

Year 2007 Report

Unaudited Condensed Consolidated Financial Information of EADS N.V. for the year 2007

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Unaudited Condensed IFRS Consolidated Income Statements

	January 1 - December 31, 2007		January 1 - December 31, 2006		Deviation	
	M €	%	M €	%	M €	%
Revenues	39,123	100	39,434	100	-311	-1
Cost of sales	-34,802	-89	-34,722	-88	-80	0
Gross margin	4,321	11	4,712	12	-391	-8
Selling, administrative & other expenses	-2,275	-6	-2,462	-6	187	-8
Research and development expenses	-2,608	-7	-2,458	-6	-150	6
Other income	233	1	297	1	-64	-22
Share of profit from associates under the equity method and other income from investments	296	1	189	0	107	57
Profit (loss) before finance costs and income taxes	-33	0	278	1	-311	-112
Interest income	502	1	454	1	48	11
Interest expenses	-701	-2	-575	-2	-126	22
Other financial result	-538	-1	-123	0	-415	337
Total finance costs	-737	-2	-244	-1	-493	202
Income taxes	333	1	81	0	252	311
Profit (loss) for the period	-437	-1	115	0	-552	-480
Attributable to:						
Equity holders of the parent (Net income (loss))	-446	-1	99	0	-545	-551
Minority interests	9	0	16	0	-7	-44
Earnings per share	€		€		€	
Basic	-0.56		0.12		-0.68	
Diluted	-0.55		0.12		-0.67	

Unaudited Condensed IFRS Consolidated Balance Sheets

	December 31, 2007		December 31, 2006		Deviation	
	M €	%	M €	%	M €	%
Non-current assets						
Intangible assets	10,832	14	10,855	15	-23	0
Property, Plant and Equipment	13,489	18	14,315	20	-826	-6
Investments in associates under the equity method	2,238	3	2,095	3	143	7
Other investments and other long-term financial assets	1,553	2	1,666	2	-113	-7
Non-current other assets	3,543	5	4,231	6	-688	-16
Deferred tax assets	2,705	4	2,624	4	81	3
Non-current securities	2,691	3	1,294	2	1,397	108
	37,051	49	37,080	52	-29	0
Current assets						
Inventories	18,906	25	16,892	23	2,014	12
Trade receivables	4,639	6	4,852	7	-213	-4
Other current assets	5,713	8	4,545	6	1,168	26
Current securities	1,598	2	549	1	1,049	191
Cash and cash equivalents	7,549	10	8,143	11	-594	-7
	38,405	51	34,981	48	3,424	10
Non-current assets / disposal groups classified as held for sale	0	0	76	0	-76	-100
Total assets	75,456	100	72,137	100	3,319	5
Total equity						
Equity attributable to equity holders of the parent						
Capital Stock	814	1	816	1	-2	0
Reserves	7,406	9	7,593	11	-187	-2
Accumulated other comprehensive income	5,076	7	4,955	7	121	2
Treasury shares	-206	0	-349	0	143	-41
	13,090	17	13,015	19	75	1
Minority interests	85	0	137	0	-52	-38
	13,175	17	13,152	19	23	0
Non-current liabilities						
Non-current provisions ¹⁾	8,055	11	8,911	12	-856	-10
Long-term financing liabilities	3,090	4	3,561	5	-471	-13
Deferred tax liabilities	2,188	3	2,465	3	-277	-11
Other non-current liabilities ¹⁾	14,880	20	12,832	18	2,048	16
	28,213	38	27,769	38	444	2
Current liabilities						
Current provisions ²⁾	4,378	6	3,552	5	826	23
Short-term financing liabilities	1,724	2	2,196	3	-472	-21
Trade liabilities	7,398	10	7,461	10	-63	-1
Current tax liabilities	179	0	218	0	-39	-18
Other current liabilities ²⁾	20,389	27	17,725	25	2,664	15
	34,068	45	31,152	43	2,916	9
Liabilities directly associated with non-current assets classified as held for sale	0	0	64	0	-64	-100
Total liabilities	62,281	83	58,985	81	3,296	6
Total equity and liabilities	75,456	100	72,137	100	3,319	5

¹⁾ Regarding the retrospective change in 2006 in presentation of „Non-current provisions“ (-152 M €) and “Other non-current liabilities” (+152 M €) for financial instruments please refer to Note 2 a) “Accounting policies”.

