,745**

B) CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price at which one party would assume the rights and/or duties of another party. Fair values of financial instruments have been determined with reference to available market information at the balance sheet date and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could 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 2008 and 2007 respectively:

31 December 2008 (in €m)	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	Designated	Fair value	Book value	Fair Value	Amortised Cost	Fair Value		Book Value	Fair Value
Other investments and other long-term financial assets										
thereof at amortised cost	-	-	-	-	-	646	646	634	1,280	1,280
thereof at cost	-	-	-	296	-[1]	-	-	-	296	-[1]
thereof Fair value via OCI	-	-	-	136	136	-	-	-	136	136
Current portion of other long-term financial assets	-	-	-	-	-	109	109	68	177	177
Non-current and current other financial assets	649	-	2,257	-	-	1,201	1,201	-	4,107	4,107
Trade receivables	-	-	-	-	-	5,267	5,267	-	5,267	5,267
Non-current and current securities	-	729	-	6,223	6,223	-	-	-	6,952	6,952
Cash and Cash Equivalents	-	625	-	3,913	3,913	2,207	2,207	-	6,745	6,745
Total	**649**	**1,354**	**2,257**	**10,568**	**10,272**	**9,430**	**9,430**	**702**	**24,960**	**24,664**
Liabilities	Held for trading	Designated	Fair value	-	-	Amortised Cost	Fair Value		Book Value	Fair Value
Long-term and short-term financing liabilities	-	-	-	-	-	(4,342)	(4,497)	(162)	(4,504)	(4,659)
Non-current and current other financial liabilities	(322)	-	(2,857)	-	-	(6,034)	(6,034)[2]	-	(9,213)	(9,213)
Trade liabilities	-	-	-	-	-	(7,824)	(7,824)	-	(7,824)	(7,824)
Total	**(322)**	**-**	**(2,857)**	**-**	**-**	**(18,200)**	**(18,355)**	**(162)**	**(21,541)**	**(21,696)**

(1) Fair value is not reliably measurable.

(2) The European Governments refundable advances of € 4,920 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.

(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 2007 (in €m)	**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	Designated	Fair value	Book value	Fair Value	Amortised Cost	Fair Value		Book Value	Fair Value
Other investments and other long-term financial assets										
thereof at amortised cost	-	-	-	-	-	582	582	472	1,054	1,054
thereof at cost	-	-	-	293	-[1]	-	-	-	293	-[1]
thereof Fair value via OCI	-	-	-	206	206	-	-	-	206	206
Current portion of other long-term financial assets	-	-	-	-	-	60	60	106	166	166
Non-current and current other financial assets[2]	201	-	5,194	-	-	970	970	-	6,365	6,365
Trade receivables	-	-	-	-	-	4,639	4,639	-	4,639	4,639
Non-current and current securities	-	285	-	4,004	4,004	-	-	-	4,289	4,289
Cash and Cash Equivalents	-	503	-	5,507	5,507	1,539	1,539	-	7,549	7,549
Total	**201**	**788**	**5,194**	**10,010**	**9,717**	**7,790**	**7,790**	**578**	**24,561**	**24,268**
Liabilities	Held for trading	Designated	Fair value	-	-	Amortised Cost	Fair Value		Book Value	Fair Value
Long-term and short-term financing liabilities	-	-	-	-	-	(4,624)	(4,698)	(190)	(4,814)	(4,888)
Non-current and current other financial liabilities[2]	(91)	-	(1,211)	-	-	(5,865)	(5,865)[4]	-	(7,167)	(7,167)
Trade liabilities	-	-	-	-	-	(7,398)	(7,398)	-	(7,398)	(7,398)
Total	**(91)**	**-**	**(1,211)**	**-**	**-**	**(17,887)**	**(17,961)**	**(190)**	**(19,379)**	**(19,453)**

(1) Fair value is not reliably measurable.
(2) The presentation for 2007 is adjusted according to the presentation for 2008.
(3) This includes finance lease receivables and finance lease liabilities, which are not assigned to a measurement category according to IAS 39. The carrying amounts of these receivables/payables approximate their fair values.
(4) The European Governments refundable advances of € 5,315 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.

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 2008 and 2007, which are not necessarily indicative of the amounts that the Company would record upon further disposal/ termination of the financial instruments. Unquoted other investments are measured at cost as their fair value is not reliably determinable.

The methodologies used are as follows:

Short-term investments, cash, short-term loans, suppliers — The carrying amounts reflected in the annual accounts are reasonable estimates of fair value because of the relatively short period of time between the origination of the instruments and its expected realisation.

Securities — The fair value of securities included in available-for-sale investments is determined by reference to their quoted market price at the balance sheet date. If a quoted market price is not available, fair value is determined on the basis of generally accepted valuation methods on the basis of market information available at the reporting date.

Currency and Interest Rate Contracts — The fair value of these instruments is the estimated amount that the Company would receive or pay to settle the related agreements as of 31 December 2008 and 2007. EADS used standard valuation methods using standard software. The valuation is based on freely available market data from different sources using standard cash flow discounting. For options the Black-Scholes formula has been applied.

The fair value of ***financing liabilities*** as of 31 December 2008 has been estimated including all future interest payments. It also reflects the interest rate as stated in the tables above. The fair value of the EMTN bonds has been assessed using public price quotations.

The following types of **financial assets** held at 31 December 2008 and 2007 respectively are recognised at fair value through profit or loss:

(in €m)	Nominal amount at initial recognition as of 31 December 2008	Fair value as of 31 December 2008	Nominal amount at initial recognition as of 31 December 2007	Fair value as of 31 December 2007
Designated at fair value through profit or loss at recognition:				
Money Market Funds (accumulating)	1,074	1,076	504	503
Foreign currency Funds of Hedge Funds	275	230	234	234
Uncapped Structured Interest Rate Notes	50	48	50	51
Total	**1,399**	**1,354**	**788**	**788**

The accumulating Money Market Funds have been designated at fair value through profit or loss as their portfolio is managed and their performance is measured on a fair value basis.

In addition EADS invests in Money Market Funds paying interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to € 1,787 million (2007: € 2,941 million).

Investments in foreign currency Funds of Hedge Funds have been designated at fair value through profit and loss.

EADS also invests in uncapped Structured Interest Rate Notes – hybrid instruments combining a zero coupon bond and an embedded interest derivative. As the latter had to be separated from the host contract EADS opted to designate the entire hybrid instrument at fair value through profit or loss.

C) NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

The contract or notional amounts of derivative financial instruments shown below do not necessarily represent amounts exchanged by the parties and, thus, are not necessarily a measure for the exposure of the Group through its use of derivatives.

The notional amounts of foreign exchange derivative financial instruments are as follows, specified by year of expected maturity:

Year ended 31 December 2008 (in €m)	Remaining period								
	2009	2010	2011	2012	2013	2014	2015	2016	Total
Foreign Exchange Contracts:									
Net forward sales (purchase) contracts	9,695	9,869	6,275	4,774	3,212	1,546	1,044	(44)	**36,371**
Purchased USD put options	1	2,515	3,162	790	0	0	0	0	**6,468**
Structured USD forwards:									
Purchased USD call options	1,504	924	1,462	1,418	0	0	0	0	**5,308**
Purchased USD put options	1,504	924	1,462	1,418	0	0	0	0	**5,308**
Written USD call options	1,504	924	1,462	1,418	0	0	0	0	**5,308**
FX swap contracts	4,793	0	25	35	130	225	0	0	**5,208**

Year ended 31 December 2007 (in €m)	Remaining period								
	2008	2009	2010	2011	2012	2013	2014	2015	Total
Foreign Exchange Contracts:									
Net forward sales (purchase) contracts	10,209	8,712	7,479	3,468	1,272	450	(3)	0	**31,587**
Structured USD forwards:									
Purchased USD call options	162	1,422	537	513	214	0	0	0	**2,848**
Purchased USD put options	162	1,422	537	513	214	0	0	0	**2,848**
Written USD call options	162	1,422	537	513	214	0	0	0	**2,848**
FX swap contracts	1,838	14	0	0	34	0	189	0	**2,075**

The notional amounts of interest rate contracts are as follows, specified by year of expected maturity:

Year ended 31 December 2008 (in €m)	Remaining period							
	2009	2010	2011	2012	2013–2017	2018	2019	Total
Interest Rate Contracts	753	1,792	277	170	0	1,235	1,224	**5,451**

Year ended 31 December 2007 (in €m)	Remaining period								
	2008	2009	2010	2011	2012	2013–2017	2018	2019	Total
Interest Rate Contracts	225	536	1,655	122	90	0	1,455	1,589	**5,672**

D) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING DISCLOSURE

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2008 and 2007:

