

Year 2010 Report

Unaudited Condensed IFRS Consolidated Financial Information of EADS N.V. for the year ended December 31, 2010

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Unaudited Condensed IFRS Consolidated Income Statements

	January 1 - December 31, 2010		January 1 - December 31, 2009		Deviation
	M €	%	M €	%	M €
Revenues	45,752	100	42,822	100	2,930
Cost of sales	-39,528	-86	-38,383	-90	-1,145
Gross margin	6,224	14	4,439	10	1,785
Selling, administrative & other expenses	-2,414	-5	-2,298	-5	-116
Research and development expenses	-2,939	-6	-2,825	-6	-114
Other income	171	0	170	0	1
Share of profit from associates under the equity method and other income from investments	145	0	134	0	11
Profit (loss) before finance result and income taxes	1,187	3	-380	-1	1,567
Interest income	316	1	356	1	-40
Interest expense	-415	-1	-503	-1	88
Other financial result	-272	-1	-445	-1	173
Finance result	-371	-1	-592	-1	221
Income taxes	-244	-1	220	0	-464
Profit (loss) for the period	572	1	-752	-2	1,324
Attributable to:					
Equity owners of the parent (Net income)	553	1	-763	-2	1,316
Non-controlling interests	19	0	11	0	8
Earnings per share					
	€		€		€
Basic and diluted	0.68		-0.94		1.62

Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income

in M €	January 1 - December 31, 2010	January 1 - December 31, 2009
Profit (loss) for the period	572	-752
Foreign currency translation differences for foreign operations	119	-279
Net change in fair value of cash flow hedges	-3,184	1,492
Net change in fair value of available-for-sale financial assets	12	136
Actuarial losses on defined benefit plans	-127	-594
Unrealized changes from investments accounted for using the equity method ¹⁾	-161	33
Tax on income and expense recognized directly in equity	1,096	-381
Other comprehensive income, net of tax	-2,245	407
Total comprehensive income of the period	-1,673	-345
Attributable to:		
Equity owners of the parent	-1,679	-354
Non-controlling interests	6	9

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

Unaudited Condensed IFRS Consolidated Statements of Financial Position

	December 31, 2010		December 31, 2009		Deviation	
	M €	%	M €	%	M €	%
Non-current assets						
Intangible assets	11,299	14	11,060	14	239	2
Property, plant and equipment	13,504	17	12,586	16	918	7
Investments in associates under the equity method	2,451	3	2,514	3	-63	-3
Other investments and long-term financial assets	2,386	3	2,210	3	176	8
Other non-current assets	1,975	2	2,783	3	-808	-29
Deferred tax assets	4,250	5	2,656	3	1,594	60
Non-current securities	5,332	6	3,983	5	1,349	34
	41,197	50	37,792	47	3,405	9
Current assets						
Inventories	20,862	25	21,577	27	-715	-3
Trade receivables	6,632	8	5,587	7	1,045	19
Other current assets	3,632	4	4,238	5	-606	-14
Current securities	5,834	7	4,072	5	1,762	43
Cash and cash equivalents	5,030	6	7,038	9	-2,008	-29
	41,990	50	42,512	53	-522	-1
Total assets	83,187	100	80,304	100	2,883	4
Total equity						
Equity attributable to equity owners of the parent						
Capital stock	816	1	816	1	0	0
Reserves	7,691	9	7,182	9	509	7
Accumulated other comprehensive income	446	1	2,646	3	-2,200	-83
Treasury shares	-112	0	-109	0	-3	3
	8,841	11	10,535	13	-1,694	-16
Non-controlling interests	95	0	106	0	-11	-10
	8,936	11	10,641	13	-1,705	-16
Non-current liabilities						
Non-current provisions	8,213	10	8,137	10	76	1
Long-term financing liabilities	2,870	3	2,867	4	3	0
Deferred tax liabilities	1,195	2	751	1	444	59
Other non-current liabilities	18,203	22	15,532	19	2,671	17
	30,481	37	27,287	34	3,194	12
Current liabilities						
Current provisions	5,766	7	5,883	8	-117	-2
Short-term financing liabilities	1,408	2	2,429	3	-1,021	-42
Trade liabilities	8,546	10	8,217	10	329	4
Current tax liabilities	254	0	220	0	34	15
Other current liabilities	27,796	33	25,627	32	2,169	8
	43,770	52	42,376	53	1,394	3
Total liabilities	74,251	89	69,663	87	4,588	7
Total equity and liabilities	83,187	100	80,304	100	2,883	4