²⁾ Regarding the retrospective change in 2006 in presentation of „Current provisions“ (-79 M €) and “Other current liabilities” (+79 M €) for financial instruments please refer to Note 2 a) “Accounting policies”.

Unaudited Condensed IFRS Consolidated Cash Flow Statements

	January 1 - December	January 1 - December
	31, 2007	31, 2006
	M €	M €
Profit (loss) for the period attributable to equity holders of the parent (Net income (loss))	-446	99
Profit attributable to minority interests	9	16
<i>Adjustments to reconcile profit (loss) for the period (net income (loss)) to cash provided by operating activities</i>		
Depreciation and amortization	1,772	1,691
Valuation adjustments/ others	594	73
Results of disposal of non-current assets	-125	-336
Results of companies accounted for by the equity method	-210	-152
Change in current and non-current provisions	2,268	2,150
Change in other operating assets and liabilities	1,175	-143
Cash provided by operating activities	5,037	3,398
- Purchase of intangible assets, PPE	-2,028	-2,708
- Proceeds from disposals of intangible assets, PPE	162	76
- Acquisitions of subsidiaries and joint ventures (net of cash)	0	-82
- Proceeds from disposals of subsidiaries (net of cash)	29	86
- Payments for investments in associates and other investments and long-term financial assets	-568	-421
- Proceeds from disposals of associates and other investments and long-term financial assets	481	813
- Dividends paid by companies valued at equity	39	46
- Increase in equipment of leased assets	-30	-147
- Proceeds from disposals of leased assets	371	215
- Increase in finance lease receivables	-150	-16
- Decrease in finance lease receivables	118	79
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	26	690
Change of securities	-2,641	3,357
Reimbursement from / contribution to plan assets	-303	0
Change in cash from changes in consolidation	-249	0
Cash (used for) provided by investing activities	-4,743	1,988
Change in long-term and short-term financing liabilities	-719	784
Cash distribution to EADS N.V. shareholders	-97	-520
Dividends paid to minorities	-1	-16
Payments related to liability for puttable instruments	0	-2,879
Capital increase	46	94
Disposal (purchase) of treasury shares	0	-35
Cash used for financing activities	-771	-2,572
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	-117	-57
Net (decrease) increase in cash and cash equivalents	-594	2,757
Cash and cash equivalents at beginning of period	8,143	5,386
Cash and cash equivalents at end of period	7,549	8,143

As of December 31, 2007, EADS' cash position (stated as cash and cash equivalents in the unaudited consolidated cash flow statements) includes 602 M € (597 M € as of December 31, 2006), which represent EADS' share in MBDA's cash and cash equivalents deposited at other shareholders. These

funds are available for EADS upon demand. The percentage of the proportional consolidation of MBDA has changed from 50% to 37.5% as of January 1, 2007.

Unaudited Condensed IFRS Consolidated Statements of Recognised Income and Expense

in M €	January 1 - December 31, 2007	January 1 - December 31, 2006
Currency translation adjustments for foreign operations	-196	-324
Changes in fair value of cash flow hedges	240	1,863
Change in fair value of available-for-sale financial assets	-50	76
Changes in actuarial gains and losses	608	-690
Tax on income and expense recognised directly in equity	-46	-662
Income and expense recognised directly in equity	556	263
(Loss) profit for the period	-437	115
Total recognised income and expense of the period	119	378
Attributable to:		
Equity holders of the parent	78	382
Minority interests	41	-4
Total recognised income and expense of the period	119	378

Additional Information: Unaudited Condensed IFRS Consolidated Reconciliation of Movement in Equity attributable to equity holders of the parent and Minority interests

in M €	Equity attributable to equity holders of the parent	Minority interests	total
Balance at January 1, 2006	13,054	153	13,207
Total recognised income and expense	382	-4	378
Cash distribution to shareholders	-520	-16	-536
Capital Increase	94	0	94
Purchase of treasury shares	-35	0	-35
Others	40	4	44
Balance at December 31, 2006	13,015	137	13,152
Total recognised income and expense	78	41	119
Cash distribution to shareholders	-97	-1	-98
Capital Increase	46	2	48
Changes in minority interests ¹⁾	0	-94	-94
Others	48	0	48
Balance at December 31, 2007	13,090	85	13,175

¹⁾ Please refer to Note 3 "Changes in the consolidation perimeter of EADS" and Note 7 "Significant balance sheet items".

Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at December 31, 2007

1. The Company

The accompanying Condensed Consolidated Financial Statements (unaudited) present 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 (Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk, The Netherlands), and are prepared and reported in Euros ("€"). 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.

2. Accounting policies

These Condensed Unaudited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB") as endorsed by the EU as at December 31, 2007. They comprise (i) IFRS, (ii) International Accounting Standards ("IAS") and (iii) Interpretations originated by the International Financial Reporting Interpretations Committee ("IFRIC") or former Standards Interpretation Committee ("SIC").

New Standards, Amendments to existing Standards and new Interpretations

The IFRS rules applied by EADS for preparing 2007 year end Consolidated Financial Statements are the same as for previous financial year except for those following the application of new or amended Standards or Interpretations respectively and changes in accounting policies as detailed below.

a) New Standards**IFRS 7** Financial Instruments: Disclosures (issued 2005)

IFRS 7 and the complementary amendment to IAS 1 (see below under paragraph b) became effective January 1, 2007. Both Standards introduce additional qualitative as well as quantitative disclosure requirements regarding the nature and extent of risk arising from financial instruments. However, they do not have any impact on the classification or valuation of EADS' financial instruments.

In the course of IFRS 7, EADS changed its Balance Sheet presentation in 2007 retrospectively for December 31, 2006 regarding provisions:

231 M € "provisions for negative fair values of derivative financial instruments" (IAS 39 Hedging contracts) were reclassified to other liabilities to present them as financial liability.

b) Amended Standards

The application of the following amended Standard is mandatory for EADS as of January 1, 2007.

IAS 1 Presentation of Financial Statements: Capital Disclosure (issued 2005)

This amendment led to additional disclosures which shall enable users of EADS Group Financial Statements to evaluate the Group's objectives, policies and processes for managing capital.

c) New Interpretations

The following four Interpretations have become effective as of 1st January 2007:

IFRIC 7 Applying the Restatement Approach under IAS 29 (issued 2005)**IFRIC 8** Scope of IFRS 2 (issued 2006)**IFRIC 9** Reassessment of Embedded Derivatives (issued 2006)**IFRIC 10** Interim Financial Reporting and Impairment (issued 2006)

IFRIC 7 addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred taxes.

IFRIC 8 requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2.

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

IFRIC 10 requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The application of the four Interpretations did not have an impact on EADS Group Financial Statements.

3. Changes in the consolidation perimeter of EADS

The percentage of the proportionate consolidation of MBDA has changed from 50 % to 37.5 % as of January 1, 2007 reflecting EADS ownership in MBDA.

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

Following an agreement dated January 10, 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 these transactions, other acquisitions or disposals by the Group that occurred in the 2007 are not material.

Non-current assets held for sale and discontinued operations – With regard to the plan to sell sites in Méaulte, St. Nazaire Ville, Nordenham, Varel, Augsburg, Laupheim and Filton, an indepth analysis has been performed to assess whether requirements of IFRS 5 for the classification of disposal group(s) held for sale were met as at December 31, 2007. Considering the status of the project as of December 31, 2007, the actions still necessary to complete the plan to sell all of the sites were considered of such a magnitude that it was not unlikely that significant changes to the plan to sell could be made.

4. Segment information

The Group operates in five divisions (segments) which reflect the internal organizational and management structure according to the nature of the products and services provided.