31 December 2008 Interest rate in %	EUR	USD	GBP
6 months	2.98	1.88	2.75
1 year	3.05	2.22	2.86
5 years	3.23	2.07	3.17
10 years	3.74	2.50	3.48

31 December 2007 Interest rate in %	EUR	USD	GBP
6 months	4.58	4.61	5.91
1 year	4.67	4.25	5.76
5 years	4.56	4.16	5.16
10 years	4.72	4.65	5.08

The development of the foreign exchange rate hedging instruments recognised in AOCI is as of 31 December 2008 and 2007 as follows:

(in €m)	Equity attributable to equity holders of the parent	Minority interests	Total
1 January 2007	**3,189**	**1**	**3,190**
Unrealised gains and losses from valuations, net of tax	1,364	1	1,365
Transferred to profit or loss for the period, net of tax	(1,002)	0	(1,002)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	362	1	363
31 December 2007 / 1 January 2008	**3,551**	**2**	**3,553**
Unrealised gains and losses from valuations, net of tax	(2,050)	(1)	(2,051)
Transferred to profit or loss for the period, net of tax	(1,684)	0	(1,684)
Changes in fair values of hedging instruments recorded in AOCI, net of tax	(3,734)	(1)	(3,735)
31 December 2008	**(183)**	**1**	**(182)**

Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments is as follows:

	31 December 2008		31 December 2007	
(in €m)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – Cash Flow Hedges	2,256	(2,469)	5,192	(124)
Foreign currency contracts – not designated in a hedge relationship	323	(230)	154	(48)
Interest rate contracts – Cash Flow Hedges	0	0	2	(12)
Interest rate contracts – Fair Value Hedges	1	(74)	0	(67)
Interest rate contracts – not designated in a hedging relationship	0	(3)	27	(43)
Embedded foreign currency derivatives	3	(89)	20	0
Total	**2,583**	**(2,865)**	**5,395**	**(294)**

At 31 December 2008, the group has interest swap agreements in place with notional amounts totalling €1,500 million (as at 31 December 2007: €1,500 million). The swaps are used to hedge the exposure to changes in the fair value of its EMTN bonds (see Note 27 "Financing liabilities"). The fair value profit on the interest rate swaps of €68 million (2007: fair value loss of €23 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 2008 and 2007 respectively were as follows:

(in €m)	2008	2007
Financial assets or financial liabilities at fair value through profit and loss:		
Held for trading	(149)	(307)
Designated on initial recognition	64	154
Available-for-sale-financial assets:		
Result before taxes removed from OCI and recognised in profit and loss	6	48
Loans and receivables	(160)	(127)
Financial liabilities measured at amortised cost	79	77

Interest income from financial assets or financial liabilities through profit and loss is included in net gains and losses.

Net gains and losses of loans and receivables contain among others results from currency adjustments from foreign operations and impairment losses.

The following net gains and losses have been recognised directly in equity in 2008 and 2007:

(in €m)	2008	2007
Available-for-sale-financial assets:		
Unrealised gains or losses recognised directly in OCI	(6)	(4)

F) TOTAL INTEREST INCOME AND TOTAL INTEREST EXPENSES

Total interest income for financial assets and total interest expense for financial liabilities which are not measured at fair value through profit or loss are calculated by using the effective interest rate method:

(in €m)	2008	2007
Total interest income on financial asset	501	347
Total interest expense on financial liabilities	(581)	(701)

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G) IMPAIRMENT LOSSES

The following impairment losses on financial assets are recognised in profit and loss in 2008 and 2007 respectively:

(in €m)	2008	2007
Available-for-sale financial assets	(23)	(13)
Loans and receivables	(114)	(120)
Other[1]	(36)	(24)
Total	**(173)**	**(157)**

(1) Concerns finance lease receivables.

36. Share-based Payment

A) STOCK OPTION PLANS AND LONG TERM INCENTIVE PLANS (LTIP)

Based on the 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. At its 18 December 2006 meeting, the Board of Directors of the Company, using the authorisation given to it by the shareholders' meeting of 4 May 2006 approved the granting of performance shares and restricted shares to eligible employees of the Company.

For the 2006 Stock Option Plan, analogous to all of EADS' previous existing stock option plans, the granted exercise price was exceeding the share price at grant date.

At its 7 December 2007 meeting, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company.

At its 13 November 2008 meeting, the Board of Directors of the Company approved the granting of performance units and restricted units in the Company. The grant of so called "units" will not physically be settled in shares but represents a cash settled plan in accordance with IFRS 2.

In 2008, compensation expense for Stock Option and Long Term Incentive Plans was recognised for an amount of € 22 million (in 2007: € 39 million). For the 14,200 options exercised during the year 2008, the average share price at the date of exercise has been € 18.56.

The fair value of units granted per vesting date is as follows (LTIP plan 2008):

In € (per unit granted)	FV of restricted units to be settled in cash	FV of performance units to be settled in cash
May 2012	11.68	11.68
November 2012	11.63	11.63
May 2013	11.59	11.59
November 2013	11.54	11.54

The lifetime of the performance and restricted units (2008) is contractually fixed (see within the description of the "tenth tranche"). The measurement is based on the share price as of the balance sheet date (€12.03 as of 31 December 2008) and also takes into account the present value of the expected dividend payments.

The following major input parameters where used in order to calculate the fair value of the stock options granted:

INPUT PARAMETERS FOR THE BLACK SCHOLES OPTION PRICING MODEL

	LTIP 2006	LTIP 2005
Share price (€)	25.34	32.79
Exercise price (€)	25.65(1)	33.91
Risk-free interest rate (%)(2)	4.13	3.24
Expected volatility (%)	30.7	24.8
Estimated Life (years)	5.5	5.5

(1) The exercise price for the performance and restricted shares are €0.
(2) The risk-free interest rate is based on a zero coupon yield curve that reflects the respective life (years) of the options.

EADS uses the historical volatilities of its share price as an indicator to estimate the volatility of its stock options granted. To test whether those historical volatilities sufficiently approximate expected future volatilities, they are compared to implied volatilities of EADS options, which are traded at the market as of grant date. Such options typically have a shorter life of up to two years. In case of only minor differences between the historical volatilities and the implied volatilities, EADS uses historical volatilities as input parameters to the Black Scholes Option Pricing Model (please refer to Note 2 "Summary of significant accounting policies"). For measurement purposes performance criteria are considered to be met.

The estimated option life of 5.5 years (in 2006 and 2005) was based on historical experience and incorporated the effect of expected early exercises.

The principal characteristics of the options, performance and restricted shares as well as performance and restricted units as at 31 December 2008 are summarised in the various tables below:

	First tranche	Second tranche
Date of shareholders' meeting	24 May 2000	24 May 2000
Date of Board of Directors meeting (grant date)	26 May 2000	20 October 2000
Number of options granted	5,324,884	240,000
Number of options outstanding	1,555,220	32,000
Total number of eligible employees	850	34
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Registration Document 2008 — General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings").	
Expiry date	8 July 2010	8 July 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	10 May 2001	10 May 2001
Date of Board of Directors meeting (grant date)	12 July 2001	9 August 2002
Number of options granted	8,524,250	7,276,700
Number of options outstanding	3,499,919	2,547,121
Total number of eligible employees	1,650	1,562
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Registration Document 2008 — General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings").	
Expiry date	12 July 2011	8 August 2012
Conversion right	One option for one share	
Vested	100%	100%
Exercise price	€24.66	€16.96
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	3,492,831	4,305,066

	Fifth tranche	Sixth tranche
Date of shareholders' meeting	6 May 2003	6 May 2003
Date of Board of Directors meeting (grant date)	10 October 2003	8 October 2004
Number of options granted	7,563,980	7,777,280
Number of options outstanding	4,729,593	6,057,766
Total number of eligible employees	1,491	1,495
Exercise date	50% of options may be exercised after a period of two years and four weeks from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Registration Document 2008 — General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings").	
Expiry date	9 October 2013	7 October 2014
Conversion right	One option for one share	
Vested	100%	100%(1)
Exercise price	€15.65	€24.32
Exercise price conditions	110% of fair market value of the shares at the date of grant	
Number of exercised options	2,517,623	2,400

(1) As regards to the sixth tranche, vesting of part of the options granted to EADS top Executives was subject to performance conditions. As a result, part of these conditional options have not vested and were therefore forfeited during the year 2007.

	Seventh tranche
Date of shareholders' meeting	11 May 2005
Date of Board of Directors meeting (grant date)	9 December 2005
Number of options granted	7,981,760
Number of options outstanding	6,294,951
Total number of eligible beneficiaries	1,608
Exercise date	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Registration Document 2008 — General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings"). As regards to the seventh tranche, part of the options granted to the top EADS Executives are performance related.
Expiry date	8 December 2015
Conversion right	One option for one share
Vested	100%(1)
Exercise price	€33.91
Exercise price conditions	110% of fair market value of the shares at the date of grant
Number of exercised options	0

(1) As regards to the seventh tranche, vesting of part of the options granted to EADS top Executives was subject to performance conditions. As a result, part of these conditional options have not vested and were therefore forfeited during the year 2008.