Unaudited Condensed IFRS Consolidated Statements of Cash Flows

	January 1 - December 31, 2010	January 1 - December 31, 2009
	M €	M €
Profit (loss) for the period attributable to equity owners of the parent (Net income (loss))	553	-763
Profit for the period attributable to non-controlling interests	19	11
<i>Adjustments to reconcile profit (loss) for the period to cash provided by operating activities</i>		
Depreciation and amortization	1,582	1,826
Valuation adjustments	-138	-20
Deferred tax (income)	-15	-428
Change in income tax assets, income tax liabilities and provisions for income tax	44	176
Results on disposals of non-current assets	-75	-31
Results of companies accounted for by the equity method	-127	-115
Change in current and non-current provisions	334	1,767
Change in other operating assets and liabilities	2,819	15
Cash provided by operating activities	4,996	2,438
<i>Investments:</i>		
- Purchases of intangible assets, PPE	-2,250	-1,957
- Proceeds from disposals of intangible assets, PPE	45	75
- Acquisitions of subsidiaries and joint ventures (net of cash)	-38	-21
- Proceeds from disposals of subsidiaries (net of cash)	12	13
- Payments for investments in associates and other investments and long-term financial assets	-190	-136
- Proceeds from disposals of associates and other investments and long-term financial assets	91	43
- Dividends paid by companies valued at equity	41	27
Disposals of non-current assets / disposal groups classified as held for sale and liabilities directly associated with non-current assets classified as held for sale	0	103
Change of securities	-3,147	-821
Contribution to plan assets for pensions	-553	-173
Cash used for investing activities	-5,989	-2,847
Change in long-term and short-term financing liabilities	-1,061	906
Cash distribution to EADS N.V. shareholders	0	-162
Dividends paid to non-controlling interests	-7	-4
Changes in capital and non-controlling interests	-48	17
Change in treasury shares	-3	-5
Cash (used for) provided by financing activities	-1,119	752
Effect of foreign exchange rate changes and other valuation adjustments on cash and cash equivalents	104	-50
Net (decrease) increase in cash and cash equivalents	-2,008	293
Cash and cash equivalents at beginning of period	7,038	6,745
Cash and cash equivalents at end of period	5,030	7,038

As of December 31, 2010, EADS' cash position (stated as cash and cash equivalents in the Unaudited Condensed IFRS Consolidated Statements of Cash Flows) includes 735 M € (751 M € as of December 31, 2009), which represents EADS' share in MBDA's cash and cash equivalents deposited at other shareholders. These funds are available for EADS upon demand.

Unaudited Condensed IFRS Consolidated Statements of Changes in Equity

in M €	Equity attributable to equity owners of the parent	Non-controlling interests	total
Balance at January 1, 2009	11,022	104	11,126
Loss for the period	-763	11	-752
Other comprehensive income	409	-2	407
Cash distribution to shareholders	-162	-4	-166
Capital Increase	15	2	17
Change in treasury shares	-5	0	-5
Others	19	-5	14
Balance at December 31, 2009	10,535	106	10,641
Balance at January 1, 2010	10,535	106	10,641
Profit for the period	553	19	572
Other comprehensive income	-2,232	-13	-2,245
Dividends	0	-7	-7
Capital decrease	-43	-13	-56
Capital increase	5	0	5
Change in treasury shares	-3	0	-3
Others	26	3	29
Balance at December 31, 2010	8,841	95	8,936

Explanatory notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at December 31, 2010

1. The Company

The accompanying Unaudited Condensed Consolidated Financial Statements 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 (current registered office at Mendelweg 30, 2333 CS Leiden, 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. The Unaudited Condensed IFRS Consolidated Financial Statements for the year ended December 31, 2010 were authorized for issue by EADS' Board of Directors on March 8, 2011.

2. Accounting policies

These Unaudited Condensed Consolidated Financial Statements have been 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) as at December 31, 2010 and 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 Standards Interpretation Committee ("SIC").