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

The following table presents 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" comprises the development, manufacturing, marketing and sale of regional turboprop aircraft and light commercial aircraft, aircraft components as well as civil and military aircraft conversion and maintenance services.

in M €	Airbus	Military Transport Aircraft	Eurocopter	Defence & Security	Astrium	Other Businesses	HQ/ Conso.	Consoli- dated
Year ended December 31, 2007								
Revenues	25,216	1,140	4,172	5,465	3,550	1,269	-1,689	39,123
Research and development expenses	-2,175	-16	-93	-169	-78	-8	-69	-2,608
EBIT pre-goodwill imp. and exceptionals (see definition below)	-881	-155	211	340	174	94	269	52
Year ended December 31, 2006								
Revenues	25,190	2,200	3,803	5,864	3,212	1,257	-2,092	39,434
Research and development expenses	-2,035	-13	-78	-195	-71	-6	-60	-2,458
EBIT pre-goodwill imp. and exceptionals (see definition below)	-572	75	257	348	130	-288	449	399

5. EBIT pre-goodwill impairment and exceptionals

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

A reconciliation from Loss / profit before finance costs and income taxes to EBIT pre-goodwill impairment and exceptionals is set forth in the following table (in M €):

in M €	January 1- December 31, 2007	January 1- December 31, 2006
(Loss) profit before finance costs and income taxes	-33	278
Goodwill and exceptionals:		
Disposal of goodwill/ subsequent adjustment of goodwill	12	64
Exceptional depreciation (fixed assets in cost of sales)	49	57
Exceptional disposal (fixed assets in other income)	24	0
EBIT pre-goodwill impairment and exceptionals	52	399

6. Significant income statement items

Revenues stood at 39,123 M € (2006: 39,434 M €), supported by higher commercial aircraft deliveries at Airbus (453 units versus 434 compared to the previous year), as well as increased

volumes at Eurocopter and EADS Astrium. Despite an unfavourable US Dollar impact and a decrease in A400M revenue recognition Group revenues remained roughly stable in comparison with the previous year. EADS achieved 56 percent of its revenues outside Europe due to strong contributions from North America (20 percent), Asia-Pacific (23 percent) and other regions (13 percent).

The **Gross Margin** decreases by -391 M € to 4,321 M € compared to 4,712 M € in 2006. This decrease mainly results from MTA and Airbus (in particular due to the negative impact of the estimated level of charges resulting from the revised delivery schedule for the A400M, accrued "Power 8" restructuring charges and A350 XWB charges) whereas Sogerma and Astrium records an increased level of gross margin.

Research and development expenses of -2,608 M € (2006: -2,458 M €) mainly increase for the Airbus A350XWB.

Other income decreases by -64 M € to 233 M €, mainly due to the non-recurring gain of 111 M € resulting from the sale of LFK GmbH and TDW GmbH to MBDA Group accounted for in 2006. In 2007, other income includes among others gains from the sale of land and buildings.

Share of profit from associates under the equity method and other income from investments of 296 M € (2006: 189 M €) is mainly influenced by the result of Dassault Aviation of 194 M € (2006: 130 M €). The Dassault Aviation Group reported for the year 2007 a net income of 382 M € of which EADS recognised an amount of 177 M € according to its share of 46.3%. The EADS 2007 income from the participation of Dassault Aviation includes positive IFRS catch up adjustments amounting to 17 M € (2006: 0 M €). Additionally in 2007, the sale of EADS' interest in Embraer resulted in a non-recurring gain of 46 M €.

Net finance costs amount to -737 M € (2006: -244 M €) including the unwinding of the discounts on A380, A350 and Power8 provisions under IFRS principles and negative exchange effects in Airbus division.

An **income tax** benefit of +333 M € (2006: +81 M €) results in an effective income tax rate of 43%. It was impacted by a positive tax rate differential from countries with a low income tax rate and Dassault result partly compensated by tax rate changes in Germany and UK, effective in 2008, which led to an expense, due to revaluation of net deferred tax assets.

7. Significant balance sheet items

Non-current assets

Intangible assets of 10,832 M € (prior year-end: 10,855 M €) include 9,519 M € (prior year-end: 9,565 M €) of Goodwill. It mainly stems from Airbus (6,374 M €), Defence & Security (2,431 M €), Astrium (574 M €) and Eurocopter (111 M €). The related annual impairment tests, which were performed at the end of the year, did not lead to any impairment charges.