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	Eighth tranche	
Date of shareholders' meeting		4 May 2006
Date of Board of Directors meeting (grant date)		18 December 2006
	Stock option plan	
Number of options granted		1,747,500
Number of options outstanding		1,678,000
Total number of eligible beneficiaries		221
Date from which the options may be exercised	50% of options may be exercised after a period of two years from the date of grant of the options; 50% of options may be exercised as of the third anniversary of the date of grant of the options (subject to specific provisions contained in the Insider Trading Rules — see "Registration Document 2008 — General Description of the Company and its Share Capital — 3.1.11 Disclosure of Holdings").	
Date of expiration		16 December 2016
Conversion right		One option for one share
Vested		50%
Exercise price		€25.65
Exercise price conditions		110% of fair market value of the shares at the date of grant
Number of exercised options		0
	Performance and restricted shares plan	
	Performance shares	**Restricted shares**
Number of shares granted	1,344,625	391,300
Number of shares outstanding	1,291,375	378,475
Total number of eligible beneficiaries	1,637	
Vesting date	The performance and restricted shares will vest if the participant is still employed by an EADS company and, in the case of performance shares, upon achievement of mid-term business performance. The vesting period will end at the date of publication of the 2009 annual results, expected in March 2010.	
Number of vested shares	1,750	0

	Ninth tranche	
Date of Board of Directors Meeting (grant date)		7 December 2007
	Performance and restricted unit plan	
	Performance units	**Restricted units**
Number of units granted	1,693,940	506,060
Number of units outstanding	1,653,500	496,260
Total number of eligible beneficiaries	1,617	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: - 25% expected in May 2011; - 25% expected in November 2011; - 25% expected in May 2012; - 25% expected in November 2012.	

	Tenth tranche	
Date of Board of Directors Meeting (grant date)	13 November 2008	
	Performance and restricted unit plan	
	Performance units	Restricted units
Number of units granted	2,192,740	801,860
Total number of eligible beneficiaries	1,684	
Vesting dates	The performance and restricted units will vest if the participant is still employed by an EADS company at the respective vesting dates and, in the case of performance units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: › 25% expected in May 2012; › 25% expected in November 2012; › 25% expected in May 2013; › 25% expected in November 2013.	

The following table summarises 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

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

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

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

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

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

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

Total options for all Tranches	**46,436,354**	**-**	**(13,397,940)**	**(6,643,844)**	**26,394,570**

Performance/restricted shares plan 2006	Number of Shares				
	Shares granted	Balance at 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
Restricted shares in 2006	391,300	-	-	-	391,300
Restricted shares in 2007	-	391,300	-	(4,550)	386,750
Restricted shares in 2008	-	386,750	-	(8,275)	378,475
Total shares	**1,735,925**	**1,715,125**	**(1,750)**	**(64,325)**	**1,669,850**

Ninth Tranche	Number of Units				
	Units granted	Balance at 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
Restricted units in 2007	506,060	-	-	-	506,060
Restricted units in 2008	-	506,060	-	(9,800)	496,260
Total units	**2,200,000**	**2,200,000**	**(1,680)**	**(48,560)**	**2,149,760**

Tenth Tranche	Number of Units				
	Units granted	Balance at 1 January	Vested	Forfeited	Balance at 31 December
Performance units in 2008	2,192,740	-	-	-	2,192,740
Restricted units in 2008	801,860	-	-	-	801,860
Total units	**2,994,600**	**-**	**-**	**-**	**2,994,600**

B) EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

In 2008, the Board of Directors approved an additional ESOP following seventh ESOPs established in 2007, 2005, 2004, 2003, 2002, 2001 and in 2000. For the 2008 ESOP, eligible employees were able to purchase a maximum of 500 shares per employee of previously unissued shares. The offer was broken down into two tranches which were available for all employees to choose. The subscription price for tranche A was €11.70. The subscription price for tranche B was the highest of the subscription price for tranche A or 80% of the average opening market prices for EADS shares on the Paris stock exchange over the twenty trading days preceding 30 May 2008, resulting in a subscription price of €12.79.

During a lockup period of at least one year under tranche A or five years under tranche B, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who subscribed to tranche A have in addition the ability to vote at the annual shareholder meetings. EADS issued and sold 2,031,820 ordinary shares with a nominal value of €1.00 under both tranches. Compensation expense of €6 million (in 2007: €9 million) was recognised in connection with the ESOP 2008.

37. Related party transactions

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

The transactions with the joint ventures mainly concern the Eurofighter programme.

The following table discloses the related party transactions on a full EADS' share as of 31 December 2008:

(in €m)	Sales of goods and services and other income in 2008	Purchases of goods and services and other expense in 2008	Receivables due as of 31 December 2008	Payables due as of 31 December 2008	Other Liabilities/Loans received as of 31 December 2008
French State	1,085	2	1,195	3	2,094
Spanish State (SEPI)	198	0	49	0	316
Daimler AG	7	19	1	0	0
Lagardère group	0	0	0	2	15
Total transactions with shareholder	**1,290**	**21**	**1,245**	**5**	**2,425**
Total transactions with joint ventures	**1,566**	**24**	**629**	**27**	**1,399**
Total transactions with associates	**987**	**8**	**388**	**2**	**0**

As of 31 December 2008, EADS CASA granted guarantees to the Spanish State in the amount of € 331 million.

The following table discloses the related party transactions on a full EADS' share as of 31 December 2007:

(in €m)	Sales of goods and services and other income in 2007	Purchases of goods and services and other expense in 2007	Receivables due as of 31 December 2007	Payables due as of 31 December 2007	Other Liabilities/Loans received as of 31 December 2007
French State	1,587	17	882	0	2,087
Spanish State (SEPI)	316	0	122	0	352
Daimler AG	4	12	2	4	0
Lagardère group	2	0	0	2	14
Total transactions with shareholder	**1,909**	**29**	**1,006**	**6**	**2,453**
Total transactions with joint ventures	**1,638**	**28**	**371**	**42**	**616**
Total transactions with associates	**687**	**20**	**317**	**3**	**0**

In 2007, Lagardère and the French State repaid to EADS the dividends they received related to 2006 for an amount of € 29 million as an interest free loan.

Remuneration — The annual remuneration and related compensation costs of all of key management personnel, *i.e.* Non Executive Board Members, Executive Board Members and Members of the Executive Committee, can be summarised as follows:

2008	Compensation expense	Pension	
(in €m)		Defined benefit obligation(1)	Pension expense(2)
Non Executive Board Members(3)	0.5	-	-
Executive Board Member(4)	2.4	1.4	0.6
Other Executive Committee Members(5)	15.4	23.1	1.9

(1) Amount of the net pension defined benefit obligation.
(2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2008.
(3) Non Executive Board Members in office as at 31 December 2008.
(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2008.
(5) Executive Board Members in office as at 31 December 2008, including specific exceptional bonus if any and EADS N.V. compensation.

2007	Compensation expense	Pension	
(in €m)		Defined benefit obligation(1)	Pension expense(2)
Non Executive Board Members(3)	0.8	-	-
Executive Board Member(4)	2.4	0.8	0.6
Other Executive Committee Members(5)	12.9	15.5	1.7

(1) Amount of the net pension defined benefit obligation.
(2) Aggregated amount of current service and interest costs related to the defined benefit obligation accounted for during fiscal year 2007.
(3) Non Executive Board Members in office as at 31 December 2007.
(4) The Chief Executive Officer was the sole Executive Board Member in office as at 31 December 2007.
(5) Including former Executive Board Members who ceased their membership with the Board in 2007 but who were still Executive Committee Members in office as at 31 December 2007; excluding former Executive Committee Members who were no longer in office as at 31 December 2007 including specific exceptional bonus if any and EADS N.V. compensation.

Additionally, performance units granted in 2008 to the Chief Executive Officer and to the other Executive Committee Members represented 336,500 units.

The amounts detailed above do neither comprise the termination package nor the estimated cost of Long Term Incentives granted to Executive Committee Members.

For more information in respect of remuneration of Directors, see “Notes to the Company Financial Statements – Note 11: Remuneration”.

EADS has not provided any loans to/advances to/guarantees on behalf of Directors, former Directors or Executive Committee Members.

The Executive Committee Members are furthermore entitled to a termination package when the parting results from a decision by the Company. The employment contracts for the Executive Committee Members are concluded for an indefinite term with an indemnity of up to a maximum of 24 months of their target income.

The Board has decided to reduce the maximum termination indemnity from 24 months to 18 months of annual total target salary.