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

As a refinement of its hedging policy, EADS presents the fair value gains or losses of certain foreign exchange rate derivatives in EBIT to better reflect the natural offset these derivatives provide to the remeasurement gains or losses of specific foreign exchange rate items ('natural hedge') insofar as certain formal requirements are met.

a) New, Revised or Amended Standards

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

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

IFRS 3R "Business Combinations" and **IAS 27 (amend.)** "Consolidated and Separate Financial Statements" (revised and issued in January 2008, endorsed in June 2009) were applied prospectively by EADS including its consequential amendments to IFRS 2, IFRS 7 and IAS 39 from January 1, 2010 onwards. IFRS 3R continues to apply the acquisition method to business combinations but with some significant changes compared to its predecessor IFRS 3: The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations. Contingent consideration will be measured at fair value, with subsequent changes therein recognized 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 recognized in profit or loss. Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. Further, IAS 27 (amend.) requires that a change in the ownership interest of a subsidiary without gaining or losing control is accounted for as an equity transaction. Therefore such transactions regarding changes in non-controlling interest will no longer give rise to goodwill, nor will it give rise to a gain/loss. The changes introduced by IFRS 3R and IAS 27 (amend.) have to be applied prospectively to current and future business combinations as well as transactions with Shareholders holding a non-controlling interest in subsidiaries.

The objective of the Amendment “Eligible Hedged Items – **Amendment to IAS 39** “Financial Instruments: Recognition and Measurement”” (issued in July 2008, endorsed in September 2009) is to propose rules-based amendments to IAS 39 to simplify the hedge accounting requirements by clarifying the risks that may be designated as hedged risks and the portion of cash flows of a financial instrument that may be designated as a hedged item. The amendment was applied retrospectively by EADS for annual periods beginning on January 1, 2010.

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

b) New Interpretations

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

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

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

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

3. Accounting for the A400M programme

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

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

On November 5, 2010 EADS/Airbus/AMSL concluded the negotiations with OCCAR and the seven A400M launch customer nations with an agreement further detailing the principle agreement ("A400M Understanding") reached in March 2010. The revised OCCAR agreement is subject to ratification by each customer nation before final adoption. While the overall economics of the "A400M Understanding" remain unchanged, the government payments are now more back-loaded than previously expected. Negotiations on the related export levy facility (ELF) scheme are to be finalized with some nations in line with the "A400M Understanding" (following approval in France and Germany) as well as negotiations with certain suppliers (see Note 14 "Litigation and claims" and Note 15 "Subsequent events" for more details). The full receipt of the 1.5 billion € ELF is conditional to the finalization of the ELF contract negotiations with all OCCAR nations targeted for completion in 2011.

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

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

4. Changes in the consolidation perimeter of EADS

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

On January 7, 2009, DAHER acquired a 70% majority share of EADS SOCATA. The remaining 30% of EADS SOCATA are accounted for using the equity method and presented in "Other Businesses".

On December 3, 2010, EADS acquired Jena-Optronik GmbH, Jena after the approvals of the relevant anti-trust authorities.

As of December 31, 2010 Cassidian Air Systems sold Aircraft Services Lemwerder GmbH, Lemwerder to SGL Rotec GmbH & Co. KG. The assets and liabilities from the Eurofighter, Tornado, A400M and C160 programs have been transferred to Premium Aerotec GmbH.

5. Segment information

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

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

The reportable segments Airbus Commercial and Airbus Military form the Airbus Division.

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

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

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

The following table presents information with respect to the Group's business segments. "Other Businesses" mainly comprises the development, manufacturing, marketing and sale of regional turboprop aircraft, aircraft components as well as the Group's activities managed in the US. Consolidation effects, the holding function of EADS Headquarters and other activities not allocable to the reportable segments are disclosed in the column "HQ / Conso."

in M €	Airbus Commercial	Airbus Military	Euro-copter	Astrium	Cassidian	Other Businesses	Total segments	HQ/Conso.	Consolidated
Year ended December 31, 2010									
Revenues	27,673	2,684	4,830	5,003	5,933	1,182	47,305	-1,553	45,752
Research and development expenses	-2,311	-10	-189	-85	-251	-10	-2,856	-83	-2,939
Profit (loss) before finance result and income taxes	264	19	182	279	450	25	1,219	-32	1,187
EBIT pre-goodwill imp. and exceptionals (see definition below)	291	21	183	283	457	25	1,260	-29	1,231
Year ended December 31, 2009									
Revenues	26,370	2,235	4,570	4,799	5,363	1,096	44,433	-1,611	42,822
Research and development expenses	-2,293	-13	-164	-74	-216	-6	-2,766	-59	-2,825
Profit (loss) before finance result and income taxes	363	-1,756	262	257	437	21	-416	36	-380
EBIT pre-goodwill imp. and exceptionals (see definition below)	386	-1,754	263	261	449	21	-374	52	-322

6. 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.