Eliminating foreign exchange-rate effects of -392 M €, **property, plant and equipment** decrease by -434 M € to 13,489 M € (prior year-end: 14,315 M €), including leased assets of 1,319 M € (prior year-end: 1,992 M €). Property, plant and equipment comprises "Investment property" amounting to 96 M € (prior year-end: 137 M €).

Investments in associates under the equity method of 2,238 M € (prior year-end: 2,095 M €) increase due to the change in the equity investment in Dassault Aviation, amounting to 2,121 M € (prior year-end: 1,985 M €).

Other investments and other long-term financial assets of 1,553 M € (prior year-end: 1,666 M €) are allocated to Airbus in the amount of 1,013 M € (prior year-end: 1,012 M €), mainly

concerning the non-current portion of aircraft financing activities. Other investments decrease due to the sale of Embraer shares (-123 M €).

Non-current other assets mainly comprise “Non-current derivative financial instruments” and “Non-current prepaid expenses”. The decrease by -688 M € to 3,543 M € (prior year-end: 4,231 M €) is mainly caused by the variation of the non-current portion of fair values of derivative financial instruments (-795 M €).

Deferred tax assets of 2,705 M € (prior year-end: 2,624 M €) are presented as non-current assets as required by IAS 1.

Non-current securities increase by +1,397 M € to 2,691 M € (prior year-end: 1,294 M €) due to a higher level of purchases of medium-term securities.

The fair values of **derivative financial instruments** are included in non-current other assets with an amount of 2,440 M € (prior year-end: 3,235 M €), in current other assets (2,955 M €, prior year-end: 2,032 M €), in other non-current liabilities (258 M €, prior year-end: 152 M €) and in other current liabilities (36 M €, prior year-end: 79 M €) which corresponds to a total net fair value of 5,101 M € (prior year-end: 5,036 M €). The volume of hedged US dollar-contracts increases from 45.1 bn US dollar as at December 31, 2006 to 51.3 bn US dollar as at December 31, 2007. The US dollar exchange rate became less favourable (USD / € spot rate of 1.47 at December 31, 2007 vs. 1.32 at December 31, 2006). The average US dollar hedge rate for the hedge portfolio of the Group changed from 1.16 as at December 31, 2006 to 1.26 as at December 31, 2007 (US dollar / € rate respectively).

Current assets

Inventories of 18,906 M € (prior year-end: 16,892 M €) increase by +2,014 M € in all divisions. This is mainly driven by Airbus (due to a higher level of unfinished goods and services (+485 M €) and advance payments made (+416 M €)), an increase in Eurocopter (+488 M €) due to a ramp-up of commercialized programs (Ecureuil, SuperPuma and EC 145) and governmental programs, a higher level of advance payments made at Defence & Security (+181 M €) and a higher work in progress at Astrium (+135 M €), boosted by the service and satellite business. At MTA, an amount of -62 M € of inventories was written off following a new obsolescence assessment on slow moving inventory.

Other current assets include “Current portion of other long-term financial assets”, “Current other assets”, “Current tax assets” and “Current prepaid expenses”. The increase of +1,168 M € to 5,713 M € (prior year-end: 4,545 M €) comprises among others an increase of +923 M € in positive fair values of derivative financial instruments.

Cash and cash equivalents decrease from 8,143 M € to 7,549 M € (see also note 8 “Significant cash flow items”).

Total equity

Equity attributable to equity holders of the parent (including purchased treasury shares) amounts to 13,090 M € (prior year-end: 13,015 M €). The increase is mainly due to income and expense recognised in equity of +78 M €, primarily resulting from positive effects from changes in fair values of derivative financial instruments and changes in actuarial gains and losses (please refer to “non-current provisions”) partly compensated by the loss for the period. A cash distribution to shareholders leads to a reduction in equity.

Minority interests decrease to 85 M € (prior year-end: 137 M €). Due to the change in the proportional consolidation of MBDA from 50% to 37.5%, minority interests are no longer included (2006: 94 M € less 26 M € related to actuarial gains and losses included in total recognised income and expense).