This new rule is applicable to the Executive Committee Members from the renewal of their employment contracts.

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

Executive Committee Members are also entitled to a Company car.

38. Interest in Joint Ventures

The Group's principal investments in joint ventures and the proportion of ownership are included in Appendix "Information on principal investments". Joint ventures are consolidated using the proportionate method.

The following amounts represent the Group's proportional share of the assets, liabilities, income and expenses of the significant joint ventures (MBDA, Atlas and ATR) in aggregate:

(in €m)	2008	2007
Non current assets	667	693
Current assets	3,051	3,004
Non current liabilities	446	466
Current liabilities	2,702	2,670
Revenues	1,652	1,729
Profit for the period	145	121

39. Earnings per Share

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

	2008	2007	2006
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))	€m 1,572	€m (446)	€m 99
Weighted average number of ordinary shares	806,978,801	803,128,221	800,185,164
Basic earnings (losses) per share	€1.95	€(0.56)	€0.12

Diluted earnings per share — For the calculation of the diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all potential ordinary shares. The Group's categories of dilutive potential ordinary shares are stock options as well as performance and restricted shares. In 2008, the average share price of EADS did not exceed the exercise price of stock options under any stock option plan (in 2007: 1st, 2nd, 4th and 5th stock option plan; in 2006: 1st, 2nd, 3rd, 4th, 5th and 6th stock option plans). Hence, no shares related to stock options (2007: 2,420,180 shares; 2006: 4,130,499 shares) were considered in the calculation of diluted earnings per share. Since the average price of EADS shares during 2008 exceeded the price for performance and restricted shares, 618,141 shares related to performance and restricted shares (in 2007 and 2006: no shares) were considered in the calculation.

	2008	2007	2006
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))	€m 1,572	€m (446)	€m 99
Weighted average number of ordinary shares (diluted)	807,596,942	805,548,401	804,315,663
Diluted earnings (losses) per share	€1.95	€(0.55)	€0.12

40. Number of Employees

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

41. Events after the balance sheet date

On 3 November 2008, EADS and DAHER announced the conclusion of the agreement for DAHER to acquire a 70% majority share in EADS Socata which became effective on 7 January 2009. The association of DAHER and EADS Socata will allow the creation of a European industrial leader in the area of Aerostructures, Business Aviation and Services and the development of joint projects in these areas.

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

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

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

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

In 2005, the liquidator of the special purpose vehicle GFAC, a joint venture between Swissair and GATX, sued Airbus at a court in New York to recover US$ 227 million in pre-delivery payments, together with interest and costs. The lawsuit followed Airbus’ termination of the Purchase Agreement with GFAC in October 2001 for 38 SA and LR aircraft, in the context of Swissair’s bankruptcy. On 6 February 2009 the judge decided in favor of GFAC. Although Airbus has asked the court to reconsider its decision at a hearing on 18 March 2009 and will also file an appeal, it cannot be excluded that Airbus will, on that day, be ordered to pay an amount equal to the pre-delivery payments plus legal interest.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 9 March 2009.

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2.6 APPENDIX "INFORMATION ON PRINCIPAL INVESTMENTS" – CONSOLIDATION SCOPE

	2008	%	2007	%	Company	Head office
Airbus						
	F	100.00	F	100.00	AD Grundstückgesellschaft GmbH	Pöcking (Germany)
	F	100.00			AFS Cayman Limited	Cayman Isle
	F	100.00	F	100.00	AFS Cayman 11 Limited	Cayman Isle
	F	100.00	F	100.00	AIFS (Cayman) Ltd.	Cayman Isle
	F	100.00	F	100.00	AIFS Cayman Liquidity Ltd.	Cayman Isle
	F	100.00	F	100.00	AIFS Leasing Company Limited	Ireland
			F	100.00	Airbus A320 Financing Limited	Ireland
	F	100.00	F	100.00	Airbus China Limited	Hong-Kong
	F	100.00	F	100.00	Airbus Deutschland GmbH	Hamburg (Germany)
	F	100.00	F	100.00	Airbus España SL	Madrid (Spain)
	F	100.00	F	100.00	Airbus Finance Company Ltd	Dublin (Ireland)
	F	100.00	F	100.00	Airbus Financial Service Unlimited	Ireland
	F	100.00	F	100.00	Airbus France S.A.S.	Toulouse (France)
	F	100.00	F	100.00	Airbus Holding S.A.	France
	F	100.00	F	100.00	Airbus Invest	Toulouse (France)
	F	100.00	F	100.00	Airbus North America Customer Servics, Inc. (ASCO)	USA
	F	100.00	F	100.00	Airbus North America Engineering	USA
	F	100.00	F	100.00	Airbus North America Sales Inc.	USA
	F	100.00	F	100.00	Airbus Americas Inc.	USA
	F	100.00	F	100.00	Airbus S.A.S.	Toulouse (France)
	P	51.00			Airbus (TIANJIN) Final Assembly Company Ltd	Tianjin (China)
	P	51.00			Airbus (TIANJIN) Jigs & Tools Company Ltd	Tianjin (China)
	F	100.00			Airbus (TIANJIN) Delivery Center Ltd	Tianjin (China)
	F	100.00	F	100.00	Airbus Transport International S.N.C. (ATI)	Blagnac (France)
	F	100.00	F	100.00	Airbus UK Limited	UK
	F	100.00	F	100.00	Avaio Limited	Isle Of Man
	F	100.00	F	100.00	Aviateur Aerospace Limited	Ireland
	E	20.00	E	20.00	Aviateur Capital Limited	Ireland
	F	100.00	F	100.00	Aviateur Eastern Limited	Ireland
	F	100.00	F	100.00	Aviateur Finance Limited	Ireland
	F	100.00	F	100.00	Aviateur International Limited	Ireland
	F	100.00	F	100.00	Aviateur Leasing Limited	Ireland
	F	100.00			CTC GmbH	Stade (Germany)
			F	100.00	Norbus	USA
	F	100.00	F	100.00	Star Real Estate S.A.S.	Boulogne (France)
	F	100.00	F	100.00	Tasc aviation FZCo	United Arab Emirates
Additionally consolidated are 32 SPEs.						

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

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2008	%	2007	%	Company	Head office
Military Transport Aircraft					
F	90.00	F	90.00	Airbus Military S.L.	Madrid (Spain)
F	100.00	F	100.00	EADS CASA North America, Inc.	Chantilly, Virginia (USA)
F	100.00	F	100.00	EADS CASA S.A. (Unit: EADS CASA Military Transport Aircraft)	Madrid (Spain)
F	77.21	F	77.21	EADS PZL "WARSZAWA-OKECIE" S.A.	Warsaw (Poland)
E	40.00			AirTanker Holdings Ltd.	London (UK)
E	40.00			AirTanker Ltd.	London (UK)
E	40.00			AirTanker Finance Ltd.	London (UK)
Eurocopter					
F	100.00	F	100.00	AA military maintenance Pty. Ltd.	Brisbane (Australia)
F	100.00	F	100.00	AA New Zealand Pty. Ltd.	Bankstown (Australia)
F	100.00	F	100.00	American Eurocopter Corp.	Dallas, Texas (USA)
F	60.00	F	60.00	American Eurocopter LLC	Dallas, Texas (USA)
F	100.00	F	100.00	Australian Aerospace Ltd.	Bankstown (Australia)
F	100.00	F	100.00	EIP Holding Pty. Ltd.	Bankstown (Australia)
F	75.00	F	75.00	Eurocopter South East Asia Pte. Ltd.	Singapore (Singapore)
F	100.00	F	100.00	Eurocopter Canada Ltd.	Ontario (Canada)
F	100.00	F	100.00	Eurocopter Deutschland GmbH	Donauwörth (Germany)
F	100.00	F	100.00	Eurocopter España S.A.	Madrid (Spain)
F	100.00	F	100.00	Eurocopter Holding S.A.	Paris (France)
F	100.00	F	100.00	Eurocopter S.A.S.	Marignane (France)
F	100.00	F	100.00	Eurocopter Training Services S.A.S.	Marignane (France)
F	100.00			Korean Helicopter Development Support	Sacheon-si (South Korea)
F	85.66	F	76.52	Helibras - Helicopteros do Brasil S.A.	Itajuba (Brazil)
E	25.00	E	25.00	HFTS Helicopter Flight Training Services GmbH	Hallbergmoos (Germany)
Defence & Security					
F	100.00	F	100.00	Aircraft Services Lemwerder GmbH	Lemwerder (Germany)
F	100.00	F	100.00	Apsys	Suresnes (France)
E	16.20	E	16.20	Arbeitsgemeinschaft Marinelogistik	Bremen (Germany)
E	14.70	E	14.70	Atlas Defence Technology SDN.BHD	Kuala Lumpur (Malaysia)
P	49.00	P	49.00	Atlas Elektronik PTY Limited	St. Leonards (Australia)
P	49.00	P	49.00	Atlas Elektronik GmbH	Bremen (Germany)
P	49.00	P	49.00	Atlas Elektronik UK (Holdings) Limited	Newport, Wales (UK)
P	49.00	P	49.00	Atlas Elektronik UK Limited	Newport, Wales (UK)
P	49.00	P	49.00	Atlas Hydrographic Holdings PTY Limited	St. Leonards (Australia)
P	49.00	P	49.00	Atlas Hydrographic GmbH	Bremen (Germany)
P	49.00	P	49.00	Atlas Maridan ApS	Horsholm (Denmark)
P	49.00	P	49.00	Atlas Naval Systems Malaysia SDN.BHD.	Kuala Lumpur (Malaysia)
F	55.00	F	55.00	Aviation Defense Service S.A.	Saint-Gilles (France)