The reconciliation from profit (loss) before finance result 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, 2010	January 1- December 31, 2009
Profit (loss) before finance result and income taxes	1,187	-380
Goodwill and exceptionals:		
Exceptional depreciation (fixed assets in cost of sales)	44	56
Exceptional disposal (fixed assets in other income)	0	2
EBIT pre-goodwill impairment and exceptionals	1,231	-322

7. Significant income statement items

Revenues of 45,752 M € (2009: 42,822 M €) increase by +2,930 M €, mainly at Airbus Commercial and Cassidian. Airbus Military includes revenues related to the A400M programme of 1,043 M € recognized under the percentage of completion method based on milestones (2009: 499 M € recognized under the early stage method of PoC accounting). Moreover, Eurocopter, Astrium and Other Businesses also contributed to the increase of revenues. Positive volume and mix effects in Airbus Commercial are partly offset by an unfavorable US dollar impact.

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

Research and development expenses increase by -114 M € to -2,939 M € (2009: -2,825 M €) principally reflecting an increase for the Airbus A350XWB and some Cassidian and Eurocopter programs partly compensated by a decrease in the Airbus A380 and A330-200F program.

Other income of 171 M € (2009: 170 M €) includes the gain on the disposals of DASELL Cabin Interior GmbH, Hamburg and Aircraft Services Lemwerder GmbH, Lemwerder.

Share of profit from associates under the equity method and other income from investments of 145 M € (2009: 134 M €) mainly consists of the result of Dassault Aviation of 130 M € (2009: 120 M €). Since for the second half-year 2010 no published financial information is available yet from Dassault Aviation at the date of authorization for issue of 2010 financial statements, EADS uses a best estimate for the net income of Dassault Aviation including a catch-up on results for 2009.

Finance result amounts to -371 M € (2009: -592 M €) comprising interest result of -99 M € (2009: -147 M €). The interest result is positively impacted by the reassessment of the future cash-outflows from certain refundable advances recorded in other financial liabilities. Other financial result amounts to -272 M € (2009: -445 M €) and mainly includes charges from the negative revaluation of financial instruments (-184 M €, 2009: -147 M €) and the unwinding of discounted provisions (-176 M €, 2009: -307 M €), partly compensated by the positive impact from foreign exchange translation of monetary items (71 M €, 2009: 54 M €).

The **income tax** expense of -244 M € (2009: +220 M €) corresponds to an effective income tax rate of 30% (2009: 23%).

8. Significant items of the statement of financial position

Non-current assets

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

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

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

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

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

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

Current assets

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

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

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

Cash and cash equivalents decrease from 7,038 M € to 5,030 M € (see also note 9 "Significant cash flow items").

Total equity

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

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

Non-current liabilities

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

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

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

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

Current liabilities

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

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

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

9. Significant cash flow items

Cash provided by operating activities increases by +2,558 M € to +4,996 M € (2009: +2,438 M €). Gross cash flow from operations (before changes in other operating assets and liabilities) of +2,177 M € falls below the prior period's level (2009: +2,423 M €). The decrease is affected by foreign exchange rate effects. Changes in other operating assets and liabilities amount to +2,819 M € (2009: +15 M €), mainly reflecting a high level of advance payments received and of

government receipts for development programmes as well as a decrease of inventories (mainly at Airbus).

Cash used for investing activities amounts to -5,989 M € (2009: -2,847 M €). This mainly comprises a change in securities of -3,147 M € (2009: -821 M €), purchases of intangible assets and property, plant and equipment of -2,250 M € (2009: -1,957 M €), namely in Airbus division and contributions to plan assets for pension obligations of -553 M € (2009: -173 M €).

Cash used for / provided by financing activities decreases by -1,871 M € to -1,119 M € (2009: +752 M €). The outflow in 2010 primarily comprises the repayment of the first tranche of the EMTN bond (1 billion €) included in financing liabilities.

10. Number of shares

The total number of shares outstanding is 811,061,638 and 810,908,611 as of December 31, 2010 and 2009, respectively. EADS' shares are exclusively ordinary shares with a par value of 1.00 €.

During the year 2010, the number of treasury shares held by EADS increased from 5,196,450 as of December 31, 2009 to 5,341,084 as of December 31, 2010.