Non-current liabilities

Non-current provisions of 8,055 M € (prior year-end retrospectively changed: 8,911 M €) comprise the non-current portion of pension provisions with a decrease of -1,220 M € to 4,382 M € (prior year-end: 5,602 M €). Compared with year-end 2006, the assumed discount rate in Euro-countries for the calculation of pension provisions increases from 4.5% to 5.25% in France and 5.35% in Germany, thus leading to lower actuarial losses. Since EADS applies the equity approach for actuarial gains and losses, the effect is considered in non-current pension provisions with a corresponding net of tax increase in equity (please refer to "Equity"). The assumptions of BAe Systems' pension schemes are also reflected in a decrease of actuarial losses. In 2007, EADS implemented a Contractual Trust Arrangement (CTA). On October 28th, 2007, some EADS companies contributed in total 310 M € in cash and 190 M € in securities as an initial funding of the CTA. The assets held under the CTA are treated as plan assets according to IAS 19.

Moreover, other provisions are included in non-current provisions, which increase by +364 M € to 3,673 M €. A significant part of the increase is dedicated to the provision for the A350XWB and the non-current portion of the restructuring provisions for the "Power 8" program. Other provisions include among others aircraft financing activities. A reclassification to "Other non-current liabilities" is made for those obligations for which an agreement is signed.

Long-term financing liabilities of 3,090 M € (prior year-end: 3,561 M €), excluding foreign exchange-rate effects of -146 M €, decrease by -325 M € in particular due to Airbus.

Other non-current liabilities comprise "Non-current other liabilities" and "Non-current deferred income" and increase in total by +2,048 M € to 14,880 M € (prior year-end retrospectively changed: 12,832 M €). They mainly include non-current customer advance payments received of 8,420 M € (prior year-end: 6,308 M €) and the non-current portion of European Government refundable advances amounting to 4,854 M € (prior year-end: 5,029 M €). The main part of non-current deferred income of 753 M € (prior year-end: 1,110 M €) is linked to deferred revenues of Airbus and ATR according to Residual Value Guarantee clauses. The remaining portfolio, which is included in non-current deferred income, is depreciated over the guaranteed period. Moreover, obligations from signed agreements for settlement or buy-out charges in connection with the A380 and A350 programs have been reclassified from "Non-current other provisions".

Current liabilities

Current provisions increase by +826 M € to 4,378 M € (prior year-end retrospectively changed: 3,552 M €) and comprise the current portions of pensions (286 M €) and other provisions (4,092 M €). The build-up mainly reflects an increase in provisions for loss-making contracts dedicated to the A400M program (+1,028 M €) and an increase due to the current portion of restructuring provisions for the "Power 8" program (+315 M €). This is partly compensated by a decrease in miscellaneous other provisions (-776 M €), including a reclassification to "Other current liabilities" regarding signed agreements of settlement charges in connection with the A380 program.

Short-term financing liabilities of 1,724 M € (prior year-end: 2,196 M €) decrease by -472 M €.

Trade liabilities decrease by -63 M € to 7,398 M € (prior year-end: 7,461 M €), mainly coming from Airbus (-178 M €) and Military Transport Aircraft (-133 M €), partly offset by Eurocopter (+248 M €).

Other current liabilities include "Current other liabilities" and "Current deferred income". They increase by +2,664 M € to 20,389 M € (prior year-end retrospectively changed: 17,725 M €). Other current liabilities mainly comprise current customer advance payments of 16,214 M € (prior year-end: 14,172 M €). Obligations from signed agreements in connection with the A380 program have been reclassified from "Current provisions".

8. Significant cash flow items

Cash provided by operating activities increases by +1,639 M € to 5,037 M € (2006: 3,398 M €). Gross cash flow from operations (excluding working capital change) with 3,862 M € exceeds prior year's level (2006: 3,541 M €) as well as changes in other operating assets and liabilities (working capital change) which amount to 1,175 M € (2006: -143 M €).

Cash used for investing activities amounts to -4,743 M € (cash provided by investing activities in 2006: 1,988 M €). This comprises purchases of intangible assets and property, plant and equipment, namely in Airbus and Astrium, customer financing activities of Airbus and a net purchase of securities of -2,641 M €. The change compared to previous year mainly results from securities (-5,998 M €) and less positive customer financing (-1,099 M €) offset by lower purchase of property, plant and equipment (+680 M €), namely in Airbus.