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

2008	%	2007	%	Company	Head office
P	37.50	P	18.75	Bayern-Chemie Gesellschaft für flugchemische Antriebe mbH	Aschau/Inn (Germany)
E	19.60	E	19.60	CybiCOM Atlas Defence (Proprietary) Limited	Umhlanga Rocks (South Africa)
		F	100.00	Defense Security Systems Solutions Inc.	San Antonio, Texas (USA)
F	100.00	F	100.00	Dornier Consulting GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	Dornier Flugzeugwerft GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	EADS CASA S.A. (Unit: Military Aircraft)	Madrid (Spain)
F	100.00	F	100.00	EADS Defence & Security Systems Limited	Newport, Wales (UK)
F	100.00	F	100.00	EADS Defence & Security Systems Limited - Holding	Newport, Wales (UK)
F	100.00	F	100.00	EADS Defence & Security Systems S.A.	Elancourt (France)
F	100.00			EADS Defence and Security Saudi Ltd	Riyadh Olaya District (Saudi Arabia)
F	100.00	F	100.00	EADS Deutschland GmbH – Defence Headquarter	Unterschleißheim (Germany)
F	100.00	F	100.00	EADS Deutschland GmbH - Military Aircraft TB 51	Munich (Germany)
F	100.00	F	100.00	EADS Deutschland GmbH – Verteidigung und Zivile Systeme	Ulm (Germany)
		F	100.00	EADS North America Defense Company	Arlington, Virginia (USA)
F	100.00	F	100.00	EADS Operations & Services UK	Newport, Wales (UK)
F	100.00	F	100.00	EADS Secure Networks Oy	Helsinki (Finland)
F	100.00	F	100.00	EADS Secure Networks S.A.S.	Elancourt (France)
		F	100.00	EADS Air Services	Boulogne (France)
F	100.00	F	100.00	EADS System & Defence Electronics Belgium	Oostkamp (Belgium)
F	100.00	F	100.00	EADS Secure Networks Deutschland GmbH	Ulm (Germany)
		F	100.00	EADS Telecom Deutschland GmbH	Unterschleissheim (Germany)
F	100.00	F	100.00	EADS Defence & Secutity Solutions España S.A.U.	Madrid (Spain)
F	100.00	F	100.00	EADS Telecom Mexico S.A. de CV	Mexico DF (Mexico)
F	100.00	F	100.00	EADS Cognac Aviation Training Services	Paris (France)
E	30.00	E	30.00	ESG Elektroniksystem- und Logistikgesellschaft	Munich (Germany)
F	100.00	F	100.00	Fairchild Controls Corporation	Frederick Maryland (USA)
F	100.00	F	100.00	FmElo Elektronik- und Luftfahrtgeräte GmbH	Ulm (Germany)
F	100.00	F	100.00	Gesellschaft für Flugzieldarstellung mbH	Hohn, Germany
F	100.00	F	100.00	Get Electronique S.A.	Castres (France)
E	45.00			Grintek Ewation (Pty) Ltd	Pretoria (South Africa)
P	49.00	P	49.00	Hagenuk Marinekommunikation GmbH	Flintbek (Germany)
F	100.00	F	100.00	IFR France S.A.	Blagnac (France)
P	37.50	P	37.50	LFK – Lenkflugkörpersysteme GmbH	Unterschleißheim (Germany)
F	100.00	F	100.00	M.P. 13	Paris (France)
P	50.00	P	50.00	Maîtrise d'Oeuvre SyStème	Issy les Moulineaux (France)
P	37.50	P	37.50	Marconi Overside Ldt.	Chelmsford (UK)
F	100.00	F	100.00	Matra Défense	Velizy (France)
P	37.50	P	37.50	Matra Electronique	La Croix Saint-Ouen (France)

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

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	2008	%	2007	%	Company	Head office
	F	100.00	F	100.00	Matra Holding GmbH	Frankfurt (Germany)
	P	37.50	P	37.50	MBDA France	Velizy (France)
	P	37.50	P	37.50	MBDA Holding	Velizy (France)
	P	37.50	P	37.50	MBDA Inc.	Westlack, CA (USA)
	P	37.50	P	37.50	MBDA Italy SpA	Roma (Italy)
	P	37.50	P	37.50	MBDA M S.A.	Chatillon sur Bagneux (France)
	P	37.50	P	37.50	MBDA S.A.S.	Velizy (France)
	P	37.50	P	37.50	MBDA Services	Velizy (France)
	P	37.50	P	37.50	MBDA Treasury	Jersey (UK)
	P	37.50	P	37.50	MBDA UK Ltd.	Stevenage, Herts (UK)
	E	26.80	E	26.80	Patria Oyj	Helsinki, Finland
	F	80.00	F	80.00	Pentastar Holding	Paris (France)
	F	100.00			Plant CML	Temecula, CA (USA)
	F	100.00	F	100.00	Proj2	Paris (France)
			P	18.75	Propulsion Tactique S.A.	La Ferte Saint Aubin (France)
			F	100.00	Racal Instruments US	San Antonio, Texas (USA)
	F	100.00	F	100.00	Racal Instruments Group Ltd. UK	Wimborne, Dorset (UK)
	E	18.75	E	18.75	Roxel	Saint-Médard-en-Jalles (France)
	F	100.00	F	100.00	Sofrelog S.A.	Bozons (France)
	P	49.00	P	49.00	Sonartech Atlas Pty Ltd.	St. Leonards (Australia)
	F	100.00	F	100.00	Sycomore S.A.	Boulogne-Billancourt (France)
			F	100.00	Talon Instruments	San Dimas, CA (USA)
	P	25.13	P	25.13	TAURUS Systems GmbH	Schrobenhausen (Germany)
	P	37.50	P	37.50	TDW- Ges. für verteidigungstechnische Wirksysteme GmbH	Schrobenhausen (Germany)
	F	100.00	F	100.00	Test & Services France	Velizy (France)
			F	100.00	Test & Services North America	Irvine, California (USA)
	F	100.00	F	100.00	TYX Corp.	Reston, VA (USA)
	E	50.00	E	50.00	United Monolithic Semiconductors France S.A.S.	Orsay (France)
	E	50.00	E	50.00	United Monolithic Semiconductors Holding	Orsay (France)
	E	50.00	E	50.00	United Monolithics Semiconductor GmbH	Ulm (Germany)
	F	90.00	F	90.00	UTE CASA A.I.S.A.	Madrid (Spain)
Astrium						
	F	100.00	F	100.00	Astrium GmbH - Satellites	Munich (Germany)
	F	100.00	F	100.00	Astrium GmbH - Space Transportation	Munich (Germany)
	F	100.00	F	100.00	Astrium Holding S.A.S.	Paris (France)
	F	100.00	F	100.00	Astrium Ltd. - Satellites	Stevenage (UK)
	F	100.00	F	100.00	Astrium SAS - Satellites	Toulouse (France)
	F	100.00	F	100.00	Astrium SAS - Space Transportation	Les Muraux (France)
	F	100.00	F	100.00	Astrium SAS - Services	Paris (France)
	F	100.00	F	100.00	Astrium Services GmbH	Ottobrunn (Germany)
	F	100.00			Astrium Services S.A.S.	Paris (France)