In 2010, EADS issued 297,661 new shares (in 2009: no issuance of shares).

11. 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 period, excluding ordinary shares purchased by the Group and held as treasury shares:

	January 1 to December 31, 2010	January 1 to December 31, 2009
Net income (loss) attributable to equity owners of the parent	553 M €	-763 M €
Weighted average number of ordinary shares outstanding	810,693,339	809,698,631
Basic earnings per share	0.68 €	-0.94 €

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. After the end of the vesting period for the performance and restricted shares, the Group's only remaining category of dilutive potential ordinary shares is stock options. Since the average price of EADS shares exceeded the exercise price of the 5th stock option plan initiated by the Group in 2010 (in 2009: none of the stock option plans), 242,591 shares (in 2009: no shares), related to stock options were considered in the calculation of diluted earnings per share. In 2009, 1,491,482 shares related to performance and restricted shares were considered in the calculation, since the average price of EADS shares in 2009 exceeded the price of performance and restricted shares.

	January 1 to December 31, 2010	January 1 to December 31, 2009
Net income (loss) attributable to equity owners of the parent	553 M €	-763 M €
Weighted average number of ordinary shares outstanding (diluted)	810,935,930	811,190,113
Diluted earnings per share	0.68 €	-0.94 €

12. Related party transactions

The Group has entered into various transactions with related companies in 2010 and 2009 that have all been carried out in the normal course of business. As it 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 and SEPI, such transactions are not considered material to the Group either individually or on aggregate. The transactions with the French State include mainly sales from the Eurocopter, Astrium and Cassidian divisions. The transactions with SEPI include mainly sales from Airbus Military and Cassidian. With regard to the French and Spanish State as customers of the A400M programme please refer to Note 3 "Accounting for the A400M programme".

13. Number of employees

The number of employees as at December 31, 2010 is 121,691 as compared to 119,506 as at December 31, 2009.

14. Litigation and claims

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

Although EADS is not a party, EADS is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing. On 30 June 2010, the final report was published in the case brought by the US but did not become binding because it was appealed by both sides, with appeal proceedings now underway. On 31 January 2011, a non-binding confidential report was issued in the case brought by the EU concerning subsidies to Boeing; the report is expected to be released publicly on 31 March 2011 and is also likely to be appealed. Exact timing of further steps in the WTO litigation process is subject to further rulings and to negotiations between the US and the EU. Unless a

settlement, which is currently not under discussion, is reached between the parties, the litigation is expected to continue for several years.

The French Autorité des marchés financiers (the "AMF") began investigations in 2006 for alleged breaches of market regulations and insider trading rules with respect to, among other things, the A380 delays announced in 2006. On 1 April 2008, the AMF announced the notification of charges against EADS and certain of its current and former executives for breach of such market regulations and insider trading rules, respectively. On 22 July 2009, the Rapporteur of the Sanction Commission of the AMF issued a report regarding the charges notified by the AMF, which contained various recommendations to the Sanction Commission on the merits of the charges. Following oral hearings before the Sanction Commission which took place from 23-27 November 2009, the Sanction Commission decided, in a decision published on 17 December 2009, to dismiss all charges against EADS and the other notified persons. The Sanction Commission held that EADS had complied with all applicable market information duties, in particular in respect of risk of delays affecting the A380 programme and its development, and that there had been no breach of insider trading rules. The decision of the Sanction Commission is final and cannot be appealed. Nevertheless, following criminal complaints filed by several shareholders in 2006 (including civil claims for damages), French investigating judges are still carrying out an investigation based on the same facts.

In Germany, criminal proceedings regarding suspected insider trading offences did not establish any wrongdoing and have been terminated. However, since 2006, several shareholders have filed civil actions against EADS in Germany in order to recover their alleged losses in connection with the disclosure of A380 programme delays. Several of these plaintiffs have filed motions for "model proceedings", which would allow common issues of fact or law in multiple individual securities actions to be decided together with binding effect in all such actions. The proceedings are in their preliminary stage and the amounts claimed are relatively small.

On the basis of largely the same facts, institutional shareholders filed two separate requests in the second half of 2009 with the Enterprise Chamber (Ondernemingskamer) of the Court of Appeal in Amsterdam to open an inquiry into the management and affairs of EADS. On 3 November 2010, the Enterprise Chamber denied the applicants' requests to open an inquiry. While the decision of the Enterprise Chamber is final and cannot be appealed, a Dutch Foundation (*Stichting*) has threatened to initiate separate civil proceedings against EADS in the Netherlands for alleged breaches of market regulations with respect to the A380 delays announced in 2006.