Cash used for financing activities improves by +1,801 M € to -771 M € (2006: -2,572 M €). In 2007 the outflow mainly comprises the net repayment of financing liabilities whereas last year the repayment of the liability for puttable instruments to BAE Systems (-2,879 M €) was included.

9. Number of shares

The total number of shares outstanding is 804,209,475 and 802,130,993 as of December 31, 2007 and 2006, respectively. EADS' shares are exclusively ordinary shares with a par value of 1.00 €.

During the year 2007, the number of treasury shares held by EADS decreased from 13,800,531 as of December 31, 2006 to 9,804,998 as of December 31, 2007.

613,519 new shares (in 2006: 4,845,364 shares) were issued as a result of the exercise of stock options in compliance with the implemented stock option plans. Under the 2007 Employee Stock Ownership Plan, 2,037,835 shares were issued in May 2007. In 2006, no Employee Stock Ownership Plan was issued.

10. Earnings per share

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

	January 1 to December 31, 2007	January 1 to December 31, 2006
Net loss/income attributable to equity holders of the parent	-446 M €	99 M €
Weighted average number of ordinary shares outstanding	803,128,221	800,185,164
Basic earnings per share	-0.56€	0.12 €

For 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 only category of dilutive potential ordinary shares is stock options. Since the average price of EADS shares during 2007 exceeded the exercise price of the stock options under the 1st, 2nd, 4th and 5th stock option plans (in 2006: the 1st, 2nd, 3rd, 4th, 5th and 6th stock option plans) initiated by the Group, the inclusion of the related potential ordinary shares increases the weighted average number of shares. 2,420,180 shares (2006: 4,130,499 shares) are considered dilutive according to IAS 33.

	January 1 to December 31, 2007	January 1 to December 31, 2006
Net loss/income attributable to equity holders of the parent	-446 M €	99 M €
Weighted average number of ordinary shares outstanding (diluted)	805,548,401	804,315,663
Diluted earnings per share	-0.55 €	0.12 €

11. Related party transactions

The Group has entered into various transactions with related companies in 2007 and 2006 that have all been carried out in the normal course of business. As is the Group's policy, all related party transactions have to be carried out at arm's length. Transactions with related parties include the French State, Daimler, Lagardère and SEPI (Spanish State). Except for the transactions with the French State, such 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, Defence & Security and Astrium divisions.

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

12. Number of employees

The number of employees at December 31, 2007 is 116,493 as compared to 116,805 at December 31, 2006.

13. Subsequent events

On February 29, 2008, the U.S. Air Force awarded Northrop Grumman Corp., USA a contract for the development and procurement of up to 179 tanker aircraft for approximately 40 bn US\$. This dollar amount includes both priced options for 80 aircraft and unpriced options for another 99 as well as estimated support costs (currently unpriced). The initial contract for the newly named KC-45A is for the system design and development of four test aircraft for 1.5 bn US\$. The Air Force will be funding this initial tranche over the next three years. EADS North America Inc., USA is the partner to Northrop Grumman Corp., USA on the new tanker contract, with responsibility for assembling airframes and providing completed flight-qualified aircraft and refueling sub-systems. The Military Transport Aircraft Division (MTAD) is responsible within the EADS Group for all military derivative programmes based on Airbus platforms, including tankers. Starting in 2011, production of KC-45A airframes will be performed at Airbus' new Mobile, Alabama aerospace centre which will house the Airbus KC-45A final assembly facility. In addition, EADS Group and Airbus intend to transfer the final assembly of Airbus A330 civilian freighters there.

With regard to the plan to sell the Airbus sites in Méaulte, St. Nazaire Ville, Nordenham, Varel, Laupheim and Filton and the EADS site in Augsburg negotiations with selected preferred bidders (Latécoère in France, GKN in the UK and MT Aerospace in Germany) are ongoing. So far, binding agreements have not yet been reached. Furthermore, the potential divestment of the sites is still subject to EADS' Board of Directors decision.