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

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2008	%	2007	%	Company	Head office
F	70.00			Axio-Net GmbH	Hannover (Germany)
F	100.00	F	100.00	Computadoras, Redes e Ingenieria SA (CRISA)	Madrid (Spain)
F	100.00	F	100.00	Dutch Space B.V.	Leiden (Netherlands)
		F	100.00	EADS Astrium Jersey Ltd.	Jersey (UK)
F	100.00	F	100.00	EADS Astrium N.V.	The Hague (Netherlands)
F	100.00	F	100.00	EADS Astrium SL	Madrid (Spain)
F	100.00	F	100.00	EADS CASA Espacio S.L.	Madrid (Spain)
F	100.00	F	100.00	EADS Deutschland GmbH – Space Services	Munich (Germany)
F	100.00			GPT Special Project Management Limited	Riyadh (Saudi Arabia)
E	20.73			I-Cubed (I3C)	Fort Collins, USA
F	100.00			Imass Ltd	Newcastle (UK)
F	100.00	F	100.00	Infoterra GmbH	Friedrichshafen (Germany)
F	100.00	F	100.00	Infoterra Ltd	Southwood (UK)
F	100.00	F	100.00	Infoterra S.A.S.	Toulouse (France)
F	100.00	F	100.00	Matra Marconi Space UK Ltd.	Stevenage (UK)
F	74.90	F	75.00	MilSat Services GmbH	Bremen (Germany)
		F	100.00	MMS Systems Ltd	Stevenage (UK)
E	47.40	E	47.40	Nahuelsat S.A.	Buenos Aires (Argentina)
F	100.00	F	100.00	Astrium Services UK Ltd	Stevenage (UK)
F	100.00	F	100.00	Paradigm Secure Communications Ltd	Stevenage (UK)
F	100.00	F	100.00	Paradigm Services Ltd	Stevenage (UK)
F	89.98	F	89.98	Sodern S.A.	Limeil Brevannes (France)
F	100.00			Space Management & Services S.A.S.	Paris (France)
F	81.03	E	40.03	Spot Image S.A.S.	Toulouse (France)
F	81.03			Spot Image Corporation Inc.	Chantilly, VA (USA)
F	81.03			Spot Imaging Services Pty Ltd	Weston Creek (Australia)
F	56.72			Spot Asia Pte Ltd	Singapore
F	44.57			Beijing Spot Image Co Ltd	Pekin (China)
F	41.30			Tokyo Spot Image	Tokyo (Japan)
F	78.38			Surrey Satellite Technology Ltd	Survey (UK)
F	100.00	F	100.00	TESAT-Spacecom Geschäftsführung GmbH	Backnang (Germany)
F	100.00	F	100.00	TESAT-Spacecom GmbH & Co. KG	Backnang (Germany)
Other Businesses					
P	50.00	P	50.00	ATR Eastern Support	Singapore (Singapore)
P	50.00	P	50.00	ATR GIE	Toulouse (France)
P	50.00	P	50.00	ATR India Customer Support	Bangalore (India)
P	50.00	P	50.00	ATR International SARL	Toulouse (France)
P	50.00	P	50.00	ATR North America Inc.	Washington D.C., (USA)
P	50.00	P	50.00	ATR Training Center SARL	Toulouse (France)
P	50.00	P	50.00	ATRiam Capital Ltd.	Dublin (Ireland)
F	50.10	F	50.10	Composites Aquitaine S.A.	Salaunes (France)

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

2008	%	2007	%	Company	Head office
F	50.00	F	50.00	Composites Atlantic Ltd.	Halifax (Canada)
F	100.00	F	100.00	EADS ATR S.A.	Toulouse (France)
		E	49.99	EADS Revima APU S.A.	Caudebec en Caux (France)
		F	100.00	EADS Revima S.A.	Tremblay en France (France)
F	100.00	F	100.00	EADS Seca S.A.	Le Bourget (France)
F	100.00	F	100.00	EADS Socata S.A.	Louey (France)
F	100.00	F	100.00	EADS Sogerma S.A.	Mérignac (France)
F	100.00	F	100.00	Elbe Flugzeugwerke GmbH	Dresden (Germany)
P	50.00			Airbus Freighter Conversion GmbH	Dresden (Germany)
F	100.00	F	100.00	Maroc Aviation S.A.	Casablanca (Morocco)
F	100.00	F	100.00	Noise Reduction Engineering B.C.	Washington, D.C. (USA)
F	100.00	F	100.00	Socata Aircraft Inc.	Miami, Florida (USA)
F	100.00			EADS North America Defense Security Systems Solutions Inc.	San Antonio, Texas (USA)
F	100.00			EADS North America Defense Test and Services, Inc.	Irvine, California (USA)
F	100.00			EADS North America, Inc.	Arlington, Virginia (USA)
F	52.00			EADS North America Tankers, LLC	Arlington, Virginia (USA)
Additionally consolidated are 6 SPEs.					
Headquarters					
E	23.16	E	23.15	Aero Precision	Deerfield Beach (USA)
F	100.00			AL Objekt Taufkirchen Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald (Germany)
F	75.00	F	75.00	DADC Luft- und Raumfahrt Beteiligungs AG	Munich (Germany)
E	46.32	E	46.30	Dassault Aircraft Services	(USA)
E	46.32	E	46.30	Dassault Aviation	Paris (France)
E	46.32	E	46.30	Dassault Falcon Jet	Teterboro N.J. (USA)
E	46.32	E	46.30	Dassault Falcon Jet	Wilmington (USA)
E	46.32	E	46.30	Dassault Falcon Service	Bonneuil en France
E	46.32	E	46.30	Dassault Procurement Services Inc	Paramus N.J. (USA)
F	99.12	F	97.16	Dornier GmbH – Zentrale	Friedrichshafen (Germany)
F	100.00	F	100.00	EADS Airbus Holding S.A.S.	Paris (France)
F	100.00	F	100.00	EADS CASA France	Paris (France)
F	100.00	F	100.00	EADS CASA S.A. (Headquarters)	Madrid (Spain)
F	100.00			EADS CASA S.A. Shared Service Center, Spain	Madrid (Spain)
F	100.00	F	100.00	EADS Deutschland GmbH – Zentrale	Munich (Germany)
F	100.00	F	100.00	EADS Deutschland GmbH, Innovation Work	Munich (Germany)
F	100.00	F	100.00	EADS Deutschland GmbH, LO - Liegenschaften OTN	Munich (Germany)
F	100.00			EADS Deutschland GmbH, Shared Service Center, Germany	Munich (Germany)
F	100.00	F	100.00	EADS Finance B.V.	Amsterdam (Netherlands)
F	100.00	F	100.00	EADS France HQ	Paris (France)
F	100.00	F	100.00	EADS France - Innovation Work	Suresnes (France)

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

2008	%	2007	%	Company	Head office
F	100.00			EADS Management Service GmbH	Munich (Germany)
F	100.00	F	100.00	EADS North America Holdings Inc.	Arlington (USA)
F	99.12	F	97.16	EADS Real Estate Dornier Grundstücke GmbH & Co. KG	Taufkirchen (Germany)
F	100.00	F	100.00	EADS Real Estate Objekt Nabern GmbH & Co. KG	Taufkirchen (Germany)
E	23.16	E	23.15	Falcon Training Center	France
F	100.00	F	100.00	Manhattan Beach Holding Company	Frederick, Maryland (USA)
F	100.00	F	100.00	Matra Aerospace Inc.	Arlington (USA)
E	46.32	E	46.30	Midway	USA
F	100.00			OBRA Grundstücks-Verwaltungsgesellschaft mbH	Grünwald (Germany)
F	100.00			OOO "EADS"	Moscow, Russia
E	46.13	E	46.16	Sogitec Industries	Suresnes (France)

F: Fully consolidated. P: Proportionate. E: Equity method.
The stated percentage of ownership is related to the respective parent company.

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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 2008 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, which comprise the consolidated balance sheet as at 31 December 2008, the profit and loss account, statement of recognised income and expenses and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the Auditors' judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

EMPHASIS OF MATTER

Without qualifying our opinion above, we draw attention to all of the specific disclosures made by the Company in its notes to the Consolidated Financial Statements under Note 3 "Accounting for the A400M Programme" in relation with the risks and uncertainties attached to the A400M programme.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the Consolidated Financial Statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 9 March 2009

KPMG Accountants N.V.
L.A. Blok

Amsterdam, 9 March 2009

Ernst & Young Accountants LLP
F.A.L. van der Bruggen

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Company Financial Statements

BALANCE SHEET OF THE COMPANY FINANCIAL STATEMENTS

(in €m) **Assets**	Note	At 31 December 2008	At 31 December 2007
Fixed assets			
Goodwill	2	4,354	4,354
Financial fixed assets	2	9,575	11,303
Non-current securities	4	3,035	2,685
		16,964	**18,342**
Non-fixed assets			
Receivables and other assets	3	5,398	5,526
Securities	4	3,909	1,595
Cash and cash equivalents	4	5,321	6,444
		14,628	**13,565**
Total assets		**31,592**	**31,907**
Liabilities and stockholders' equity			
Stockholders' equity(1)	5		
Issued and paid up capital		815	814
Share premium		7,836	7,968
Revaluation reserves		237	3,973
Legal reserves		3,379	2,844
Treasury shares		(109)	(206)
Retained earnings		(2,708)	(1,857)
Result of the year		1,572	(446)
		11,022	**13,090**
Non-current liabilities			
Financing liabilities	6	332	316
Other non-current liabilities	6	1,501	1,532
		1,833	**1,848**
Current liabilities			
Other current liabilities	7	18,737	16,969
		18,737	**16,969**
Total liabilities and stockholders' equity		**31,592**	**31,907**

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

INCOME STATEMENT OF THE COMPANY FINANCIAL STATEMENTS

(in €m)		2008	2007
Income from investments		1,763	(380)
Other results		(191)	(66)
Net result	8	**1,572**	**(446)**

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Notes to the Company Financial Statements

Contents

1. Basis of Presentation

1.1 GENERAL

EADS N.V., having its legal seat in Amsterdam, the Netherlands, is engaged in the holding, coordinating and managing of participations or other interests in and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities, partnerships, business associations and undertakings that are involved in the aeronautic, defence, space and/or communication industry or activities that are complementary, supportive or ancillary thereto.