On 12 June 2008, two actions were initiated in the United States District Court for the Southern District of New York, one of which was voluntarily withdrawn shortly thereafter. The remaining action purported to be a class action brought on behalf of all persons and entities residing in the United States who purchased or otherwise acquired EADS' common stock during the period from 27 July 2005 through 9 March 2007. The action sought damages in an unspecified amount, with interest and attorneys' fees, for alleged violations of the US securities laws in connection with financial disclosures issued by EADS in 2005, 2006 and 2007 and public statements made during that same time frame relating to A380 programme delays. On 26 March 2010, the Court granted defendants' motion to dismiss for lack of subject matter jurisdiction. On 23 April 2010, plaintiff filed a notice of appeal of the Court's decision, which was voluntarily withdrawn on 23 August 2010.

On 10 November 2009, Airbus Military SL (AMSL) notified Europrop International GmbH (EPI), the engine manufacturer under the A400M aircraft programme, that it had a number of contractual claims against it for breach of Milestones 7, 8 and 9 under the engine agreement, in an amount currently totalling approximately €500 million. On 8 February 2010, EPI notified AMSL of its own claims under the engine agreement in an amount totalling approximately €425 million, and on 23

February 2010, EPI sent notice of its intent to seek arbitration, and of its sending of a request for arbitration to the International Chamber of Commerce (ICC) on the same day. On 4 May 2010, AMSL and EPI entered into a Standstill Agreement to allow without prejudice business discussions and renegotiations, which are ongoing.

In 2005, the liquidator of FlightLease Holdings Group (a SwissAir subsidiary and 50% shareholder of the special purpose vehicle GFAC, a joint venture between Swissair and GATX), prompted a lawsuit by GFAC against Airbus in a court in New York to recover USD 227 million in pre-delivery payments, together with interest and costs. The lawsuit followed Airbus' termination of a purchase agreement with GFAC in October 2001 for 38 single-aisle and long-range aircraft, in the context of Swissair's bankruptcy. In 2006, the FlightLease liquidator brought a separate action before the commercial court of Paris to recover an additional USD 319 million in pre-delivery payments, together with interest and costs, on a separate purchase agreement between Airbus and a wholly owned subsidiary of FlightLease (which was also terminated by Airbus in the context of SwissAir's bankruptcy). On 6 February 2009, the trial judge in the New York action decided in favor of GFAC. Airbus appealed the decision to the appellate division. In May 2010, while the decision on Airbus' appeal in the New York lawsuit was still pending and before trial had commenced in the Paris lawsuit, the parties agreed on a confidential settlement to terminate all proceedings.

Following an investigation conducted by the Italian Guardia di Finanza, Italian tax authorities are currently evaluating whether Astrium owes any overdue tax in Italy related to its past contractual relationships. In parallel, the Italian Public Prosecutor decided at the end of December 2009 to initiate proceedings against Astrium's legal representatives for failure to file a tax declaration and attempted fraud. Astrium has submitted memoranda to Italian tax authorities in support of its position, and is currently awaiting a response. In the meantime, Astrium will continue to defend itself as well as the concerned legal representatives.

On 30 July 2010, Constructions Industrielles de la Méditerranée ("CNIM") brought an action against EADS and certain of its subsidiaries before the commercial court of Paris, alleging anti-competitive practices, breach of long term contractual relationships and improper termination of pre-contractual discussions. CNIM is seeking approximately €115 million in damages on a joint and several basis. EADS believes that the plaintiff's action lacks merit and will mount a vigorous defense. The proceedings are currently at an early stage.

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

15. Subsequent events

The progress of the negotiations with the A400M Launch Nations regarding the export levy facility schemes for the A400M were reflected during January 2011 by the authorization of the German budgetary Committee to proceed with the German export levy facility scheme on January 26, 2011 as well as the signature of the export levy scheme with France on January 31, 2011.

On February 28, 2011 Astrium Services GmbH obtained control of ND SatCom GmbH, Immenstaad (Germany), a supplier of satellite and ground systems equipment and solutions, by

acquiring 75.1% percent of the shares and voting interests in the company. The preparation of the closing financial statements of ND SatCom has not been finalized yet.