The Company Financial Statements are part of the 2008 financial statements of EADS N.V.

The description of the company's activities and the group structure, as included in the notes to the Consolidated Financial Statements, also apply to the Company Financial Statements. In accordance with Article 402 Book 2 of the Dutch Civil Code the income statement is presented in abbreviated form.

1.2 PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company Financial Statements, EADS N.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. As from 2005, the Netherlands Civil Code allows that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company Financial Statements of EADS N.V. are the same as those applied for the consolidated EU-IFRS financial statements. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as EU-IFRS). Please see Note 2 of the Consolidated Financial Statements for a description of these principles.

Participating interests including subsidiaries, over which significant influence is exercised, are stated on the basis of the equity method.

The share in the result of participating interests consists of the share of EADS N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between EADS N.V. and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

Undistributed results from investments are included in the other legal reserves to the extent the company cannot enforce dividend distribution.

2. Fixed assets

At the end of 2008, goodwill acquisition cost amounts to €5,676 million (2007: €5,676 million) and the cumulative amortisation and impairments to €1,322 million (2007: €1,322 million).

The movements in financial fixed assets are detailed as follows:

(in €m)	Subsidiaries	Participations	Loans	Total
Balance at 31 December 2007	**10,033**	**94**	**1,176**	**11,303**
Additions	110		212	322
Redemptions			(72)	(72)
SOP/ESOP	22			22
Net income from investments	1,754	9		1,763
Actuarial gains/losses IAS 19	(310)			(310)
Dividends received	(79)	(3)		(82)
Translation differences/other changes	(3,292)	(21)	(58)	(3,371)
Balance at 31 December 2008	**8,238**	**79**	**1,258**	**9,575**

The investments in subsidiaries are included in the balance sheet based on their net asset value in accordance with the aforementioned accounting principles of the Consolidated Financial Statements. The participations include available-for-sale securities, measured at fair value, and investments in associated companies accounted for using the equity method.

The translation differences/other changes reflect mainly the impact in the other comprehensive income related to the application of IAS 39.

Significant subsidiaries, associates and joint ventures are listed in the Appendix “Information on principal investments” to the Consolidated Financial Statements.

Loans provided to affiliated companies amount to €1,252 million (2007: €1,167 million). On average, the interest rate of the loans is 5.4%. An amount of €545 million has a maturity between five and ten years and an amount of €301 million matures after ten years. The item redemptions mainly reflects the redemption of a loan provided to Paradigm Secure Communications.

3. Receivables and other assets

(in €m)	2008	2007
Receivables from subsidiaries	4,963	5,317
Other assets	435	209
Total receivables and other assets	**5,398**	**5,526**

The receivables from subsidiaries include mainly receivables in connection with the cash pooling in EADS N.V.

The receivables and other assets are due within one year. In 2007 an amount of €47 million was due after one year.

4. Securities, Cash and cash equivalents

The securities comprise mainly available-for-sale Securities. The available-for-sale security portfolio contains a non-current portion of €3,035 million (2007: €2,685 million). For further information please see Note 22 of the Consolidated Financial Statements.

EADS limits its cash equivalents to such investments having a maturity of three months or less from acquisition date.

5. Stockholders' equity

(in €m)	Capital stock	Share premiums	Revaluation reserves	Legal reserves	Treasury shares	Retained earnings	Result of the year	Total equity
Balance at 31 December 2006	**816**	**8,160**	**3,657**	**2,835**	**(349)**	**(2,203)**	**99**	**13,015**
Capital increase	3	43						46
Net income							(446)	(446)
ESOP/SOP IFRS 2						48		48
Cash distribution		(97)						(97)
Transfer to legal reserves				204		(204)		
Cancellation of shares	(5)	(138)			143			
Others			316	(195)		403		524
Appropriation of result						99	(99)	
Balance at 31 December 2007	**814**	**7,968**	**3,973**	**2,844**	**(206)**	**(1,857)**	**(446)**	**13,090**
Capital increase	2	22						24
Net income							1,572	1,572
ESOP/SOP IFRS 2						22		22
Cash distribution		(97)						(97)
Transfer to legal reserves				117		(117)		
Sale of treasury shares					39			39
Cancellation of shares	(1)	(57)			58			
Others			(3,736)	418		(310)		(3,628)
Appropriation of result						(446)	446	
Balance at 31 December 2008	**815**	**7,836**	**237**	**3,379**	**(109)**	**(2,708)**	**1,572**	**11,022**

For further information to the Stockholders' equity, please see Note 24 of the Consolidated Financial Statements.

As of 31 December 2008, the item 'Revaluation reserves' relates to €420 million (2007: €423 million) resulting from the fair value of Securities classified as available for sale, compensated by negative fair values of cash flow hedges, recognised directly in equity with an amount of €183 million (2007: €3,550 million positive fair values).

The legal reserves are related to EADS' share in the undistributed results from investments for €977 million (2007: €841 million) internally generated capitalised development costs of €881 million (2007: €900 million), €1,521 million (2007: €1,103 million) resulting from currency translation effects of affiliated companies.

The internally generated development costs reflect capitalised development costs in the consolidated subsidiaries and allocated to other legal reserves in accordance with Article 2:389 paragraph 6 of the Dutch Civil Code.

The retained earnings include actuarial losses arising from defined benefit plans, recognised in equity, with an amount of €1,270 million (2007: €960 million).

Pursuant to Dutch law, limitation exist relating to the distribution of stockholders' equity with an amount of €4,614 million (2007: €7,631 million). The limitations relate to capital stock of €815 million (2007: €814 million), to revaluation reserves of €420 million (2007: €3,973 million) and to legal reserves of €3,379 million (2007: €2,844 million). In general, gains related to available for sale securities, fair values of cash flow hedges, currency translation effects of affiliated companies and capitalised development costs reduce the distributable stockholders' equity.

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6. Non-current liabilities

The financing liabilities include a long term loan, granted by the European Investment Bank to EADS in the amount of US$ 421 million and a shareholder loan granted by Sogeade in the amount of € 29 million. For further details, please see Note 27 of the Consolidated Financial Statements.

The other non-current liabilities include mainly liabilities to subsidiaries in connection with the cash pooling in EADS N.V.

7. Other current liabilities

(in €m)	2008	2007
Liabilities to subsidiaries	17,003	15,881
Liabilities to related companies	1,404	986
Other liabilities	330	102
Total	**18,737**	**16,969**

The liabilities to subsidiaries comprise mainly liabilities in connection with the cash pooling in EADS N.V.

8. Net result

The net income in 2008 amounts to € 1,572 million (2007: loss of € 446 million).

9. Financial instruments

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest risks. EADS uses financial instruments in order to limit these financial risks. Information to the terms and conditions of the financial instruments and the respective fair values is provided in Note 35 of the Consolidated Financial Statements.

10. Commitments and contingent liabilities

EADS N.V. issues guarantees on behalf of consolidated companies with an amount of € 120 million. The commitments of these companies to third parties mainly relate to their operating business as described in Note 34 to the Consolidated Financial Statements. The company is heading a fiscal unity, which also includes EADS Finance B.V. and therefore the company is several and jointly liable for income tax liabilities of the fiscal unity as a whole.

11. Remuneration

The total **remuneration** of the Non Executive and the Executive Members of the Board of Directors and former directors in 2008 and 2007 can be summarised as follows:

NON-EXECUTIVE MEMBERS OF THE BOARD

(in €)	2008	2007
Fixum	263,125	240,000
Bonus (related to reporting period)	–	550,370
Fees	322,500	390,000

EXECUTIVE MEMBERS OF THE BOARD

(in €)	2008	2007
Fixum	900,000	2,729,179
Bonus (related to reporting period)	1,545,500	4,028,998

The remuneration of the Non-Executive Members of the Board of Directors was as follows:

SUMMARY TABLE OF THE REMUNERATION OF THE NON-EXECUTIVE DIRECTORS

	Directors' remuneration in respect of 2008***		Directors' remuneration in respect of 2007		
	Fixum	Attendance Fees	Fixum	Variable compensation (Bonus)	Attendance Fees
Current Non-Executive Board Members*	**(in €)**	**(in €)**	(in €)	(in €)	(in €)
Rüdiger Grube	52,500	52,500	30,000	109,813	85,000
Rolf Bartke	5,625	45,000	-	11,766	15,000
Dominique D'Hinnin	5,625	40,000	-	11,766	15,000
Juan Manuel Eguiagaray Ucelay	30,000	45,000	30,000	62,750	50,000
Arnaud Lagardère	54,375	10,000	60,000	113,734	60,000
Hermann-Josef Lamberti	5,625	40,000	-	11,766	10,000
Lakshmi N. Mittal**	-	-	-	-	-
Sir John Parker	5,625	25,000	-	11,766	20,000
Michel Pébereau	20,000	25,000	-	41,833	25,000
Bodo Uebber	20,000	40,000	-	41,833	10,000
Former Non-Executive Board Members*					
Manfred Bischoff	15,000	-	60,000	31,375	50,000
François David	24,375	-	30,000	50,984	30,000
Michael Rogowski	24,375	-	30,000	50,984	20,000
Total	**263,125**	**322,500**	**240,000**	**550,370**	**390,000**

* Prorata in accordance with their periods of membership with the Board of Directors. Most of the current Non-Executive Board Members were appointed in May or October 2007. Fixum and variable compensation are based on their presence in the prior year.

** Remuneration waived at the Director's request.

*** Starting 1 January 2008, Non-Executive Board Members are no longer entitled to receive variable compensation (bonus).

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The remuneration of the Executive Members of the Board of Directors was as follows:

SUMMARY TABLE OF THE REMUNERATION OF THE CURRENT AND FORMER EXECUTIVE DIRECTORS

	Directors' remuneration in respect of 2008		Directors' remuneration in respect of 2007*	
	Fixum	Variable compensation (Bonus)	Fixum	Variable compensation (Bonus)**
Executive Board Members	(in €)	(in €)	(in €)	(in €)
Louis Gallois	900,000	1,545,500	900,000	1,515,250
Thomas Enders***	-	-	750,000	1,214,373
Jean-Paul Gut***	-	-	495,839	525,000
Hans Peter Ring***	-	-	583,340	774,375
Total	**900,000**	**1,545,500**	**2,729,179**	**4,028,998**

* The remuneration disclosed above does not include any termination indemnities for Jean-Paul Gut related to 2007 which were disclosed in the 2007 annual report.

** In previous years, the part of the Executive Board Members' compensation which is paid by EADS NV was disclosed within the fixum.
The EADS NV compensation is now disclosed as a component of the variable compensation related to the reporting period.

*** Prorata in accordance with their period of membership with the Board of Directors.

The bonus conditions are disclosed in the Board Report, Chapter 4.4.1.2.

The table below gives an overview of the interests of the current Executive Board Director under the various **long term incentive plans** of EADS:

STOCK OPTION PLANS

Number of options

year of plan	initially granted	as at 1 Jan. 2008	granted in 2008	exercised during 2008	as at 31 Dec. 2008	exercise price (in €)	expiry date 2008
Louis Gallois							
2006	67,500	67,500	-	-	67,500	25.65	16 Dec. 2016

PERFORMANCE SHARE PLAN

Number of performance shares*

year of plan	initially granted	as at 1 Jan. 2008	granted in 2008	vested during 2008	as at 31 Dec. 2008	vesting date
Louis Gallois						
2006	16,875	16,875	-	-	16,875	Publication of the 2009 annual results, expected in March 2010

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

PERFORMANCE UNIT PLANS

Number of performance units**	granted in 2007	vesting date
Louis Gallois	33,700	Vesting schedule is made up of 4 payments over 2 years: › 25% expected in May 2011; › 25% expected in November 2011; › 25% expected in May 2012; › 25% expected in November 2012.

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

Number of performance units**	granted in 2008	vesting date
Louis Gallois	40,000	Vesting schedule is made up of 4 payments over 2 years: › 25% expected in May 2012; › 25% expected in November 2012; › 25% expected in May 2013; › 25% expected in November 2013.

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

STOCK OPTION PLANS

To the other current Members of the Executive Committee and to the Group's senior management, the number of outstanding stock options amounted to 26,327,070 at 31 December 2008.

During the year 2008, none of the Executive Committee Members, including former Executive Board Directors, have exercised options granted under the various EADS stock option plans. Exercises of options by the EADS Executive Committee Members are disclosed on the EADS internet website in accordance with the applicable regulations.

PERFORMANCE AND RESTRICTED SHARE PLANS

To the current Members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted shares amounted to 1,652,975 at 31 December 2008.

PERFORMANCE AND RESTRICTED UNIT PLANS

To the current Members of the Executive Committee and to the Group's senior management, the number of outstanding performance and restricted units amounted to 5,070,660 at 31 December 2008.

The expense accounted for in 2008 for stock options, performance shares and performance units granted to the Chief Executive Officer was €0.5 million.

For further information on these various plans, please see Note 36 of the consolidated IFRS financial statements.

The **pension benefit** obligation for the Executive Committee Members is as follows:

The Members of the Executive Committee have pension promises as part of their employment agreements.
The general policy is to give them annual pensions of 50% of their annual base salary upon reaching 5 years of service in the Executive Committee of EADS at the age of 60 or 65.

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

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

For the Chief Executive Officer, the amount of the pension defined benefit obligation amounted to €1.4 million as of 31 December 2008, while the amount of current service and interest cost related to his pension promise accounted for during fiscal year 2008 represented an expense of €0.6 million. This obligation has been accrued for in the financial statements.

OTHER BENEFITS

All amounts reported above for the Executive Board Directors (current and former) are free of benefits in kind, as explained below, they are entitled to, as well as all national social and income tax impacts.

The Chief Executive Officer is entitled to a company car. The value of his company car is €23,977.

EADS has not provided any loans to / advances to / guarantees on behalf of Directors.

For further information on the remuneration, please see Note 37 of the Consolidated Financial Statements.

12. Employees

The number of persons employed by the company at year end 2008 was 2 (2007: 3).

13. Related party transactions

In 2007, Lagardère and the French State granted to EADS their received dividend for 2006 in the amount of €29 million as an interest free loan.

14. Auditors Fees

SERVICES OF STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORK RENDERED TO THE GROUP FOR THE FINANCIAL YEARS 2008 AND 2007

	KPMG Accountants N.V.				Ernst & Young Accountants			
	2008		2007		2008		2007	
	Amount in k€	%	Amount in k€	%	Amount in k€	%	Amount in k€	%
Audit								
Audit process, certification, examination of individual and consolidated accounts	4,872	67.5	5,291	73.2	4,684	84.7	4,571	86.7
Additional tasks	821	11.4	491	6.8	548	9.9	284	5.4
Sub-total	**5,693**	**78.9**	**5,782**	**80.0**	**5,232**	**94.6**	**4,855**	**92.1**
Other services as relevant								
Legal, tax, employment	1,191	16.5	897	12.4	160	2.9	333	6.3
Information Technology	251	3.5	117	1.6	0	0.0	0	0.0
Other (to be specified if > 10% of the fees for the audit)	82	1.1	428	6.0	138	2.5	82	1.6
Sub-total	**1,524**	**21.1**	**1,442**	**20.0**	**298**	**5.4**	**415**	**7.9**
Total	**7,217**	**100.0**	**7,224**	**100.0**	**5,530**	**100.0**	**5,270**	**100.0**

SUPPLEMENTARY INFORMATION

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 2008 which are part of the financial statements of European Aeronautic Defence and Space Company EADS N.V., Amsterdam, which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Company Financial Statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Company Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the Company Financial Statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Company Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Company Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Company Financial Statements give a true and fair view of the financial position of European Aeronautic Defence and Space Company EADS N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of Matter

Without qualifying our opinion above, we draw attention to all of the specific disclosures made by the Company in its notes to the Consolidated Financial Statements under Note 3 “Accounting for the A400M Programme” in relation with the risks and uncertainties attached to the A400M programme.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the Company Financial Statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 9 March 2009	Amsterdam, 9 March 2009
KPMG Accountants N.V. L.A. Blok	Ernst & Young Accountants LLP F.A.L. van der Bruggen

OTHER SUPPLEMENTARY INFORMATION

1. Appropriation of result

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The general meeting of shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the profit of €1,572 million as shown in the income statements for the financial year 2008 is to be added to retained earnings and that a payment of a gross amount of €0.20 per share shall be made to the shareholders from distributable reserves.

2. Subsequent events

For further information please see Note 41 of the Consolidated Financial Statements.

WWW.EADS.COM

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